

ERTEQA FINANCIAL COMPANY
(A SINGLE MEMBER LIMITED LIABILITY COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
AND INDEPENDENT AUDITOR'S REPORT

ERTEQA FINANCIAL COMPANY
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Independent auditor's report

To the partner Erteqa Financial Company (A Single Member Limited Liability Company)

Opinion

We have audited the financial statements of Erteqa Financial Company (A single member limited liability company) (the "Company") which comprise the statement of financial position as at December 31, 2024, and the statements of profit or loss and other comprehensive income, change in equity and cash flows for the year then ended, and notes to financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities ("IFRS for SMEs"), that is endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for opinion

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

Responsibilities of management and those charged with governance for the financial statements

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

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report (continued)

To the partner

Erteqa Financial Company

(A Single Member Limited Liability Company)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

Other Matter

The financial statements of the Company for the year ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 21, 2024 (corresponding to 11 Ramadan 1445H).

RSM Allied Accountants Professional Services



Mohammed Bin Farhan Bin Nader

License No. 435

Riyadh, Kingdom of Saudi Arabia

Ramadan 24, 1446H (Corresponding to March 24, 2025G)



ERTEQA FINANCIAL COMPANY
(A SINGLE MEMBER LIMITED LIABILITY COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

(All amounts in Saudi Riyal unless and otherwise stated)

	Notes	2024	2023
ASSETS			
Non-current assets			
Property and equipment	5	370,509	580,068
Total non-current assets		370,509	580,068
Current assets			
Trade receivables, net	6	267,491	46,000
Due from related parties	7	1,146,995	1,203,015
Prepayment and other receivables	8	303,831	287,096
Investments at fair value through profit or loss	9	752,991	1,145,416
Cash and cash equivalents	10	389,102	446,942
Total current assets		2,860,410	3,128,469
TOTAL ASSETS		3,230,919	3,708,537
EQUITY AND LIABILITIES			
Equity			
Capital	11	1,000,000	1,000,000
Statutory reserve	12	218,715	218,715
Retained earnings		1,617,317	1,968,431
TOTAL EQUITY		2,836,032	3,187,146
LIABILITIES			
Non-current liabilities			
Employees' defined benefit obligations	13	168,843	155,516
Total non-current liabilities		168,843	155,516
Current liabilities			
Accrued and other liabilities	14	156,145	285,511
Zakat payable	15	69,899	80,364
Total current liabilities		226,044	365,875
Total Liabilities		394,887	521,391
TOTAL EQUITY AND LIABILITIES		3,230,919	3,708,537

The accompanying notes form an integral part of these financial statements

ERTEQA FINANCIAL COMPANY
(A SINGLE MEMBER LIMITED LIABILITY COMPANY)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024**

(All amounts in Saudi Riyal unless and otherwise stated)

	Notes	2024	2023
Operating income	16	1,780,000	3,738,884
Dividends income	9.2	44,541	31,979
Gain on disposal of investment at fair value through profit or loss (FVTPL)	9.3	5,261	-
Fair value (loss) /gain on investment at FVTPL	9	(128,686)	130,388
Gain / (loss) on disposal of property and equipment	5.2	2,726	(16,058)
Other income	19	331,200	93,225
		2,035,042	3,978,418
Other operating expenses	17	(661,898)	(878,200)
Selling and marketing expenses		-	(392,839)
General and administrative expenses	18	(1,654,359)	(2,231,619)
Total operating expenses		(2,316,257)	(3,502,658)
Net (loss) / income before zakat		(281,215)	475,760
Zakat	15	(69,899)	(80,364)
Net (loss) / income for the year		(351,114)	395,396
<u>Other comprehensive income:</u>			
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(351,114)	395,396

The accompanying notes form an integral part of these financial statements

ERTEQA FINANCIAL COMPANY
(A SINGLE MEMBER LIMITED LIABILITY COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts in Saudi Riyal unless and otherwise stated)

	Capital (Note 11)	Statutory Reserve (Note 12)	Retained earnings	Total
Balance as of 1 January 2023	1,000,000	179,175	1,612,575	2,791,750
Net income for the year	-	-	395,396	395,396
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	395,396	395,396
Transferred to the statutory reserve	-	39,540	(39,540)	-
Balance as at 31 December 2023	1,000,000	218,715	1,968,431	3,187,146
Net income for the year	-	-	(351,114)	(351,114)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(351,114)	(351,114)
Balance as at 31 December 2024	1,000,000	218,715	1,617,317	2,836,032

The accompanying notes form an integral part of these financial statements

ERTEQA FINANCIAL COMPANY
(A SINGLE MEMBER LIMITED LIABILITY COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts in Saudi Riyal unless and otherwise stated)

	Notes	2024	2023
<u>OPERATING ACTIVITIES:</u>			
(Loss) / income before zakat		(281,215)	475,760
<u>Adjustments:</u>			
Depreciation of property and equipment	5	204,173	183,700
Gian / (loss) on disposal of property and equipment	5.2	(2,726)	16,058
Fair value (loss) /gain on investment at FVTPL	9	128,686	(130,388)
Gain on disposal of investment at FVTPL	9.3	(5,261)	-
Employees' defined benefit obligations	13	34,990	62,883
Provision for doubtful trade receivable	6.1	138,000	-
Provisions reserved		-	(43,225)
		216,647	564,788
<u>Changes in operating assets and liabilities:</u>			
Trade receivables		(359,491)	50,875
Due from related parties		56,020	(329,721)
Prepayments and other receivables		(16,735)	(28,205)
Due to related parties		-	(165,000)
Accrued and other liabilities		(129,366)	48,596
Cash (used in) / from operations		(232,925)	141,333
Zakat paid		(80,364)	(60,578)
Employees' defined benefit obligations paid	13	(21,663)	-
Net cash (used in) / from operating activities		(334,952)	80,755
<u>INVESTING ACTIVITIES:</u>			
Additions to property and equipment	5	(11,888)	(187,829)
Acquisition of investments at FVTPL	9	(31,162)	(401,386)
Proceeds from sale of Investments at FVTPL	9.4	300,162	-
Proceeds from sale of Property and equipment	5.2	20,000	-
Net cash from / (used in) investing activities		277,112	(589,215)
Net decrease in cash and cash equivalents		(57,840)	(508,460)
Cash and cash equivalents at the beginning of the year		446,942	955,402
Cash and cash equivalents at the end of the year		389,102	446,942

The accompanying notes form an integral part of these financial statements

ERTEQA FINANCIAL COMPANY
(A SINGLE MEMBER LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts in Saudi Riyal unless and otherwise stated)

1. STATUS AND ACTIVITIES

Erteqa Financial Company (the “Company”) is a single member limited liability company, registered in the Kingdom of Saudi Arabia (KSA) under commercial registration number 1010658733 dated 19 Safar 1442H corresponding to 06 October 2022.

The Company's main activities include investment arrangements and financial advisory services. The Company operates under the regulatory framework of the Capital Market Authority (CMA) of Saudi Arabia and is licensed under CMA license no. 10-21220 dated 16 Shaban 1442H (corresponding to 29 March 2021).

The registered address of the Company is located at 6289 Al Olaya, Al Muraj District, Postal 12281, Riyadh Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2-1 Statement of compliance

These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (“IFRS for SMEs”), that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

2.2. Basis of measurement

These financial statements have been prepared under historical cost principle, except when the International Financial Reporting Standard for Small and Medium Entities (IFRS for SMEs) require the use of another measurement basis, as indicated in the accounting policies applied in Note No. (4) “Significant Accounting Policies”. Moreover, these financial statements are prepared using accrual basis of accounting and going concern concept.

2.3. Going concern assumption

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

2.4. Functional and presentation currency

All values are presented in Saudi Riyal, which is the main functional and presentation currency of the Company and rounded to the nearest Saudi Riyal.

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRSs for SMEs that is endorsed by KSA and other standards and pronouncements endorsed by SOCPA requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future year if the revision affects both current and future years.

The judgements, estimates and assumptions that will cause a material impact on the reported amounts in the financial statements when applying accounting policies are discussed below:

ERTEQA FINANCIAL COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts in Saudi Riyal unless and otherwise stated)

3. ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

	Note
Going concern assessment	2.3
Impairment of financial assets	4.4
Provisions for employees' defined benefits obligations	4.10

4. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Company in preparing these financial statements. These policies are consistently applied for all the years presented:

4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Company without any restrictions.

4.2 Trade receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all due amounts according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time taking into account past recovery rates. Under the Company's payment terms, most of customer make advance payments, while others settle on a specified due date. Therefore, the risk of impairment is considered minimal at the time of recognition.

4.3 Property and equipment

Property and equipment is recognised initially at cost. Cost includes expenditure that is directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of furniture and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to statement of comprehensive income during the period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the property and equipment in years as follows:

<u>Name of asset</u>	<u>Useful life (Years)</u>
Leasehold improvements	Shorter of useful life or lease term
Furniture and fittings	10
Vehicle	5
Computer hardware	4
Office equipment	4

The estimate of useful lives is determined after considering expected usage of the assets and physical wear and tear. Management reviews the depreciation method, residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

ERTEQA FINANCIAL COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts in Saudi Riyal unless and otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3. Property and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising on the disposal of furniture and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and is recognised in the statement of profit and loss and comprehensive income within other income or other expenses.

4.4. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognized in accordance with measurement, recognition and disclosure requirements of Sections 11 and 12 of IFRS for SMEs.

Relevant detailed accounting policies are as follows:

Financial assets

Initial recognition and measurement

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets include bank balances, trade receivables, due from related parties, investment at fair value through profit or loss and security deposit.

Financial assets are measured upon initial recognition at the transaction price attributable to the acquisition of the financial asset, including transaction costs, except for financial assets that are subsequently measured at fair value through the profit or loss. If the arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest.

Classification and subsequent measurement

Subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortized cost:

These assets are measured upon initial recognition at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. After the initial recognition, these are measured at amortized cost using the effective interest method.

Financial assets at fair value through profit or loss:

Financial assets carried at fair value through profit or loss include financial assets held for trading and financial assets classified at initial recognition as fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. After initial recognition, they are re-measured at fair value.

Other financial instruments:

These assets are measured upon initial recognition at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. After initial recognition, they are measured at fair value. Changes in fair value are recognized in the statement of comprehensive income.

Derecognition of financial assets

A financial asset is primarily derecognized when:

The contractual rights to the cash flows from the financial asset expire; the Company transfers the rights to receive the contractual cash flows of the asset; or assumes a contractual obligation to pay the cash flows without a material delay to a third party (pass through' transfers); or transfers or not substantially all of the risks and rewards of the asset or retains substantially all of the risks and rewards of ownership but does not retain control of the financial asset.

ERTEQA FINANCIAL COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts in Saudi Riyal unless and otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES INFORMATION (Continued)

4.4. Financial instruments (Continued)

Impairment of financial assets measured at cost or amortized cost

At the end of each reporting date, the Company assesses whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Company recognizes an impairment loss in statement of income immediately.

Objective evidence that a financial asset or a group of assets is impaired includes observable data indicating uncollectability of all amounts due from debtors such as a debtor's significant financial difficulty, default or delinquency in payments according to the original contractual terms or the past recovery rates; or observable data indicating that there has been a measurable decrease in the estimated future cash flows from the financial assets. Assessment of all significant financial assets including equity instruments is performed on an individual basis. As for financial assets with insignificant amounts, they are assessed collectively.

For financial instruments measured at cost impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

When there is objective evidence that a previously recognized impairment loss may no longer exist or have decreased, impairment loss is reversed only to the extent that it does not exceed the previously recognized impairment loss.

Financial liabilities

Initial measurement

Upon initial measurement, except for financial liabilities that are subsequently measured at fair value through profit or loss, the financial liability is measured at the transaction price (including transaction costs), unless the arrangement forms actual financing transaction of the entity (for financial obligation) or a counter party (for financial asset) of the arrangement.

At initial measurement of financial liabilities that are subsequently measured at fair value through comprehensive income, transaction costs are recognized in the statement of profit or loss.

The arrangement constitutes a financing transaction if payment is deferred beyond normal business terms.

If the arrangement constitutes a financing transaction, the Company shall measure financial liability at the present value of the future payments discounted at the market rate of interest for a similar debt instrument.

Trade payables that have a significant financing component or have a maturity of less than 12 months are measured at their transaction price (invoice).

Classification and subsequent measurement

The financial obligation is measured at the amortized cost using the effective interest method if the conditions previously explained above are met. These financial liabilities are subsequently measured at the amortized cost using the effective Interest Rate (EIR) method. The 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. Amortization of the effective interest rate is included in the finance income within the statement of comprehensive income.

Debt instruments classified as current liabilities are measured at the undiscounted cash amount or other cash consideration expected to be paid unless the arrangement constitutes, in fact, a financing transaction.

Derecognition of financial liabilities

A financial liability is derecognized when and only when the obligations are discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or when the terms of an existing obligation are substantially modified, such replacement or modification is treated as a derecognition of the original financial liability, along with recognizing the new obligation. The difference in respective carrying amounts is recognized in the statement of income.

Offsetting of financial instruments

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

ERTEQA FINANCIAL COMPANY
(A SINGLE MEMBER LIMITED LIABILITY COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts in Saudi Riyal unless and otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES INFORMATION (Continued)

4.5. Impairment of non-financial assets

At each reporting date, management determines whether there is any indication that the assets are impaired. Where there is any indication that an asset might be impaired, the carrying value of the asset (or CGU to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.6. Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

4.7. Operating leases

Where the Company is a lessee, payments under operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Where the Company is a lessor, income from operating leases is recognised on a straight-line basis over the term of the lease.

4.8. Contingent assets and liabilities

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

A contingent liability is a possible obligation which may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. If the amount of the obligation cannot be measured with sufficient reliability, then the Company does not recognize the contingent liability but discloses it in the financial statements.

4.9. Provisions

Provisions are recognised when the Company has a present, legal or constructive, obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the amount expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

4.10. Employee benefits

i. Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered), are recognised in respect of employees' services up to the end of the reporting period and are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

ii. Employees' defined benefits obligations

The Company provides end-of-service benefits in accordance with the Labor Law of the Kingdom of Saudi Arabia. These benefits are determined based on employees' final salaries, allowances, and cumulative years of service at the time of their termination. As per the Labor Regulations, the Company's end-of-service benefit plan is an unfunded arrangement, with benefit obligations settled as they become due.

Management has opted not to apply the actuarial valuation method based on the projected unit credit approach. Instead, the Company utilizes the measurement simplifications permitted under Section 28, "Employee Benefits," of IFRS for SMEs. This decision is based on the undue cost and effort associated with applying the projected unit credit method and the immaterial differences expected from such an application. Consequently, the Company calculates end-of-service benefits in accordance with the applicable Saudi Labor Law.

ERTEQA FINANCIAL COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

(All amounts in Saudi Riyal unless and otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES INFORMATION (Continued)

4.11. Revenue

The Company provides investment arrangements and financial advisory services, generating revenue from two main sources: a monthly retainership fee, which is recognized at a point in time, and a success fee, which is recognized at a point in time because the Company is only eligible for this amount when the client's objective is achieved.

If the receipt of cash or cash equivalents is deferred and the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined as the present value of all future receipts, discounted using an imputed interest rate. The imputed interest rate is determined based on the more readily identifiable of the following:

- The prevailing market rate for a similar financial instrument issued by an entity with a comparable credit rating; or
- A rate that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the nominal value of the consideration and its present value is recognized as interest income.

Service Revenue

Revenue from services is recognized when the performance obligation is satisfied, based on the stage of completion, provided that the revenue and related costs can be measured reliably, and it is probable that the economic benefits will flow to the Company. The stage of completion is determined based on actual services rendered.

4.12. Expenses

Other operating expenses

Service costs and direct operating expenses are classified as other operating expenses.

General and administrative expenses

General and administrative expenses include direct and indirect costs, not specifically part of the operating expenses. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

Selling and marketing expenses

Selling and marketing expenses include expenses incurred in selling and marketing the service which are not considered part of the operating expenses.

4.13. Zakat

The Company is subject to Zakat in accordance with the regulations of Zakat, Tax and Customs Authority (ZATCA). Zakat is accrued and charged to the statement of profit or loss currently. The management records provision where appropriate on the basis of amounts expected to be paid to the ZATCA and annually evaluates positions taken in the Zakat returns with respect to any Zakat differences. In making estimates for the zakat payable by the Company, management considers the applicable laws and the decisions/judgements of authorities on certain issues in the past.

4.14. Value added tax

Assets and expenses are recognized net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other payables.

4.15. Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded by the Company at a functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the financial statements' date. All differences are recognised in the statement of profit or loss and other comprehensive income.

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5. PROPERTY AND EQUIPMENT

	<u>Vehicles</u>	<u>Leasehold Improvements</u>	<u>Furniture and fitting</u>	<u>Computer hardware</u>	<u>Office equipment</u>	<u>Total</u>
<u>Cost:</u>						
As of 1 January 2023	165,000	320,310	140,478	20,123	20,262	666,173
Additions	169,423	-	9,640	6,860	1,906	187,829
Disposal	-	-	(22,399)	-	-	(22,399)
As of 31 December 2023	334,423	320,310	127,719	26,983	22,168	831,603
Additions	-	-	4,993	3,460	3,435	11,888
Disposal (Note 5.2)	(25,000)	-	-	-	-	(25,000)
As of 31 December 2024	309,423	320,310	132,712	30,443	25,603	818,491
<u>Accumulated depreciation:</u>						
As of 1 January 2023	271	48,261	15,391	3,730	6,523	74,176
Depreciation during the year	42,655	114,285	14,618	6,647	5,495	183,700
Disposal	-	-	(6,341)	-	-	(6,341)
As at 31 December 2023	42,926	162,546	23,668	10,377	12,018	251,535
Depreciation during the year	64,661	113,200	13,125	7,463	5,724	204,173
Disposal	(7,726)	-	-	-	-	(7,726)
As of 31 December 2024	(99,861)	(275,746)	(36,793)	(17,840)	(17,742)	(447,982)
<u>Carrying amount:</u>						
As of 31 December 2024	209,562	44,564	95,919	12,603	7,861	370,509
As of 31 December 2023	291,497	157,764	104,051	16,606	10,150	580,068

5.1. Leasehold improvements consist of renovation costs and are depreciated over the lease term. These are leased under a three-and-a-half-year operating lease, set to expire in May 2025.

5.2. During the year, the Company transferred ownership of a vehicle to a related party, Khlood Abdulaziz Aldukheil Company for Financial Consulting for non-Securities, for a consideration of SR 20,000.

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6- TRADE RECEIVABLES, NET

	Note	<u>2024</u>	<u>2023</u>
Trade receivables- gross		405,491	46,000
Less: Provision for doubtful trade receivable	6.1	(138,000)	-
		<u>267,491</u>	<u>46,000</u>

6.1. Movement in provision for doubtful trade receivable is as follows:

	<u>2024</u>	<u>2023</u>
Opening balance	-	-
Charge for the year	138,000	-
Ending balance	<u>138,000</u>	<u>-</u>

6.2. Accounts receivables are non-interest bearing and are generally on terms of 30 - 90 days.

6.3. The ageing of unimpaired trade receivables at year-end is as follows:

	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>			<u>Total</u>
		1 to 90 days	91 to 180 days	More than 180 days	
2024	-	267,491	-	-	267,491
2023	-	46,000	-	-	46,000

Further, subsequent to year, the unimpaired trade receivable has been collected.

7- RELATED PARTIES' BALANCES AND TRANSACTIONS

Related parties represent the shareholder, affiliates, members of the board of directors and the senior executive management of the Company and the companies in which they are major owners. All the related parties' transactions are in the ordinary course of business. Outstanding balances at the year end are unsecured, interest free and payable on demand except where mentioned specifically in the financial statements. Prices and terms related to these transactions are approved by the Company's management. The following are the balances with related parties shown in the statement of financial position:

7.1- Due from related parties

	<u>2024</u>	<u>2023</u>
Khlood Abdulaziz Aldukheil Company for financial consulting for non-securities	1,146,995	958,237
Khlood Abdulaziz Mohammed Aldukheil	-	235,000
Financial Analytics Company	-	9,778
	<u>1,146,995</u>	<u>1,203,015</u>

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7- RELATED PARTIES' BALANCES AND TRANSACTIONS (Continued)

7.2- Significant transactions with related parties as follows:

<u>Company name</u>	<u>Nature of transaction</u>	<u>2024</u>	<u>2023</u>
<i><u>Both companies are under common control</u></i>			
Khlood Abdulaziz Aldukheil Company for financial consulting for non- securities *	Transfer	88,358	-
	Expenses on behalf (refer Note 7.2.1)	80,400	80,400
	Sale of vehicle	20,000	-
	Collection	-	(4,543)
<i><u>Partner</u></i>			
Khlood Abdulaziz Mohammed Aldukheil	Collection	(301,629)	-
	Expenses on behalf	(33,371)	(43,780)
	Transfer	100,000	443,780
<i><u>Both companies are under common control</u></i>			
Financial Analytics Company	Collection	(9,778)	(108,197)
	Expenses on behalf (refer Note 7.2.2)	-	117,975

7.2.1. Pursuant to the Joint Service Support Agreement between the Company (as the service provider) and Khlood Abdulaziz Aldukheil Company for financial consulting for non-securities, Khlood Abdulaziz Aldukheil Company for Financial Consulting for non-securities is allocated a portion of the Company's specified expenses as stipulated in the agreement. During the year ended December 31, 2024, the Khlood Abdulaziz Aldukheil Company for Financial Consulting for non-securities was charged SR 80,400 (2022: SR 80,400).

Under this agreement, the Company provides Finance Manager and CEO services to the Khlood Abdulaziz Aldukheil Company for financial consulting for non-securities.

7.2.2. Under the Joint Service Support Agreement between the Company (as the service provider) and Financial Analytics Company (as the beneficiary), Financial Analytics Company was allocated a portion of the Company's expenses such as shared office space and Finance Manager services in accordance with the agreement, so in 2023, the Financial Analytics Company was charged SR 117,975. However, in 2024, Financial Analytics Company relocated to its own separate office and no longer availed any services under this agreement.

7.3- Key management personnel transactions:

The compensation of the key management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognized as an expense during the financial year in respect of key management personnel. Compensation of key management personnel of the Company for the year ended 31 December:

	<u>2024</u>	<u>2023</u>
Salaries and bonuses	448,193	900,000
End of service benefits	25,000	81,250
	473,193	981,250

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8- PREPAYMENT AND OTHER RECEIVABLES

	<u>2024</u>	<u>2023</u>
Prepaid rent	107,339	106,117
Advances to employees	98,000	92,000
Prepaid insurance	26,463	48,316
Other fees	59,696	28,330
Deposits for others	12,333	12,333
	<u>303,831</u>	<u>287,096</u>

9- INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	1,145,416	613,642
Addition during the year	31,162	401,386
Disposal during the year	(295,901)	-
Loss / (profits) from valuation of investments at fair value	(128,686)	130,388
Balance as of end of the year	<u>752,991</u>	<u>1,145,416</u>

9.1. The Company's investments comprise equity shares in listed companies, including Jarir Company, Saudi Aramco, and Alinma Bank, held through an investment account with Saudi Fransi Capital.

9.2. During the year, the Company received dividends from Jarir Company, Saudi Aramco, and Alinma Bank, amounting to SR 44,541 (2023: SR 31,979).

9.3. During the year, the Company sold shares of Alinma Bank for a total consideration of SR 300,162. The carrying value of these shares was SR 294,901, resulting in a gain of SR 5,261, which has been recorded in the financial statements.

10- CASH AND CASH EQUIVALENTS

	<u>2024</u>	<u>2023</u>
Banks - current accounts	381,420	412,038
Banks - investment portfolios	7,682	34,904
	<u>389,102</u>	<u>446,942</u>

11- CAPITAL

As of 31 December 2024, the Company's capital amounted to SR 1,000,000 (31 December 2023: SR 1,000,000), comprising 10,000 fully paid shares (31 December 2023: 10,000 shares), each with a nominal value of SR 100. The capital is wholly owned by Khlood Abdulaziz Mohammed Aldukheil.

12- STATUTORY RESERVE

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	218,715	179,175
Transferred from net income for the year	-	39,540
Balance at end of year	<u>218,715</u>	<u>218,715</u>

12.1 Previously in accordance with the Company's by-laws, the Company was required to allocate 10% of its net income annually to establish a statutory reserve. This appropriation was to continue until the reserve reached 30% of the share capital. The reserve was not distributable as dividends.

However, following an amendment to the Articles of Association, this requirement was removed, and the Company is no longer required to allocate a portion of its net income for a statutory reserve.

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13- EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	155,516	135,858
Charged for the year	34,990	62,883
Paid during the year	(21,663)	-
Adjustment for the year	-	(43,225)
Balance as of end of the year	<u>168,843</u>	<u>155,516</u>

13.1- Charged for the year was allocated as follows:

	<u>2024</u>	<u>2023</u>
Cost of revenue	5,485	17,533
General and administrative	29,505	45,350
	<u>34,990</u>	<u>62,883</u>

14- ACCRUED AND OTHER LIABILITIES

	<u>2024</u>	<u>2023</u>
Value Added Tax	59,008	25,723
Employees related accrual	31,514	151,990
GOSI payable	6,380	17,497
Professional fees	20,000	40,000
Others	39,243	50,301
	<u>156,145</u>	<u>285,511</u>

15- ZAKAT PAYABLE

15.1- Movement in provision for zakat during the year is as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of the year	80,364	60,578
Charge for the year	69,899	80,364
Payment during the year	(80,364)	(60,578)
Balance at the end of the year	<u>69,899</u>	<u>80,364</u>

15.2- Zakat calculation

	<u>2024</u>	<u>2023</u>
Adjusted net income for the year	-	838,643
Equity	2,905,960	-
Additions	168,843	2,884,383
Deductions	(370,509)	(580,068)
Total zakat base-A	<u>2,704,294</u>	<u>3,142,958</u>
Adjusted zakat base for the year @ 2.5%	<u>2,795,965</u>	<u>3,214,561</u>
Zakat for the year	<u>69,899</u>	<u>80,364</u>

Zakat status:

The company submitted its zakat return for the year ended December 31, 2023 and received a zakat certificate valid until April 30, 2025. The company did not receive any zakat assessments since inception.

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16- OPERATING INCOME

	<u>2024</u>	<u>2023</u>
Equity Advisory Services	950,000	1,012,500
Financial Consulting Services	330,000	1,765,000
Debt Advisory Services	500,000	961,384
	<u>1,780,000</u>	<u>3,738,884</u>

17- OTHER OPERATING EXPENSES

	<u>2024</u>	<u>2023</u>
Salaries and other benefits	557,367	520,093
Licenses, fees and subscriptions	23,998	43,604
Insurance	23,334	37,820
Medical insurance and treatment	21,899	17,554
Consulting and professional Services	-	72,000
Assignments and visits	-	153,444
Other direct expenses	35,300	33,685
	<u>661,898</u>	<u>878,200</u>

18. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2024</u>	<u>2023</u>
Salaries and other benefits	600,410	1,471,183
Rent	425,037	403,869
Depreciation	204,173	183,700
Provision for doubtful trade receivable	138,000	-
Professional fees and legal consulting	122,000	40,000
Repair and maintenance	41,453	15,629
Post, telephone, electricity and water	18,137	14,400
Insurance	19,797	36,161
Stationery and printings	12,236	13,509
Government fees and attestations	7,118	18,469
Other	65,998	34,699
	<u>1,654,359</u>	<u>2,231,619</u>

19. OTHER INCOME

	<u>2024</u>	<u>2023</u>
	<u>331,200</u>	<u>93,225</u>

During the year, the General Organization for Social Insurance (GOSI) reimbursed the social insurance contributions for shareholder (Khlood Abdulaziz Mohammed Aldukheil) covering the period from March 2021 to May 2024, amounting to SR 379,575.

20. CONTINGENCIES AND COMMITMENTS

The Company has no other material contingencies and commitments as at the reporting date 31 December 2024 (2023: nil).

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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities are exposed to various financial risks including Liquidity risk, credit risk, and market risk (include currency risk, fair value risk, cash flow of commission rate and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's financial instruments comprise financial assets (cash and cash equivalents, due from customers for contracts, investments at fair value through profit or loss, and other receivables) and financial liabilities (other payables), which include the following risks:

21.1 Credit risk

A credit risk refers to the risk that a customer or a counter party in a financial instrument will default on its contractual obligations resulting in financial loss to the Company and arises principally from the cash placed at banks and receivables. The Company minimizes credit risks associated with receivables by establishing procedures for credit limits for each customer and monitoring outstanding receivables in line with a set of procedures and policies. Cash is deposited with high credit rated banks.

21.2 Liquidity risks

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Company manages and monitors liquidity risks on a regular basis to ensure that sufficient funds are available to meet the Company's future commitments.

All current liabilities are expected to be settled within 12 months as of the date of the financial statements

21.3 Market risk

Market risks refer to the risks of fluctuations in the value of a financial instrument due to changes in prevailing market prices, such as foreign currency exchange rates, interest rates, and stock prices, which can affect a company's income or the value of its financial instruments. The purpose of market risk management is to manage the exposure to market risks and control them within acceptable limits while maximizing returns.

The Company is exposed to the following market risks:

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates affecting foreign currency payments and receipts along with assessment of assets and liabilities in foreign currencies

The Company is not exposed to the risk of fluctuation in foreign currencies during the course of ordinary business. The Management regularly monitors changes in foreign exchange rates and manages the impact on the financial statements. The Company conducts its ordinary transactions in Saudi Riyals. The Management believes that the Company's exposure to currency price fluctuations is insignificant.

Fair value risk

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Since the Company's financial statements are prepared under the historical cost principle differences may arise between the carrying amount and the fair value estimates. The Company's Management believes that the fair value of the Company's financial assets and liabilities approximates their balances.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair value risk (Continued)

When measuring fair value, the Company uses observable market information whenever possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If multiple inputs used to measure fair value are categorized into different levels of the fair value hierarchy, the Fair Value Measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. During the period there were no transfers between the fair value levels of Level 1 and Level 2.

Where the Company's financial instruments are grouped according to the historical cost principle, except for investments and derivative financial instruments charged at the fair value, differences may arise between the carrying amount and the fair value estimates. The management believes that the fair value of the Company's financial assets and liabilities are not materially different from their carrying amount.

The financial assets measured at fair value are as follows:

Investments at fair value through profits or losses

	Level 1	Level 2	Level 3	Total
2024	752,991	-	-	752,991
2023	1,145,416	-	-	1,145,416

Interest rate risk (currencies)

Interest rate risk (commissions) represents the risk related to the effects of fluctuations in interest rates (commissions) prevailing in the market to the Company's financial position and its cash flows.

Price risk

Price risk is the risk associated with changes to the prices of certain commodities to which the Company is exposed as a result of adverse impact on the Company's costs and cash flows. The commodity price risks arise from the expected purchases of certain commodities made of raw materials used by the Company.

22. Comparative figures

Certain figures for the previous year have been reclassified to conform to the presentation of the financial statements in the current year.

23. SUBSEQUENT EVENTS

There were no other events subsequent to the reporting date and occurring before the date of approval of these financial statements that are expected to have a significant impact on these financial statements.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Company Board of Directors on Ramadan 24, 1446H (Corresponding to March 24, 2025G).