

**Rasan Information Technology Company
and its Subsidiaries
(A Closed Joint Stock Company)**

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

FOR THE YEAR ENDED 31 DECEMBER 2023

Rasan Information Technology Company and its Subsidiaries
(A Closed Joint Stock Company)

CONSOLIDATED 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 Rasan Information Technology Company
(A Closed Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Rasan Information Technology Company (the "Company") and its subsidiaries (collectively, with the Company referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated 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.

Basis for Opinion

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

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

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

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

Those charged with governance, i.e., audit committee, are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rasan Information Technology Company
(A Closed Joint Stock Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rasan Information Technology Company
(A Closed Joint Stock Company)

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

for Ernst & Young Professional Services

Abdulaziz S. Alarifi
Certified Public Accountant
License No. (572)



Riyadh: 15 Shawwal 1445H

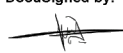
24 April 2024

Rasan Information Technology Company and its Subsidiaries
(A Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Note</i>	2023 SR	2022 SR
ASSETS			
CURRENT ASSETS			
Bank balances and cash	5	116,490,434	77,397,342
Restricted cash	6	34,317,325	-
Trade receivables, prepayments and other assets	7	37,177,187	15,054,470
Amount due from related parties	8	66,795,386	-
TOTAL CURRENT ASSETS		254,780,332	92,451,812
NON-CURRENT ASSETS			
Property and equipment	9	16,736,036	8,522,466
Intangible assets	10	40,576,208	28,923,621
Right-of-use assets	11	4,845,109	3,776,155
Deferred tax asset	13	250,000	-
TOTAL NON-CURRENT ASSETS		62,407,353	41,222,242
TOTAL ASSETS		317,187,685	133,674,054
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	12	177,191,083	41,534,777
Amounts due to related parties	8	2,580,077	7,205,117
Lease liability – current	11	1,539,486	1,032,552
Zakat and income tax payable	13	5,542,716	3,323,091
TOTAL CURRENT LIABILITIES		186,853,362	53,095,537
NON-CURRENT LIABILITIES			
Employees' defined benefits liabilities	14	6,982,412	3,832,205
Lease liability – non current	11	2,358,259	2,275,471
TOTAL NON-CURRENT LIABILITIES		9,340,671	6,107,676
TOTAL LIABILITIES		196,194,033	59,203,213
SHAREHOLDERS' EQUITY			
Share capital	15	70,500,000	25,500,000
Statutory reserve	16	4,254,385	7,680,000
Retained earnings		47,670,630	41,520,693
Actuarial valuation reserve	14	(1,702,394)	-
Currency translation reserve		271,031	(229,852)
TOTAL SHAREHOLDERS' EQUITY		120,993,652	74,470,841
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		317,187,685	133,674,054

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Chief Executive Officer
Moayad Abdullah AlFallaj

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Chief Financial Officer
Rajaa Radwan Khoder

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

Rasan Information Technology Company and its Subsidiaries
(A Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Note</i>	2023 SR	2022 SR
Revenue from contract with customers	18	256,234,155	162,491,088
Cost of revenue	19	(107,837,762)	(60,595,752)
GROSS PROFIT		148,396,393	101,895,336
General and administrative expenses	20	(79,636,517)	(47,927,991)
Marketing expenses	21	(18,227,721)	(12,198,798)
OPERATING PROFIT		50,532,155	41,768,547
Finance costs	22	(321,684)	(1,595,497)
Other income/(expenses), net	23	1,034,571	(2,458,523)
INCOME BEFORE ZAKAT AND INCOME TAX		51,245,042	37,714,527
Zakat	13	(3,770,720)	(3,305,091)
Income tax	13	(1,521,996)	-
NET INCOME FOR THE YEAR		45,952,326	34,409,436
<i>Other comprehensive income/ (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		500,883	(232,973)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurements of employees' defined benefit liabilities	14	(1,702,394)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		44,750,815	34,176,463
Earnings per share			
Earnings per share attributable to ordinary equity holders of the Company (basic and diluted)	17	0.65	0.49

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Chief Executive Officer
Moayad Abdullah AlFallaj

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Chief Financial Officer
Rajaa Radwan Khoder

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

Rasan Information Technology Company and its Subsidiaries
(A Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

	<i>Statutory reserve SR</i>				<i>Retained earnings SR</i>			<i>Actuarial valuation reserve SR</i>	<i>Currency translation reserve SR</i>	<i>Total shareholders' equity SR</i>
	<i>Share capital SR</i>	<i>Saudi shareholders SR</i>	<i>Non-Saudi shareholder SR</i>	<i>Total SR</i>	<i>Saudi shareholders SR</i>	<i>Non-Saudi shareholder SR</i>	<i>Total SR</i>			
As at 1 January 2022	25,500,000	5,447,986	-	5,447,986	9,343,271	-	9,343,271	-	3,121	40,294,378
Net income for the year	-	-	-	-	34,409,436	-	34,409,436	-	-	34,409,436
Other comprehensive losses	-	-	-	-	-	-	-	-	(232,973)	(232,973)
Total comprehensive income for the year	-	-	-	-	34,409,436	-	34,409,436	-	(232,973)	34,176,463
Transfer to statutory reserve (note 16)	-	2,232,014	-	2,232,014	(2,232,014)	-	(2,232,014)	-	-	-
Balance at 31 December 2022	25,500,000	7,680,000	-	7,680,000	41,520,693	-	41,520,693	-	(229,852)	74,470,841
Capital increase (note 15)	45,000,000	(7,650,000)	-	(7,650,000)	(37,350,000)	-	(37,350,000)	-	-	-
Net income for the year	-	-	-	-	41,619,022	4,333,304	45,952,326	-	-	45,952,326
Other comprehensive losses	-	-	-	-	-	-	-	(1,702,394)	500,883	(1,201,511)
Total comprehensive income for the year	-	-	-	-	41,619,022	4,333,304	45,952,326	(1,702,394)	500,883	44,750,815
Income tax reimbursed by non-Saudi shareholder (note 8)	-	-	-	-	-	-	1,771,996	-	-	1,771,996
Transfer to statutory reserve (note 16)	-	3,826,026	398,359	4,224,385	(3,826,026)	(398,359)	(4,224,385)	-	-	-
Balance at 31 December 2023	70,500,000	3,856,026	398,359	4,254,385	41,963,689	3,934,945	47,670,630	(1,702,394)	271,031	120,993,652

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

Rasan Information Technology Company and its Subsidiaries
(A Closed Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 SR	2022 SR
OPERATING ACTIVITIES			
Income before zakat and income tax		51,245,042	37,714,527
<i>Adjustments to reconcile income before zakat and income tax to net cash flows from operating activities:</i>			
Depreciation of property and equipment	9	2,895,096	1,401,619
Amortization of intangible assets	10	7,945,960	6,699,054
Write-off of intangible assets	10	235,403	-
Depreciation of right-of-use assets	11	2,260,581	1,311,088
Loss on derecognition of leased asset		5,531	-
Interest received on call deposits	23	(518,379)	-
Government grant received	23	(504,000)	-
Provision for expected credit losses	7	2,168,038	6,687
Write-off of amount due from a related party	8	8,461,961	-
Provision for employees' defined benefits liabilities	14	2,224,757	1,325,940
Unwinding of the remaining day one gain on fair valuation of loan payable to a related party		-	2,532,632
Finance costs on loan payable to a related party		-	1,351,445
Finance costs on lease liability	11	273,559	216,428
<i>Operating cash flows before working capital changes</i>		<u>76,693,549</u>	<u>52,559,420</u>
<i>Working capital changes:</i>			
Trade receivables, prepayments and other current assets		(24,290,755)	(1,596,621)
Restricted cash	6	(34,317,325)	-
Amounts due from related parties		(73,485,351)	9,674,570
Trade and other payables		135,638,533	26,081,143
Amounts due to related parties		(4,625,040)	(19,173,188)
Cash from operating activities		<u>75,613,611</u>	<u>67,545,324</u>
Zakat paid	13	(3,305,316)	(1,474,462)
Finance costs paid		(273,559)	(216,428)
Government grant received	23	504,000	-
Employees' defined benefits paid	14	(776,944)	(196,457)
Net cash from operating activities		<u>71,761,792</u>	<u>65,657,977</u>
INVESTING ACTIVITIES			
Purchase of property and equipment	9	(11,247,227)	(5,296,475)
Interest received on call deposits	23	518,379	-
Additions to intangible assets	10	(19,833,950)	(16,261,832)
Net cash used in investing activities		<u>(30,562,798)</u>	<u>(21,558,307)</u>
FINANCING ACTIVITIES			
Lease liability paid		(2,904,610)	(1,747,817)
Net cash used in financing activities		<u>(2,904,610)</u>	<u>(1,747,817)</u>
INCREASE IN BANK BALANCES AND CASH		<u>38,294,384</u>	<u>42,351,853</u>
Currency translation adjustments		798,708	(232,973)
Bank balances and cash at the beginning of the year		77,397,342	35,278,462
BANK BALANCES AND CASH AT THE END OF THE YEAR	5	<u><u>116,490,434</u></u>	<u><u>77,397,342</u></u>
<i>Significant non-cash transactions:</i>			
Conversion of amount due to a related party to loan payable to a related party		-	(26,378,307)
Addition to right-of-use assets and lease liability	11	3,507,066	992,706

The attached notes 1 to 32 form an integral part of these consolidated financial statements.

Rasan Information Technology Company and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

1 ORGANIZATION AND ACTIVITIES

Rasan Information Technology (the “Company” or the “Parent Company”) is a closed joint stock registered in the Kingdom of Saudi Arabia (“KSA”) under commercial registration number 1010476663 dated 5 Sha’ban 1437H (corresponding to 12 May 2016). The Company’s head office is located at Riyadh and its registered address is P.O. Box 13248, Riyadh 3413, Kingdom of Saudi Arabia. During the financial year 2022, the Company’s legal status has changed from a limited liability company to a closed joint stock company. Further, on 1 November 2022, the shareholders of the Company appointed financial advisor to go for an Initial Public Offering (“IPO”).

The Company is engaged in online wholesale, electronic publishing, ready software publishing, systems analysis, design and customization of program software’s, software maintenance and web page design, setting up of web page hosting infrastructure, providing SMS design and website design.

Currently, the Company is engaged in providing insurance aggregator, online auto auction and online leasing insurance services (refer note 18).

The consolidated financial statements include the financial statements of the Company and its controlled subsidiaries (collectively with the Company referred to as the “Group”) listed below:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Nature of business</i>	<i>Direct and indirect ownership %</i>	
			<i>2023</i>	<i>2022</i>
Rasan Software House LLC	UAE	Computer systems & communication equipment software design.	100%	100%
Rasan LLC	Egypt	Analysis and design of programs, databases and applications and all related services.	100% (*)	100% (*)
Awal Mozawadah Information Technology LLC	KSA	The company is engaged in vehicle’s auctions, towing and storage.	100%	100%
Tameeni Electronic Insurance Brokerage Company	KSA	Electronic insurance brokerage.	100%	100%
Treza LLC	KSA	Design and program special software, interface design & user experience and application development.	100%	-

(*) 1% of the shareholding in Rasan LLC – Egypt, is held by Mr. Muaiyad Abdullah Suliman Alfallaj (shareholder in the Company) in the beneficial interest of the Company.

- Rasan Software House LLC is a limited liability company registered under the United Arab Emirates (“UAE”) Federal Law No. 2 of 2015 (UAE Companies Law), Dubai, UAE with registration number 779139 issued on 26 March 2020 by the Department of Economic Development – Government of Dubai. The registered address of the company is office 1102, Midas REF Limited, Business Bay, Dubai, UAE.
- Rasan LLC is a limited liability company registered under the Egyptian Law No. 159 of 1981 (Egyptian Companies Law), Cairo, Arab Republic of Egypt (“Egypt”) with registration number 137619 issued on 18 July 2020 by Ministry of Supply & Internal Trading – Egypt. The registered address of the company is ground floor, Concord, Building 334 90th South Street, 5th Settlement, New Cairo.
- Awal Mozawadah Information Technology LLC is a limited liability company registered in Kingdom of Saudi Arabia under commercial registration number 1010627669 issued on 24 Jumad Thani 1441H (corresponding to 18 February 2020). The registered address of the company is building No. 3413, Al Thumama Road, Qurtubah, Riyadh, Saudi Arabia, 13248.

Rasan Information Technology Company and its Subsidiaries (A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

1 ORGANIZATION AND ACTIVITIES (continued)

- Tamini Electronic Insurance Brokerage Company is a limited liability company registered in Kingdom of Saudi Arabia under commercial registration number 1010838913 issued on 12 Rabi Al-Thani 1444H (corresponding to 6 November 2022). The registered address of the company is 1st Floor, Argan Building, Al Thumamah Road, Al Munisiyah Dist, Riyadh, Saudi Arabia, 13249.
- Treza LLC is a limited liability company registered in Kingdom of Saudi Arabia under commercial registration number 1010867990 issued on 21 Rajab 1444H (corresponding to 13 March 2023). The registered address of the company is 1st Floor, Argan Building, Al Thumamah Road, Al Munisiyah Dist, Riyadh, Saudi Arabia, 13249.

2 BASIS OF PREPARATION

Statement of compliance

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

Accounting convention

These consolidated financial statements have been prepared on a historical cost basis except for the employees' defined benefit liabilities, which are measured at the present value of the liability using projected unit credit methodology.

Functional and presentation currency

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries set out in note 1 above and are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- b) Exposure, or rights, to variable returns from its involvement with the investee; and
- c) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a) The contractual arrangement(s) with the other vote holders of the investee
- b) Rights arising from other contractual arrangements
- c) The Group's voting rights and potential voting rights

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

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Rasan Information Technology Company and its Subsidiaries

(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

2 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3 MATERIAL ACCOUNTING POLICY INFORMATION

The following is the summary of material accounting policies applied by the Group in preparing its consolidated financial statements:

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

The Group classifies all other assets as non-current.

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 Group classifies all other liabilities as non-current.

Fair value measurement

The Group measures financial instruments at fair value at each reporting date.

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

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

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

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

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

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

Rasan Information Technology Company and its Subsidiaries
(A Closed Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value measurement (continued)

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

- Level 1 - Quoted (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 recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of an asset or a liability and level of the fair value hierarchy as explained above.

Revenue from contract with customers

The Group provides aggregator services related to motor & health insurance and online auto auction. Furthermore, the group provides an online leasing platform to banks (Treza leasing), and also involved in developing insurance analytics software R Solutions that allows it's customers to perform insurance analytics. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its leasing and R solutions revenue arrangements, because it typically controls the goods or services before transferring them to the customer, except for revenue arrangements related to auto auction (Awal Mazad) and for which the Group concluded it acts as an agent in such arrangements.

For Tameeni, the Group has obtained the insurance E-brokerage license on 1 May 2023 from the Saudi Central Bank (SAMA) and started selling insurance policies from 10 July 2023 directly to the customers, acting as an insurance aggregator. Previously the contracts to act as an insurance aggregator were between insurance companies and Insurance House Company (related party to the Group) which were transferred to the Group after obtaining its insurance E-brokerage license. As such, following the change the Group is acting as agent in the Tameeni revenue streams.

The Group uses the five-step model of revenue recognition as described in IFRS 15 Revenue from Contracts with Customers. In particular, the Group has the following policies with respect to identification of performance obligations, allocation of the transaction price and recognition of revenue allocated to each performance obligation.

Identification of performance obligations:

At the inception of each contract entered into with a customer, the Group identifies the various goods promised in the contract and assesses whether the same are 'distinct' and, hence, are separate performance obligations. Goods promised to be transferred to the customer are deemed to be distinct when the customer can benefit from the goods either on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the goods to the customer is separately identifiable from other promises in the contract.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue from contract with customers (continued)

Allocation of the transaction price:

The Group determines the transaction price in accordance with the requirements of IFRS 15 and allocates it to each of the performance obligations identified in the contract based on the relative stand-alone selling prices of the services (whether directly observable or estimated).

Recognition of revenue allocated to each performance obligation:

The Group recognizes its sale at the time of issuing the invoice.

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group will adjust at the year end the amount of consideration to which the Group is entitled in exchange for transferring the promised services to a customer.

Other income

Other income is recognized in the consolidated statement of comprehensive income as and when earned.

Zakat and tax

Zakat

The Company and local subsidiary is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is provided on an accrual basis and charged to the consolidated statement of profit or loss. The zakat charge is computed on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved.

Income tax

Non-Saudi based owners of the Group in KSA are subject to corporate income tax in KSA based on their share of the results, which is included as a current period expense in the statement of profit or loss and other comprehensive income. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the relevant tax authorities. The tax rates and tax laws used to compute the amount of corporate income taxes due are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the Company's tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Current income tax assets and liabilities for current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax is recognized in the statement of profit or loss and other comprehensive income. Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except for deferred tax assets which are only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date.

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax ("VAT"), except:

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- Receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from, or payable to ZATCA is included as part of receivables or payables in the consolidated statement of financial position.

Rasan Information Technology Company and its Subsidiaries
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on the items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rate during the period. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to consolidated statement of comprehensive income during the reporting period in which they are incurred.

The estimated useful lives of the property and equipment for the calculation of depreciation are as follow:

	<i>Useful life (in years)</i>
Computers	4
Equipment	5
Furniture and Fixtures	6
Vehicles	5
Servers and network	5

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property and equipment (continued)

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between net sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Capital work in progress is stated at cost less impairment loss, if any and consists of expenditures incurred and advances made in the course of installation. Transfers are made to relevant asset category as and when assets are available for intended use.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and write off. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is charged to the profit or loss in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The cost of the intangible asset is the purchase price together with any incidental expenses of acquisition and staff cost incurred on development of internally generated intangibles. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of intangible assets and the benefits can be measured reliably. All other expenditure is recognized in the consolidated statement of comprehensive income as an expense is incurred.

An intangible asset is derecognized 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 recognized in the consolidated statement of comprehensive income.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Intangible assets (continued)

Research and development costs (continued)

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization, accumulated impairment losses and write-off. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales and general and administrative expenses. During the period of development, the asset is tested for impairment annually.

The useful life of the intangible assets is 5 years. The amortization charge for the year is calculated on a straight-line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Leases

The Group 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes 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 Group recognizes 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 recognized, 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:

- Building 2 to 5 years

If ownership of the leased asset transfers to the Group 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.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group 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.

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

ii) Lease liabilities (continued)

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are disclosed in consolidated statement of financial position.

iii) Short-term leases and leases of low-value assets

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

Financial instruments

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

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group 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 Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized 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 flow that are not SPPI are classified and measured at fair value through profit or loss, irrespective of business model.

The Group'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 amortized cost are held within a business model with an 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement

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

- Financial assets at amortized 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 amortized cost (debt instruments)

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

The Group’s financial assets at amortized cost includes trade receivables 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 recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group does not have any financial assets at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

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

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

The Group does not have any such financial assets in current year and prior years.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

The Group does not have any such financial assets in current year and prior years.

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Group 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; or either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case,

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

i) Financial assets (continued)

The Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 Group could be required to repay.

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for trade receivables and bank balances. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group uses minimal PD's and LGD's to calculate ECLs for trade receivables.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities includes trade payables, accruals, amounts due to related parties and lease liabilities.

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 amortized 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. Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

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 Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortisation process.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)

Amortized 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 the consolidated statement of comprehensive income.

The Group has no loans and borrowings in the current and comparative financial year.

Derecognition

A financial liability is derecognized 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 recognized in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

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

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared at Group level, which is considered as a CGU. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses are recognized in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Bank balances and cash

Bank balances and cash in the statement of financial position comprise cash at banks and cash in hand.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Restricted cash

The restricted cash comprises the proceeds of gross insurance premiums from the customers. These funds are held in an escrow bank account managed by a payment gateway provider. These are presented separately from bank balances and cash as the Group has contractual agreement with the insurance companies to keep the proceeds from gross premium in separate bank accounts.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income 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 recognized as a finance cost.

Employees' defined benefit liabilities

The Group primarily has end of service benefits which qualify employees' defined benefit obligation ("DBO").

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected in retained earnings as other reserves and will not be reclassified to consolidated statement of comprehensive income in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

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

The Group presents the first two components of defined benefit costs in profit or loss in relevant line items and the last component in other comprehensive income.

Short-term employee benefits

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

Earnings per share (EPS)

Basic and diluted EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments.

Dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2023

4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS

The preparation of Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

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

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Going concern

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

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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables

The Group uses minimal PD's and LGD's to calculate ECLs for trade receivables. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the provision for ECLs on the Group's trade receivables is disclosed in note 7.

Provision for expected credit losses of bank balances

Provision for expected credit losses for the bank balance is based on the international credit rating of the counterparty.

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4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (continued)

Useful lives and residual values of property and equipment and intangible assets

The Group's management determines the estimated useful lives and residual values of its property and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually, and the depreciation and amortisation method to make sure that the depreciation method and period are consistent with the expected pattern of the assets' economic benefits. Residual value is determined based on experience and observable data where available.

Defined benefit plans (employees' end of service benefits)

The cost of defined benefit plans and the present value of such obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and, mortality rates.

Due to the complexity of the valuation, the underlying assumptions 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.

The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Future salary increases are based on the expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available local mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employees' end of service benefits are provided in note 14.

Development costs of intangible assets

The Group capitalises costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

Leases - Estimating the incremental borrowing rate

The Group 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 Group 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 Group '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 Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Revenue Recognition – Principal vs. Agent

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has assessed its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent and has concluded that it is the principal in its revenue arrangements because it is the primary obligator in all revenue arrangements, has pricing latitude, typically controls the goods or services before transferring them to the customer and is exposed to credit risks. The Group has generally concluded that it is the principal in its leasing and R solutions revenue arrangements, because it typically controls the goods or services before transferring them to the customer, except for revenue arrangements related to auto auction (Awal Mazad) and for which the Group concluded it acts as an agent in such arrangements.

For Tameeni, the Group has obtained the insurance E-brokerage license on 1 May 2023 from the Saudi Central Bank (SAMA) and started selling insurance policies from 10 July 2023 directly to the customers, acting as an insurance aggregator. Previously the contracts to act as an insurance aggregator were between insurance companies and Insurance House Company (related party to the Company) which were transferred to the Group after obtaining its insurance E-brokerage license. As such, following the change the Group is acting as agent in the Tameeni revenue streams.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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4 SIGNIFICANT ACCOUNTING JUDGMENT, ESTIMATES AND ASSUMPTIONS (continued)

Judgement in accounting for IPO costs

The Company has estimated total IPO cost amounting to SR 36.6 million out of which an amount of SR 8.4 million will be related to a primary offering (listing new shares).

The SR 8.4 million has been split between the share issuance and listing costs, the share issuance will be charged to equity upon listings. As at 31 December 2023, Company estimated SR 5.5 million (note 7) as share issuance cost and SR 2.9 million as listing expense. Therefore, SR 2.9 million has been recorded in the profit and loss account and SR 5.5 million has been recorded as deferred IPO cost, this will be charged to equity upon issuance of shares.

The remaining SR 28.2 million (note 8) relates to secondary offering (sale of existing share by shareholders) and will be borne by shareholders.

5 BANK BALANCES AND CASH

	2023	2022
	SR	SR
Bank balances	116,459,912	77,367,680
Cash in hand	30,522	29,662
	<u>116,490,434</u>	<u>77,397,342</u>

6 RESTRICTED CASH

The restricted cash comprises the proceeds of gross insurance premiums received from the customers. These funds are held in an escrow bank account managed by a payment gateway provider. The funds are utilized to settle payments to insurance companies after deducting the Group's brokerage commission and recoverable costs. Recoverable costs refer to expenses incurred in facilitating customer transactions, which are later recuperated from the insurance companies.

7 TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS

	2023	2022
	SR	SR
Trade receivables	19,830,301	8,004,997
Less: provision for expected credit losses	(2,176,919)	(8,881)
	<u>17,653,382</u>	<u>7,996,116</u>
Prepayments	6,037,760	5,301,876
Deferred IPO listing cost (note 4)	5,491,250	-
VAT receivable - net	5,413,954	-
Bank guarantee	1,500,000	100,000
Advances to suppliers	601,593	942,430
Security deposits	224,157	270,457
Others	255,091	443,591
	<u>37,177,187</u>	<u>15,054,470</u>

It is not the practice of the Group to obtain collateral over receivables and the vast majorities are unsecured.

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31 December 2023

7 TRADE RECEIVABLES, PREPAYMENTS AND OTHER ASSETS (continued)

As at 31 December, movement in the provision for expected credit losses is as follows:

	2023 SR	2022 SR
At the beginning of the year	8,881	2,194
Provided during the year	2,168,038	6,687
At the end of the year	2,176,919	8,881

As at 31 December, the ageing analysis of accounts receivable is as follows:

<i>31 December 2023</i>	<i>Total SR</i>	<i>Current SR</i>	<i>1–30 days SR</i>	<i>31–60 days SR</i>	<i>61–90 days SR</i>	<i>> 91 days SR</i>
Expected credit losses rate	11%	-	-	-	-	84%
Gross carrying amount	19,830,301	5,879,378	3,264,123	4,975,262	3,113,003	2,598,535
Expected credit losses	2,176,919	-	-	-	-	2,176,919
<i>31 December 2022</i>	<i>Total SR</i>	<i>Current SR</i>	<i>1–30 days SR</i>	<i>31–60 days SR</i>	<i>61–90 days SR</i>	<i>> 91 days SR</i>
Expected credit losses rate	0.11%	-	0.03%	-	0.03%	0.34%
Gross carrying amount	8,004,997	2,684,880	785,819	-	2,191,945	2,342,353
Expected credit losses	8,881	-	236	-	658	7,987

8 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders (note 15), directors, and key management personnel of the Group and entities controlled or significantly influenced by such parties.

Following is the list of related parties of the Group:

<i>Name of related parties</i>	<i>Nature of relationship</i>
Suliman Abdullah Suliman Alfallaj	Saudi shareholder
Samer Mohamad Reslan	Non-Saudi Shareholder
Muaiyad Abdullah Suliman Alfallaj	Saudi shareholder
Insurance House Company (“IHC”)	Related party to shareholders
Abuhimed Alsheikh Alhagbani Law Firm (“AS&H”)	Related party to shareholders
Thiqah Business Services (“Watheq”)	Related party to shareholders
Arabian Company for Traveller Services	Related party to shareholders

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2023

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Related party transactions during the year are as follows:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		<i>2023</i> <i>SR</i>	<i>2022</i> <i>SR</i>
Insurance House Company (IHC)	Revenue	145,363,384	159,617,415
	Collection against the revenue	91,645,937	107,799,748
	Expenses paid by IHC on behalf of the Group	2,198,033	39,263,393
	Write off of amount due from IHC	8,461,961	-
	Refunds	300,000	1,832,146
	Loan settlement	-	26,378,307
Abuhimed Alsheikh Alhagbani Law Firm (AS&H)	Legal expenses incurred by the Parent Company	1,036,106	991,190
Thiqah Business Services (Watheq)	Data validation cost incurred by the Parent Company	4,603,821	2,661,951
Arabian Company for Traveller Services	Travel expenses incurred by the Parent Company	785,715	899,631
Shareholders	IPO Recoverable cost (note 4)	28,247,545	-
Samer Mohamad Reslan	Income tax receivable (note 13.4)	1,771,996	-

(b) Amounts due from related parties:

	<i>2023</i> <i>SR</i>	<i>2022</i> <i>SR</i>
Insurance House Company	36,775,845	-
Shareholders (note 4)	28,247,545	-
Income tax receivable from a non-Saudi shareholder (note 13.4)	1,771,996	-
	<u>66,795,386</u>	<u>-</u>

(c) Amounts due to related parties:

	<i>2023</i> <i>SR</i>	<i>2022</i> <i>SR</i>
Insurance House Company	-	5,981,608
Abuhimed Alsheikh Alhagbani Law Firm (AS&H)	377,783	841,677
Thiqah Business Services (Watheq)	2,202,294	381,832
	<u>2,580,077</u>	<u>7,205,117</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2023

8 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) Compensation of key management personnel:

	<i>2023</i> <i>SR</i>	<i>2022</i> <i>SR</i>
Short term benefits	5,291,520	4,407,014
End of service benefits	370,406	275,102
	<u>5,661,926</u>	<u>4,682,116</u>

Pricing policies and terms of payments of transactions with related parties are approved by the management.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

9 PROPERTY AND EQUIPMENT

	<i>Computers SR</i>	<i>Equipment SR</i>	<i>Furniture and fixture SR</i>	<i>Vehicles SR</i>	<i>Servers and network SR</i>	<i>Work in progress SR</i>	<i>Total 2023 SR</i>
Cost:							
At 1 January 2023	2,115,186	441,303	3,211,906	154,179	5,687,994	514,453	12,125,021
Additions during the year	1,098,903	331,326	2,714,028	-	6,022,256	1,080,714	11,247,227
Exchange rate difference	(193,979)	(12,348)	(46,949)	(234)	(1,788)	-	(255,298)
At 31 December 2023	3,020,110	760,281	5,878,985	153,945	11,708,462	1,595,167	23,116,950
Depreciation:							
At 1 January 2023	875,992	140,952	634,242	51,326	1,900,043	-	3,602,555
Charge for the year	553,462	136,088	772,434	30,784	1,402,328	-	2,895,096
Exchange rate difference	(84,591)	(7,425)	(24,398)	(6)	(317)	-	(116,737)
At 31 December 2023	1,344,863	269,615	1,382,278	82,104	3,302,054	-	6,380,914
Net carrying amount:							
At 31 December 2023	1,675,247	490,666	4,496,707	71,841	8,406,408	1,595,167	16,736,036

Work in progress relates to the network and servers upgrading to support the back-office system, this is expected to be completed in quarter 3 of 2024.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

9 PROPERTY AND EQUIPMENT (continued)

	<i>Computers SR</i>	<i>Equipment SR</i>	<i>Furniture and fixture SR</i>	<i>Vehicles SR</i>	<i>Servers and network SR</i>	<i>Work in progress SR</i>	<i>Total 2022 SR</i>
Cost:							
At 1 January 2022	1,196,617	165,006	696,871	154,179	2,605,431	2,010,442	6,828,546
Additions during the year	918,569	276,297	504,593	-	3,082,563	514,453	5,296,475
Transfer	-	-	2,010,442	-	-	(2,010,442)	-
At 31 December 2022	2,115,186	441,303	3,211,906	154,179	5,687,994	514,453	12,125,021
Depreciation:							
At 1 January 2022	535,636	84,265	232,831	20,557	1,327,647	-	2,200,936
Charge for the year	340,356	56,687	401,411	30,769	572,396	-	1,401,619
At 31 December 2022	875,992	140,952	634,242	51,326	1,900,043	-	3,602,555
Net carrying amount:							
At 31 December 2022	1,239,194	300,351	2,577,664	102,853	3,787,951	514,453	8,522,466

The depreciation charge for the year was allocated as follows:

	2023 SR	2022 SR
Cost of sales (note 19)	170,388	-
General and administrative expenses (note 20)	2,724,708	1,401,619
	2,895,096	1,401,619

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

10 INTANGIBLE ASSETS

	<i>Tameeni SR</i>	<i>Awal Mazad SR</i>	<i>Treza IHC lease SR</i>	<i>Treza direct lease SR</i>	<i>IT license & software SR</i>	<i>R Solutions SR</i>	<i>Warshati SR</i>	<i>Medical Malpractice SR</i>	<i>Work in progress SR</i>	<i>Total 2023 SR</i>
Cost:										
At 1 January 2023	29,743,552	4,489,360	2,580,703	2,474,616	341,638	-	-	-	8,189,628	47,819,497
Transfer	-	-	-	-	-	270,981	3,570,430	899,563	(4,740,974)	-
Write off	-	-	-	-	-	-	-	-	(235,403)	(235,403)
Additions during the year	7,586,004	1,528,830	1,360,553	1,028,161	32,058	1,083,125	567,673	834,942	5,812,604	19,833,950
At 31 December 2023	37,329,556	6,018,190	3,941,256	3,502,777	373,696	1,354,106	4,138,103	1,734,505	9,025,855	67,418,044
Amortization:										
At 1 January 2023	15,672,465	1,864,820	664,261	680,476	13,854	-	-	-	-	18,895,876
Charge for the year	5,435,070	1,057,314	655,361	595,654	72,602	128,342	469	1,148	-	7,945,960
At 31 December 2023	21,107,535	2,922,134	1,319,622	1,276,130	86,456	128,342	469	1,148	-	26,841,836
Net carrying amount:										
At 31 December 2023	16,222,021	3,096,056	2,621,634	2,226,647	287,240	1,225,764	4,137,634	1,733,357	9,025,855	40,576,208

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2023

10 INTANGIBLE ASSETS (continued)

	<i>Tameeni SR</i>	<i>Awal Mazad SR</i>	<i>Treza IHC lease SR</i>	<i>Treza direct lease SR</i>	<i>IT license & software SR</i>	<i>Work in progress SR</i>	<i>Total 2022 SR</i>
Cost:							
At 1 January 2022	21,224,581	3,515,819	1,818,541	1,874,166	-	3,124,558	31,557,665
Additions during the year	8,518,971	973,541	762,162	600,450	341,638	5,065,070	16,261,832
At 31 December 2022	29,743,552	4,489,360	2,580,703	2,474,616	341,638	8,189,628	47,819,497
Amortization:							
At 1 January 2022	10,624,026	1,080,592	239,840	252,364	-	-	12,196,822
Charge for the year	5,048,439	784,228	424,421	428,112	13,854	-	6,699,054
At 31 December 2022	15,672,465	1,864,820	664,261	680,476	13,854	-	18,895,876
Net carrying amount:							
At 31 December 2022	14,071,087	2,624,540	1,916,442	1,794,140	327,784	8,189,628	28,923,621

The amortization charge for the year was allocated as follows:

	2023 SR	2022 SR
Cost of sales (note 19)	7,873,358	6,699,054
General and administrative expenses (note 20)	72,602	-
	7,945,960	6,699,054

Rasan Information Technology Company and its Subsidiaries

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

10 INTANGIBLE ASSETS (continued)

Following is the description of the major intangible assets:

- **Tameeni Motors** - Tameeni is the online insurance aggregator in the Kingdom of Saudi Arabia. Tameeni has made it easier and quicker for customers compare quotations and to buy motor insurance anytime and anywhere. Tameeni is integrated with more than 20 insurance companies.
- **Tameeni SME Health** – Similar to Motors, Tameeni Health is also the online insurance aggregator in the Kingdom of Saudi Arabia, supported by Monsha'at (Small and Medium Enterprises General Authority). Tameeni SME Health platform provides small and medium enterprises with a wider choice and fully automated experience making their life easier in buying health insurance needs for their employees. Tameeni SME Health is integrated with more than 11 insurance companies. Platform also provides easy and simple experience to add or cancel members or even to cancel a policy. The platform offers immediate and systematic upload to Cooperative Health Insurance Council “CCHI”
- **Awal Mazad** - Awal Mazad is the online auto auction platform connecting banks and insurance companies with buyers. Empowered with experienced team and innovative technology, it provides one stop solution for individuals and car traders to buy vehicles from multiple sources such as banks and insurance companies.
- **Treza** - Treza is an online leasing insurance platform, that allows lessors to ensure their leased vehicles by providing them with instant quotes from all Insurance Companies. Treza currently helping 16+ banks/financial institutions in KSA to get quotations and issue policies in a seamless process. Through Treza, every lessor has their own customized Treza platform to fulfil their business needs. The seamless connection that Treza provides with the Insurance Companies eliminates any delay or hassle created by using traditional means for purchasing leasing insurance. Treza also offers auto renew the issued policies as per the defined tenure.
- **R solutions** – The R solutions is designed for data analytics, portfolio performance monitoring and predictive modelling insurance software.
- **Warshati** – Warshati (also known as “my workshop”), it is a concept where customers will be able to generate multiple repair quotations from various registered workshops online. Customers will be able to compare and chose the right option for them through the platform.
- **Medical Malpractice** – This product supports medical malpractice insurance. Medical Malpractice insurance is mandatory for all healthcare professionals practicing in the Kingdom Saudi Arabia. Proof of coverage must be presented upon registration with the Ministry of Health (MOH). This insurance can be obtained through Medical Malpractice in two ways: either on a Group basis, wherein a healthcare facility procures a policy covering all employed practitioners; or on an Individual basis, wherein practitioners secure their own coverage when their employer does not offer this service.

Below are some of the major software which are under development as at 31 December 2023 and presented under work in progress:

- **Auto Loan** – It is a new online solution, which will enable customers, showroom sales agents, and bank sales agents to submit auto leasing requests and receive the final approval for loan disbursement digitally, reduce the allocated time and resources, and provide a full-fledged system that can integrate with the existing banking system to submit requests and receive loan approvals. Also, customers will be able to buy cars online without physical presence.
- **Corporate Health Insurance** – The corporate health insurance platform is being developed to streamline corporate health insurance administration processes. It aims to simplify tasks such as requesting quotations, creating contracts, signing agreements, reviewing quotations, and managing policies. This platform will facilitate efficient collaboration among users, brokers, and insurance providers, ultimately enhancing overall workflow efficiency.

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31 December 2023

10 INTANGIBLE ASSETS (continued)

- **Travel** - Travel insurance is an insurance product for covering unforeseen losses incurred while travelling, either internationally or domestically. Once developed the cloud aggregator platform will provide a comprehensive solution for travel insurance, seamlessly connecting insurers and offering a streamlined process from accepting customer input to policy issuance.
- **VAS** - VAS (Value Added Services) is marketplace administration system that defines a set products and services from different suppliers, and give any connected platform (such as Tameeni, Warshati, Awal Mazad etc.) the ability to sell these products and services as add-ons to their main offers. VAS will have all market administration features, including the ability to define products along with their primary information and set different prices for them. It will also be able to control the quantity of these products' inventories as well as their master data, which includes attributes, clients, and suppliers, and create various sales offer packages. VAS will handle all sales transactions from ordering and reserving goods through tracking the delivery to the consumers.
- **Claim** - Claims Solution/Platform is being designed for the benefit of the insurance companies, customers, and the workshops to improve the overall claim process experience. The platform will offer an automated efficient way to manage Motor claims throughout the life cycle.
- **Domestic Worker Insurance** – Domestic worker insurance platform once developed will provide worker insurance quotation comparison for the sponsoring employers.

11 RIGHT-OF-USE ASSETS AND LEASE LIABILITY

The Group has lease contracts for offices. The Group's obligations under its leases are unsecured.

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

	2023	2022
	SR	SR
At the beginning of the year	3,776,155	4,094,537
Additions	3,507,066	992,706
Derecognition	(18,648)	-
Depreciation (note 20)	(2,260,581)	(1,311,088)
Exchange rate difference	(158,883)	-
At the end of the year	4,845,109	3,776,155

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

	2023	2022
	SR	SR
At the beginning of the year	3,308,023	4,063,134
Accretion of interest	273,559	216,428
Additions	3,507,066	992,706
Derecognition	(13,117)	-
Payments	(3,178,169)	(1,964,245)
Exchange rate difference	383	-
At the end of the year	3,897,745	3,308,023
Current	1,539,486	1,032,552
Non-current	2,358,259	2,275,471
	3,897,745	3,308,023

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2023

11 RIGHT-OF-USE ASSETS AND LEASES LIABILITY (continued)

Below is the maturity analysis of discounted and undiscounted lease liabilities:

<i>For the year ended 31 December 2023</i>	<i>Total SR</i>	<i>Within 1 year SR</i>	<i>1-3 years SR</i>
Lease payments – Gross	4,255,797	1,760,447	2,495,350
Finance costs	(358,052)	(220,961)	(137,091)
Net present value	<u>3,897,745</u>	<u>1,539,486</u>	<u>2,358,259</u>
<i>For the year ended 31 December 2022</i>	<i>Total SR</i>	<i>Within 1 year SR</i>	<i>1-3 years SR</i>
Lease payments – Gross	3,662,682	1,143,254	2,519,428
Finance costs	(354,659)	(110,702)	(243,957)
Net present value	<u>3,308,023</u>	<u>1,032,552</u>	<u>2,275,471</u>

The following are the amounts recognized in consolidated statement of comprehensive income:

	<i>2023 SR</i>	<i>2022 SR</i>
Depreciation expense of right-of-use assets (note 20)	2,260,581	1,311,088
Finance costs on lease liabilities (note 22)	273,559	216,428
Loss on derecognition	5,531	-
Total amount recognized in the consolidated statement of comprehensive income	<u>2,539,671</u>	<u>1,527,516</u>

The Group had total cash outflows for leases of SR 3,178,169 in 2023 (2022: SR 1,964,245). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 3,507,066 in 2023 (2022: SR 992,706).

12 TRADE AND OTHER PAYABLES

	<i>2023 SR</i>	<i>2022 SR</i>
Trade payables	67,439,258	12,069,654
Accruals	61,130,376	25,463,051
Payables to insurance companies	46,497,676	-
Refundable deposits	1,690,702	1,583,000
Accrued salaries and benefits	133,382	168,927
VAT payable	-	2,247,812
Others	299,689	2,333
	<u>177,191,083</u>	<u>41,534,777</u>

Trade payables represent amounts payable to ELM, payment gateways and other suppliers, which are typically settled within 30 to 60 days and do not accrue interest.

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13 ZAKAT AND INCOME TAX

13.1 Amounts recognized in statement of comprehensive income

	2023 SR	2022 SR
Income before zakat and income tax	51,245,042	-
Income before zakat and income tax - attributable to Saudi shareholders @ 90.57%	46,412,635	-
Income before zakat and income tax - attributable to a non-Saudi shareholder @ 9.43% (note 13.4)	4,832,407	-
Zakat expense:		
Charge for the year	3,770,720	3,305,091
	<u>3,770,720</u>	<u>3,305,091</u>
Tax expense:		
Charge for current year (note 13.4)	1,771,996	-
Deferred tax benefit - Current year (note 13.3)	(250,000)	-
	<u>1,521,996</u>	<u>-</u>
Zakat and income tax expense	<u>5,292,716</u>	<u>3,305,091</u>

The principal elements of the zakat base attributable to Saudi shareholders are as follows:

	2023 SR	2022 SR
Equity	128,520,769	75,932,052
Adjusted income chargeable to zakat- attributable to Saudi shareholders @ 90.57%	80,699,198	56,887,271
Provisions and other opening allowances	(58,391,167)	(615,683)
Zakat base	<u>150,828,800</u>	<u>132,203,640</u>
Zakat @ 2.5%	<u>3,770,720</u>	<u>3,305,091</u>

13.2 Zakat and current tax provision during the year

The movement in the zakat and tax provision for the year is as follows:

	Zakat payable SR	Income tax payable SR	Total SR
31 December 2023			
At 1 January	3,323,091	-	3,323,091
Charge for the year (13.1)	3,770,720	1,771,996	5,542,716
Payments during the year	(3,305,091)	-	(3,305,091)
Zakat adjustment	(18,000)	-	(18,000)
At 31 December	<u>3,770,720</u>	<u>1,771,996</u>	<u>5,542,716</u>

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13 ZAKAT AND INCOME TAX (continued)

13.2 Zakat and current tax provision during the year (continued)

	<i>Zakat payable SR</i>	<i>Income tax payable SR</i>	<i>Total SR</i>
<i>31 December 2022</i>			
At 1 January	1,492,462	-	1,492,462
Charge for the year	3,305,091	-	3,305,091
Payments during the year	(1,474,462)	-	(1,474,462)
At 31 December	<u>3,323,091</u>	<u></u>	<u>3,323,091</u>

13.3 Deferred tax

The movement in the deferred tax asset for the year as follows:

	<i>2023 SR</i>	<i>2022 SR</i>
At 1 January	-	-
Deferred tax asset originated during the year	<u>250,000</u>	-
At 31 December	<u>250,000</u>	-

Deferred tax relates to the following:

	<i>Statement of financial position</i>	
	<i>2023 SR</i>	<i>2022 SR</i>
Property and equipment	142,904	-
Provision for impairment of trade receivable	41,054	-
Employees' defined benefits liabilities	56,030	-
Re-measurements of employees' defined benefit liabilities	10,012	-
Deferred tax asset	<u>250,000</u>	-

	<i>Statement of Comprehensive income</i>	
	<i>2023 SR</i>	<i>2022 SR</i>
Property and equipment	142,904	-
Provision for impairment of trade receivable	41,054	-
Employees' defined benefits liabilities	56,030	-
Re-measurements of employees' defined benefit liabilities	10,012	-
Deferred tax credits during the year	<u>250,000</u>	-

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13 ZAKAT AND INCOME TAX (continued)

13.4 Income tax reconciliation

Reconciliation of tax expense and the accounting income multiplied by Kingdom of Saudi Arabia's domestic tax rate for 2023 and 2022 is as follows.

	2023	2022
	SR	SR
Income before zakat and income tax - attributable to a non-Saudi shareholder @ 9.43% (note 13.1, note 15)	4,832,407	-
<i>Tax adjustments:</i>		
Subsidiaries losses not deductible for tax purposes	2,340,331	-
Items not deductible for tax purposes	1,687,244	-
Adjusted income before zakat and income tax - attributable to a non-Saudi shareholder @ 9.43%	8,859,982	-
At the effective income tax rate of 20%	1,771,996	-

Status of assessments

The Group submit zakat return on standalone basis for the Company and its local subsidiaries separately. Below is the status of assessment of the Company and its subsidiaries.

Rasan Information Technology Company

The Company has submitted its zakat returns for all prior years up to 31 December 2022 to the Zakat, Tax and Custom Authority ("ZATCA"). Zakat assessments up to year ended 31 December 2021 is finalized by ZATCA.

The Company has filled a revised return for its zakat and income tax returns for the financial year ended 31 December 2022. Upon review, management found discrepancies related to the accrual of income tax liability, primarily stemming from changes in shareholding due to the issuance of new shares to Mr. Samer Mohammad Reslan, who holds 9.43% of shares (note 15) and is subject to income tax as a non-GCC national.

The initial submission overstated the zakat provision by SR 660,006 and understated the income tax liability by same amount due to this oversight. Subsequently, the revised return was filed to rectify these errors. Management has concluded that this reclassification only results in the change of zakat note presentation, the overall charge has not changed, hence the prior year note has not been reclassified. Additionally, the revision revealed an unrecognized deferred tax asset of SR 125,324 as of 31 December 2022. Management has also concluded that the prior year unrecognized deferred tax asset is not material.

Rasan Software House LLC

The company is not subject to income tax in United Arab Emirates.

Awal Mozawadah LLC

The company has submitted its Zakat return for all prior years up to 31 December 2021 to ZATCA. Zakat assessment for all years is yet to be reviewed by ZATCA.

Rasan Egypt

The company has submitted its Zakat returns for all prior years up to 31 December 2021 to Egyptian Tax Authority. Tax assessment is yet to be reviewed by Egyptian Tax Authority.

Tamini Electronic Insurance Brokerage Company

The company is yet to submit its first zakat return.

Treza LLC

The company was registered in March 2023 and as at the year ended 31 December 2023 has not filed Zakat return to ZATCA.

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14 EMPLOYEES' DEFINED BENEFIT LIABILITIES

A) Net benefit expense recognized in the consolidated statement of comprehensive income:

	2023 SR	2022 SR
Current service cost	2,224,757	1,325,940
Re-measurements of employees' defined benefit liabilities	1,702,394	-
	<u>3,927,151</u>	<u>1,325,940</u>

B) Changes in the present value of the defined benefit obligation:

	2023 SR	2022 SR
At the beginning of the year	3,832,205	2,702,722
Current service cost	2,224,757	1,325,940
Re-measurements of employees' defined benefit liabilities	1,702,394	-
Benefits paid	(776,944)	(196,457)
At the end of the year	<u>6,982,412</u>	<u>3,832,205</u>

C) Allocation of current service cost

	2023 SR	2022 SR
Cost of sales	290,275	-
General and administrative expense (note 20)c	1,934,482	1,325,940
At the end of the year	<u>2,224,757</u>	<u>1,325,940</u>

D) Significant assumptions

	2023 %	2022 %
Discount rate	5.00	3.15
Future salary increases	5.00	5.00
Death in service	100% WHO (2019)	100% SLIC (2016)
Withdrawal before normal retirement life	Age based	Age based

A quantitative sensitivity analysis for salary change assumption on the defined benefit obligation as at 31 December:

31 December 2023		Impact on employees' end-of-service benefits	
Sensitivity level	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(1,097,192)	1,372,269
Future salary increases	1%	1,381,885	(1,122,166)

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14 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

D) Significant assumptions (continued)

Sensitivity level	Change in assumption	Impact on employees' end-of-service benefits	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(522,727)	683,228
Future salary increases	1%	677,413	(529,346)

15 SHARE CAPITAL

Share capital is divided into 70,500,000 shares of SR 1 each (31 December 2022: 2,550,000 shares of SR 10 each). The Board of Directors in their meeting held on 18 Dhu Al-Hijjah 1444H (corresponding to 6 July 2023) proposed to the shareholders of the Company to increase the share capital of the Company from SR 25.5 million to SR 70.5 million through transfer from statutory reserve and retained earnings as at 31 December 2022. The increase in capital was approved by the shareholders in their assembly held on 21 Dhu Al-Hijjah 1444H (corresponding to 9 July 2023). This also resulted in a change in the nominal value of shares. The related legal formalities were completed on 31 July 2023.

The shareholders of the Company as at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023		31 December 2022	
	Number of shares	Ownership %	Number of shares	Ownership %
Assets custody development impact company for communications and IT	13,148,250	18.65%	475,602	18.65%
Theeb Bin Hdaiban Bin Ghalab Al Mutairi	9,975,750	14.15%	360,849	14.15%
Muhaidib Ali Mohammed Almuhaideb	8,643,300	12.26%	312,736	12.26%
Samer Mohamad Reslan (note 13.4)	6,648,150	9.43%	240,566	9.43%
Mohammed Muhaideb Ali Almuhaideb	4,653,000	6.60%	168,396	6.60%
Impact funds for financial Technology company	4,519,050	6.41%	163,438	6.41%
Fahad Ahmad Mohammed Abu Hemaideh	3,454,500	4.91%	125,094	4.91%
Majed Abdullah Mohammed Al Bawari	3,405,150	4.83%	123,074	4.83%
Muaiyad Abdullah Suliman Alfallaj	3,405,150	4.83%	123,073	4.83%
Abdulrahman Abdullah Abdulrahman Ayban	3,405,150	4.83%	123,073	4.83%
Sami Muhaidib Ali Al Muhaidib	3,327,600	4.72%	120,283	4.72%
Ayman Abdullah Suliman Alfallaj	1,572,150	2.23%	56,774	2.23%
Suliman Abdullah Suliman Alfallaj	1,572,150	2.23%	56,774	2.23%
Thamer Abdullah Suliman Alfallaj	1,572,150	2.23%	56,774	2.23%
AbdulElah Mohammed Maneea Alghofaili	1,198,500	1.71%	43,494	1.71%
	70,500,000	100%	2,550,000	100%

16 STATUTORY RESERVE

In accordance with the bye-laws, the Company has transferred 10% of the profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution.

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17 EARNINGS PER SHARE

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2023 SR	2022 SR
Net income for the year	45,952,326	34,409,436
Weighted average number of shares for basic and diluted EPS	70,500,000	70,500,000
Earnings per share (basic and diluted)	0.65	0.49

18 REVENUE FROM CONTRACT WITH CUSTOMERS

Disaggregation of revenue

Below is the disaggregation of revenue by product:

	2023 SR	2022 SR
Tameeni	198,832,930	127,645,724
Treza Leasing	53,241,665	32,789,233
Awal Mazad	3,534,560	2,056,131
R Solutions	625,000	-
Total revenue	256,234,155	162,491,088

Tameeni gross revenue before discounts amounts to SR 203,041,568 (2022: SR 132,173,496).

Timing of revenue recognition

All revenue is recognized at a point in time I

Performance obligations

The performance obligation is satisfied upon providing services to the customers.

19 COST OF SALES

	2023 SR	2022 SR
Data validation and other direct cost	55,010,131	41,423,644
Payment gateways and bank charges	26,737,356	6,153,007
Employees' salaries and other benefits	14,688,184	4,185,525
Amortization of intangible assets (note 10)	7,873,358	6,699,054
Communication expenses	3,358,344	2,134,522
Depreciation of property and equipment (note 9)	170,389	-
	107,837,762	60,595,752

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20 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	SR	SR
Employees' salaries and other benefits	44,997,873	28,092,678
Write-off of amount due from a related party	8,461,961	-
IT Licenses, subscriptions and maintenance	7,176,728	3,558,017
Professional and legal fees	4,539,322	8,087,575
Depreciation of property and equipment (note 9)	2,724,708	1,401,619
Depreciation of right of use assets (note 11)	2,260,581	1,311,088
Provision for expected credit losses (note 7)	2,168,038	6,687
Employees' defined benefit liabilities (note 14)	1,934,482	1,325,940
Utilities and communication	882,370	658,544
Withholding tax	729,870	46,524
Rental charges	346,689	298,723
Write-off of intangible assets related to discontinued project (note 10)	235,403	-
Amortization of intangible assets (note 10)	72,602	-
Other	3,105,890	3,140,596
	79,636,517	47,927,991

21 MARKETING EXPENSES

	2023	2022
	SR	SR
Football sponsorships	8,986,438	6,041,460
Advertising on social media	7,620,537	2,762,780
Other marketing campaigns	1,620,746	2,723,272
Sales incentives	-	671,286
	18,227,721	12,198,798

22 FINANCE COSTS

	2023	2022
	SR	SR
Finance costs on lease liabilities (note 11)	273,559	216,428
Other costs	48,125	27,624
Finance costs on loan from a related party (unwinding impact)	-	1,351,445
	321,684	1,595,497

23 OTHER INCOME /(EXPENSES), NET

	2023	2022
	SR	SR
Interest on call deposit	518,379	-
Governmental incentives	504,000	-
Unwinding of the remaining day one gain on fair valuation of loan payable to a related party	-	(2,532,634)
Other	12,192	74,111
	1,034,571	(2,458,523)

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24 CONTINGENCIES AND COMMITMENTS

As at 31 December 2023, the Group has a letter of guarantee amounting to SR 1,500,000 (31 December 2022: SR 100,000). There are no other contingencies and commitments reported as at the date of consolidated statement of financial position except as reported above.

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise trade payables, accruals, amounts due to related parties and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, bank balance and due from related parties that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The senior management provides assurance to the Board of Directors that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

a) Market risk

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

i) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Riyals therefore the Group's exposure to currency risk is nil.

ii) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/ mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. The Group is not exposed to the price risk because Group is not engaged in any commodity market nor it has any investments in equity instruments.

iii) Interest rate risk

Interest rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Group is not exposed to interest rate risk as there are no loans with floating interest rates.

b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) other current financial assets and related parties' balances) and from its financing activities, including deposits with banks.

Trade receivables

Customer credit risk is managed according to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

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25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 7. The Group does not hold collateral as security.

Credit risk from balances with banks and is managed in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the senior management on an annual basis and may be updated throughout the year. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

As at 31 December 2023 and 31 December 2022, the credit risk exposure of Group trade receivables is as follows:

	<i>Total SR</i>	<i>Current SR</i>	<i>1–30 days SR</i>	<i>31–60 days SR</i>	<i>61–90 days SR</i>	<i>> 91 days SR</i>
31 December 2023						
Expected credit losses rate	11%	0%	0%	0%	0%	84%
Gross carrying amount	19,830,301	5,879,378	3,264,123	4,975,262	3,113,003	2,598,535
Expected credit losses	2,176,919	-	-	-	-	2,176,919
31 December 2022						
Expected credit losses rate	0.11%	0%	0.03%	0%	0.03%	0.34%
Carrying amount	8,004,997	2,684,880	785,819	-	2,191,945	2,342,353
Expected credit losses	8,881	-	236	-	658	7,987

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group continuously monitors its risk of a shortage of funds.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and loans from partners.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual discounted payments:

31 December 2023	<i>Total SR</i>	<i>Less than 1 month SR</i>	<i>1 – 3 months SR</i>	<i>3 – 6 months SR</i>	<i>6 months – 1 year SR</i>	<i>More than 1 year SR</i>
Trade and other payable	177,191,083	177,191,083	-	-	-	-
Due to related parties	2,580,077	2,580,077	-	-	-	-
Lease liability	3,897,745	-	112,987	644,479	782,020	2,358,259
	<u>183,668,905</u>	<u>179,771,160</u>	<u>112,987</u>	<u>644,479</u>	<u>782,020</u>	<u>2,358,259</u>

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25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

c) Liquidity risk (continued)

<i>31 December 2022</i>	<i>Total SR</i>	<i>Less than 1 month SR</i>	<i>1 – 3 months SR</i>	<i>3 – 6 months SR</i>	<i>6 months – 1 year SR</i>	<i>More than 1 year SR</i>
Trade and other payable	41,534,777	41,534,777	-	-	-	-
Due to related parties	7,205,117	7,205,117	-	-	-	-
Lease liability	3,308,023	-	264,847	251,429	516,276	2,275,471
	<u>52,047,917</u>	<u>48,739,894</u>	<u>264,847</u>	<u>251,429</u>	<u>516,276</u>	<u>2,275,471</u>

26 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

26.1 FINANCIAL ASSETS

	<i>2023 SR</i>	<i>2022 SR</i>
Financial assets at amortized cost:		
Trade receivables (note 7)	17,653,382	7,996,116
Restricted cash (note 6)	34,317,325	-
Due from related parties (note 8)	65,023,390	-
Other current financial assets	1,724,157	7,058,354
	<u>118,718,254</u>	<u>15,054,470</u>
Bank balances and cash (note 5)	116,490,434	77,397,342
Total financial assets	<u>235,208,688</u>	<u>92,451,812</u>

26.2 FINANCIAL LIABILITIES

	<i>Effective Interest rate</i>	<i>Maturity</i>	<i>2023 SR</i>	<i>2022 SR</i>
Current liabilities				
Trade and other payables (note 12)	Interest free	Less than 1 year	177,191,083	41,534,777
Lease liabilities (note 11)	6.50% -10.50%	Less than 1 year	1,539,486	1,032,552
Due to related parties (note 8)	Interest free	Less than 1 year	2,580,077	7,205,117
			<u>181,310,646</u>	<u>49,772,446</u>
Non-current liabilities				
Lease liabilities	6.50% -10.50%	1-3 years	2,358,259	2,275,471
			<u>2,358,259</u>	<u>2,275,471</u>

26.3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	<i>1 January 2023 SR</i>	<i>Cash flows SR</i>	<i>New lease SR</i>	<i>Others SR</i>	<i>31 December 2023 SR</i>
Lease liabilities	3,308,023	(3,178,169)	3,507,066	260,825	3,897,745
Total liabilities from financing activities	<u>3,308,023</u>	<u>(3,178,169)</u>	<u>3,507,066</u>	<u>260,825</u>	<u>3,897,745</u>

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26 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

26.3 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	<i>1 January 2022 SR</i>	<i>Cash flows SR</i>	<i>New lease SR</i>	<i>Others SR</i>	<i>31 December 2022 SR</i>
Lease liabilities	4,063,134	(1,964,245)	992,706	216,428	3,308,023
Total liabilities from financing activities	<u>4,063,134</u>	<u>(1,964,245)</u>	<u>992,706</u>	<u>216,428</u>	<u>3,308,023</u>

27 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, statutory reserve, and all other equity reserves attributable to the equity holders of the parent.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for partners and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debt.

The Group is not subject to any external imposed capital requirements and following are the elements of capital that are managed by the Group:

	<i>2023 SR</i>	<i>2022 SR</i>
Trade and other payables (note 12)	177,191,083	41,534,777
Due to related parties (note 8)	2,580,077	7,205,117
Zakat and income tax payable (note 13)	5,542,716	3,323,091
Lease liability (note 11)	3,897,745	3,308,023
Employees' defined benefits liabilities (note 14)	6,982,412	3,832,205
Less: Bank balances and cash (note 5)	(116,490,434)	(77,397,342)
Less: Restricted cash (note 6)	(34,317,325)	-
Net debt/(cash)	<u>45,386,274</u>	<u>(18,194,129)</u>
Equity	<u>120,993,652</u>	<u>74,470,841</u>
Capital and net debt/(cash)	<u>166,379,926</u>	<u>56,276,712</u>
Gearing ratio	<u>27.28%</u>	<u>-32.33%</u>

28 SEGMENT INFORMATION

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

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28 SEGMENT INFORMATION (continued)

For management purposes, the Group is organised into the following primary operating segments:

	2023	2022
	SR	SR
Tameeni – Motors	160,611,036	99,686,181
Tameeni – Health	38,221,894	27,959,543
Leasing	53,241,665	32,789,233
Awal Mazad	3,534,560	2,056,131
R Solutions	625,000	-
Total revenue from contracts with customers	256,234,155	162,491,088
Cost of revenues	(107,837,762)	(60,595,752)
Expenses	(98,185,922)	(61,722,286)
Other income /(expenses), net	1,034,571	(2,458,523)
Segment profit before zakat and income tax	51,245,042	37,714,527

	<i>Tameeni – Motors and Health</i>	<i>Leasing</i>	<i>Awal Mazad</i>	<i>R Solutions</i>	<i>Unallocated</i>	<i>Total</i>
<i>At 31 December 2023</i>	SR	SR	SR	SR	SR	SR
Total assets	<u>128,488,949</u>	<u>10,769,599</u>	<u>3,216,346</u>	<u>1,484,514</u>	<u>173,228,277</u>	<u>317,187,685</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,194,033</u>	<u>196,194,033</u>
	<i>Tameeni - Motors</i>	<i>Leasing</i>	<i>Awal Mazad</i>	<i>R Solutions</i>	<i>Unallocated</i>	<i>Total</i>
<i>At 31 December 2022</i>	SR	SR	SR	SR	SR	SR
Total assets	<u>35,063,185</u>	<u>10,953,884</u>	<u>2,732,065</u>	<u>-</u>	<u>84,924,920</u>	<u>133,674,054</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,203,213</u>	<u>59,203,213</u>

Details of the above segments are disclosed in note 10 to the consolidated financial statements.

The Group only operates in the Kingdom of Saudi Arabia where majority of operating assets are held. Therefore, no geographical segment information presented.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of bank balances, accounts receivable, restricted cash, other current assets and amounts due from related parties.

Financial liabilities consist of trade and other payables, lease liabilities and amounts due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

During the year ended 31 December 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

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31 December 2023

30 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

New standards, interpretations and amendments thereof, adopted by the Group

The following new and amended IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these consolidated financial statements.

<i>Standard, interpretation, and amendments</i>	<i>Description</i>	<i>Effective date</i>
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 Group's consolidated financial statements.	Annual periods beginning on or after 1 January 2023.
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 Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.	Annual periods beginning on or after 1 January 2023.

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 Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<i>Standard, interpretation, and amendments</i>	<i>Description</i>	<i>Effective date</i>
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing change to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024

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31 December 2023

30 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Standards Issued but not yet effective (continued)

<i>Standard, interpretation, and amendments</i>	<i>Description</i>	<i>Effective date</i>
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures.	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024

31 EVENTS AFTER REPORTING PERIOD

The Capital Market Authority ("CMA") Board has issued its resolution dated 15 Ramadan 1445H (corresponding to 25 March 2024) approving Rasan Information Technology Company's application for the registration and the offering of (22,740,000) shares representing (30%) of the Company's share capital.

Other than above, no other events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure, in these consolidated financial statements.

32 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by Board of Directors on 21 April 2024 (corresponding to 12 Shawwal 1445H).