

**LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Lendo Saudi for Financing Company
 (A Saudi Closed Joint Stock Company)

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of Lendo Saudi for Financing Company, (A Saudi Closed Joint Stock Company), ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as of 31 December 2022, and its financial performance and its cash flows for the year then ended 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 issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing that 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 professional code of conduct and ethics that are endorsed Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance (the Company's management) is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Shareholders

Lendo Saudi for Financing Company
(A Saudi Closed Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control of the Company.
- 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 auditors' report to the related disclosures in the financial statements or, if such disclosure 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 represents the underlying transactions and events in a manner that achieves fair presentation.



RSM

شركة ار اس ام المحاسبون المتعدون للإستشارات المهنية
RSM Allied Accountants Professional Services Co.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

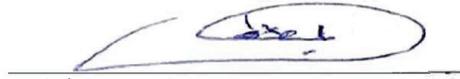
To the Shareholders

Leno Saudi for Financing Company
(A Saudi Closed Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements

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 controls that we identify during our audit.

RSM Allied Accountants Professional Services



Abdul Hamid Mohiuddine Nazer
License No 376
Jeddah – Saudi Arabia
March 6, 2023 (Saaban 14, 1444)



LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Notes	2022	2021
Assets			
Non-Current assets			
Property and equipment, net	6	267,825	138,232
Intangible, net	7	1,910,510	1,933,451
Total non-current assets		2,178,335	2,071,683
Current assets			
Prepayments and other current assets	8	141,664	197,176
Cash and cash equivalents	9	10,761,968	4,599,233
Total current assets		10,903,632	4,796,409
Total assets		13,081,967	6,868,092
Shareholders' equity and liabilities			
Shareholders' equity			
Capital	10	20,000,000	5,000,000
Accumulated losses		(8,315,468)	(2,987,016)
Total shareholders' equity		11,684,532	2,012,984
Liabilities			
Non-Current liabilities			
Employees' benefits obligations	11	461,615	136,360
Due to a related party	12	-	4,406,000
Total non-current liabilities		461,615	4,542,360
Current liabilities			
Trade payables		575,880	9,991
Accrued expenses and other liabilities	13	306,175	302,757
Zakat and income tax provision	14	53,765	-
Total current liabilities		935,820	312,748
Total liabilities		1,397,435	4,855,108
Total shareholders' equity and liabilities		13,081,967	6,868,092

The accompanying notes (1) to (19) are an integral part of these financial statements

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

<u>Profit or loss</u>	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Revenue		6,968,700	3,477,399
Cost of revenue		(1,099,731)	(581,877)
Gross profit		5,868,969	2,895,522
General and administrative expenses	15	(10,967,168)	(3,692,880)
Net loss for the year before zakat and income tax		(5,098,199)	(797,358)
Zakat and income tax	14	(53,765)	-
Net loss for the year		(5,151,964)	(797,358)
<u>Other comprehensive income</u>			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement of Employees' benefits	11	(176,488)	(34,140)
Total comprehensive loss for the year		(5,328,452)	(831,498)
<u>Earning per share</u>			
Basic and diluted loss per share from net loss for the year	16	(9.38)	(3.84)

The accompanying notes (1) to (19) are an integral part of these financial statements

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	Capital		Accumulated losses		Total	
	Saudi	Non-saudi	Saudi	Non-saudi	Saudi	Non-saudi
Balance as at January 1, 2021	500,000	-	(2,155,518)	-	(1,655,518)	-
Additional capital	4,500,000	-	-	-	4,500,000	-
Net loss for the year	-	-	(797,358)	-	(797,358)	-
Other comprehensive losses	-	-	(34,140)	-	(34,140)	-
Total comprehensive losses	-	-	(831,498)	-	(831,498)	-
Balance as at December 31, 2021	5,000,000	-	(2,987,016)	-	2,012,984	-
Additional capital	3,000,000	12,000,000	-	-	3,000,000	12,000,000
Net loss for the year	-	-	(5,050,057)	(101,907)	(5,050,057)	(101,907)
Other comprehensive losses	-	-	(172,997)	(3,491)	(172,997)	(3,491)
Total comprehensive losses	-	-	(5,223,054)	(105,398)	(5,223,054)	(105,398)
Balance as at December 31, 2022	8,000,000	12,000,000	(8,210,070)	(105,398)	(210,070)	11,894,602

The accompanying notes (1) to (19) are an integral part of these financial statements

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

	<u>2022</u>	<u>2021</u>
Cash flows From Operating Activities		
Net loss for the year before zakat and income tax	(5,098,199)	(797,358)
Adjustments:		
Depreciation of property and equipment	93,277	29,731
Amortization of intangible	475,474	255,362
Employees' benefits obligations	148,767	53,057
	<u>(4,380,681)</u>	<u>(459,208)</u>
Changes in operating assets and liabilities		
Prepayments and other current assets	55,512	(135,760)
Accounts receivable	-	14,222
Trade payables	565,889	(49,335)
Accrued expenses and other liabilities	3,418	177,619
Zakat paid	-	(14,140)
Net cash (used in) operating activities	<u>(3,755,862)</u>	<u>(466,602)</u>
Cash flows From Investing Activities		
Property and equipment purchased	(222,870)	(124,279)
Intangible additions	(452,533)	(2,188,813)
Net cash (used in) investing activities	<u>(675,403)</u>	<u>(2,313,092)</u>
Cash flows From Financing Activities		
Proceeds from capital increase	10,594,000	4,500,000
Due to a related party	-	1,250,000
Net cash available from financing activities	<u>10,594,000</u>	<u>5,750,000</u>
Net change in cash and cash equivalents	<u>6,162,735</u>	<u>2,970,306</u>
Cash and cash equivalents at the beginning of the year	<u>4,599,233</u>	<u>1,628,927</u>
Cash and cash equivalents at the ending of the year	<u>10,761,968</u>	<u>4,599,233</u>
Non cash transaction		
Due to a related party transferred to capital	<u>(4,406,000)</u>	

The accompanying notes (1) to (19) are an integral part of these financial statements

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

1 - ORGANIZATION AND ACTIVITIES

Lendo Saudi for Financing Company (“the Company”) is a Saudi Closed Joint Stock Company, operating under Commercial Registration No 1010499636 issued in Riyadh on Rabi al-Thani 11 1440 (H).

On July 14, 2020 corresponding to Thul Qe’eda 11, 1440H, The Company has obtained the Saudi Central Bank (formerly called, the Saudi Arabia Monetary Agency’s) approval for the trial operation of the lending Platform in the experimental environment (Sandbox).

Previously, the Company was a limited liability company. On September 8, 2020 corresponding to Muharram 20, 1442H, The Company obtained the approval from the Ministry of Commerce to transform the Company from a limited liability company to a closed joint stock company.

On August 24, 2021, the Extraordinary Assembly Meeting resolved to change the name of the Company from The Digital Bonds for Telecommunications and Information Technology to Lendo Saudi for Financing Company. On September 21, 2021, the Company amended its bylaw and completed all formalities related to this change.

The principal activities of the Company comprise providing services related to system analysis, designing and Programming of special software, software maintenance and fintech. On August 24, 2021, the Extraordinary Assembly Meeting resolved to change the business activities of the Company into debt crowd funding. On September 21, 2021, the Company amended its bylaw and completed all formalities related to this change.

The Company's registered office is in Riyadh, Kingdom of Saudi Arabia.

2 - STATEMENT OF COMPLIANCE

These financial statements 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 relevant pronouncements endorsed by the Saudi Organization for Chartered Professional Accountants (“SOCPA”) and the requirements of the laws and regulations in the kingdom of Saudi Arabia.

3 - BASIS OF PREPARATION

The financial statements have been prepared on a historical cost convention, the use of accrual principle and going concern basis unless IFRS for SMEs that is endorsed in the Kingdom of Saudi Arabia and other relevant pronouncements issued by the Saudi Organization for Chartered Professional Accountants requires the use of another measurement basis, as indicated in the applied accounting policies.

4 - FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Saudi Riyal currency, which is the functional and presentation currency of the Company.

5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent 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 amounts of the impacted assets or liabilities 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.

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

5 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The following is information about assumptions and estimates that have a material effect on the amounts included in the financial statements:

Going concern

The Company's management has made an assessment of the Company's ability to continue according to the principle of continuity, and it is convinced that the Company has sufficient resources to continue its business in the foreseeable future. In addition, the management does not have any fundamental doubts about the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Estimating the useful lives of property and equipment and intangibles

The management estimates the useful lives of property and equipment and the intangibles for the purpose of calculating depreciation and amortization, and these estimates are determined after taking into account the expected use of assets, obsolescence and deterioration. The management reviews the residual value and useful lives annually. Changes in depreciation and amortization expense are adjusted in the current and future periods - if any -.

Impairment of receivables

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is made on an individual basis. Amounts which are not individually significant, which are past due, are assessed collectively and an allowance applied according to the age of these balances.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates (continued)

Long-term assumptions for employees' benefits

Post-employment defined benefits, end-of-service benefits and indemnity payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

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.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any, except capital work-in-progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the asset's carrying amount or recognized as an asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. 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, disposal of asset is recognized when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of profit or loss within other expenses / income.

Depreciation is charged to the statement of profit or loss using the straight-line method from the date the item of property and equipment are available for its intended use or in respect of self-constructed assets from the date such assets are ready for the intended use.

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

Depreciation is calculated using the straight-line method whereby the cost of an operating asset less its estimated residual value is written-off over the useful lives of the asset as follows:

Description	Years
Computers	3
Office equipment	3

Intangible assets

Intangible assets that have been purchased by the company and have finite useful lives are recognized at cost.

Subsequent measurement is carried out at cost less accumulated amortization and accumulated impairment losses, if any. Cost includes any incidental expenses directly attributable to bringing the assets ready for their intended use. Expenditures incurred that qualify for capitalization are recorded under intangible assets as intangible assets under development until they are ready for their intended use. Subsequent cost is capitalized when it is probable that the future economic benefits arising from the cost incurred will flow to the company and the cost of the item can be measured reliably.

An intangible asset is recognized only when no future economic benefits are expected from its use or sale. Any gain or loss resulting from the disposal of an item of intangible assets is determined by comparing the difference between the proceeds from disposal with the carrying amount of the intangible assets that are recognized in the statement of profit or loss and other comprehensive income.

Amortization is calculated to write off the cost of intangible assets after deducting their estimated residual value over their estimated useful lives using a straight line and is generally recognized in the separate statement of profit or loss and other comprehensive income.

The amortization methods, useful lives and residual values are examined at the reporting date and adjusted prospectively, if necessary, if there is indication that a significant change has occurred since the last financial reporting period. The useful life of intangible assets is as follow:

Description	Years
Platform	5

Impairment of non-financial assets

At the date of each balance sheet, the Company regularly reviews the carrying amounts of its property and equipment to determine whether there are any indications that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is charged to the statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of profit or loss.

Accounts receivable and other debit balances

Accounts receivable and other debit balances are initially measured at their transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. At the end of each reporting period, the carrying amounts of trade receivable are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in statement of profit or loss.

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions with related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

A person or a close member of that person's family is related to a reporting entity if that person:

- Has control or joint control of the reporting entity;

Has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

An entity is related to a reporting entity if any of the following conditions apply:

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies and Company's Articles of Association, the Company must set aside 10% of its net income for the year until it has built up a reserve equal to 30% the capital. The Company may discontinue such transfer when it achieves this percentage. The reserve is not available for distribution.

Employee defined benefit plan

- End of service compensation

The end of service benefits are determined using the projected unit cost method with an actuarial valuation performed at the end of each annual financial period. The re-measurement that includes actuarial gains and losses is included in the statement of financial position while the gains and losses are included in other comprehensive income for the period in which they were incurred, and the re-measurement recognized in other comprehensive income is included in retained earnings immediately and is not re-included in profit or loss.

- Short term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Trade payables and other payable

Liabilities are recognized for amounts to be paid in the future for services when risks and rewards attributable to services are received, whether or not billed to the Company.

LENDO SAUDI FOR FINANCING COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS EXPRESSED IN SAUDI RIYALS UNLESS OTHERWISE STATED)

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Zakat and income tax

Zakat and income tax, computed in accordance with the Saudi Arabian fiscal regulations, are accrued and charged to profit or loss. Since the owners have agreed to reimburse Zakat and income tax liability from the proceeds of the future dividend, such amounts receivable from the owners are credited to retained earnings.

Deferred tax liabilities and assets, if considered significant, are recognized for all temporary differences at current rates of taxation. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available in the near future to allow all or part of the deferred tax asset to be utilized.

Value added tax

Revenues, expenses and assets are recognized net of value added tax, except:

- In cases where the value incurred on the purchase of assets or services is not recoverable from the tax authorities. In this case, the VAT is recognized as part of the costs of acquiring the asset or as part of the expense item as appropriate.
- and the receivables and payment are recognized with the amount of VAT included.

The net amount of VAT recoverable from or due to ZATCA is included as part of accounts receivable or payable in the balance sheet.

Revenue recognition

The Company recognizes revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity. Management fees revenue are recognized when the loan is secured and the fees are deducted upfront upon transferring the loans to the customers. Success fees are recognized when the loans are returned and deducted upfront upon transferring the amount to the investors. All revenue are net of amounts such as income taxes, goods and services taxes and value added taxes, as well as discounts and reductions.

Other income

Other revenue is recognized when it is received or when the right to receive payment is established.

Expenses

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

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5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized, at the lease's commencement, at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of comprehensive income.

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6- PROPERTY AND EQUIPMENT, NET

	Computers	Office equipment	Total
<u>Cost</u>			
At January 1, 2021	51,277	-	51,277
Additions	124,279	-	124,279
At December 31, 2021	175,556	-	175,556
<u>Accumulated depreciation</u>			
At January 1, 2021	7,593	-	7,593
Charged for the year	29,731	-	29,731
At December 31, 2021	37,324	-	37,324
<u>Cost</u>			
At January 1, 2022	175,556	-	175,556
Additions	218,983	3,887	222,870
At December 31, 2022	394,539	3,887	398,426
<u>Accumulated depreciation</u>			
At January 1, 2022	37,324	-	37,324
Charged for the year	92,413	864	93,277
At December 31, 2022	129,737	864	130,601
<u>Net book value</u>			
At December 31, 2022	264,802	3,023	267,825
At December 31, 2021	138,232	-	138,232

7- INTANGIBLE, NET

	Platform	Total
<u>Cost</u>		
At January 1, 2021	-	-
Additions	2,188,813	2,188,813
At December 31, 2021	2,188,813	2,188,813
<u>Accumulated amortization</u>		
At January 1, 2021	-	-
Charged for the year	255,362	255,362
At December 31, 2021	255,362	255,362
<u>Cost</u>		
At January 1, 2022	2,188,813	2,188,813
Additions	452,533	452,533
At December 31, 2022	2,641,346	2,641,346
<u>Accumulated amortization</u>		
At January 1, 2022	255,362	255,362
Charged for the year	475,474	475,474
At December 31, 2022	730,836	730,836
<u>Net book value</u>		
At December 31, 2022	1,910,510	1,910,510
At December 31, 2021	1,933,451	1,933,451

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8- PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>2022</u>	<u>2021</u>
Prepaid rent	-	112,100
Prepaid insurance	67,553	18,551
Prepaid to vendors	74,111	66,525
	<u>141,664</u>	<u>197,176</u>

9- CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
Cash at banks	<u>10,761,968</u>	<u>4,599,233</u>

10- CAPITAL

The share capital of the Company was amounting to SR 500,000 divided into 50,000 shares of SR 10 each.(2019: SR 10,000 divided into 10,000 shares of SR 1 each). The share capital of the Company as of December 31, 2020 was as follow:

<u>Name of Shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>Number of shares</u>	<u>Total</u>
Faris Bin Ibrahim Rashid Alhamed	Saudi	99.8%	49,900	499,000
Osama Aijaz Alraee	Saudi	0.2%	100	1,000
		<u>100%</u>	<u>50,000</u>	<u>500,000</u>

On August 24, 2021, the Extraordinary Assembly Meeting approved the increase in capital from SR 500,000 to SR 5,000,000 by issuing additional 450,000 shares to the existing shareholders to be 500,000 share at SR 10 each. The Company completed the all formalities related to this change. Following to the change, the capital of the Company is allocated among the shareholders is as follows:

<u>Name of Shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>Number of shares</u>	<u>Total</u>
Faris Bin Ibrahim Rashid Alhamed	Saudi	99.8%	499,000	4,990,000
Osama Aijaz Alraee	Saudi	0.2%	1,000	10,000
		<u>100%</u>	<u>500,000</u>	<u>5,000,000</u>

On September 28, 2022, the Company submitted its request to the Saudi Central Bank to obtain the approval for its plan to increase the capital of the Company by SR 15 million and to approved the proposed 60% shares to be owned by the foreign investor ("Lendo Inc.").

On November 16, 2022, the Company obtained the approval from the Saudi Central Bank on the proposed plan. On December 19, 2022, the shareholder, Faris Bin Ibrahim Rashid Alhamed agreed to transfer his 499,000 shares to the shareholder, Osama Aijaz Alraee in a separate agreement between the shareholders.

Further, on December 19, 2022, the Company held its Extraordinary General Assembly Meeting and approved the increase in capital by SR 15 million and the issuance of 1.5 million additional shares and the entry of Lendo Inc. as a shareholder owning 60% of the total outstanding shares. The amount of the increase financed through a balance due to Lendo Inc. amounting to SR 12,000,000 and payment made by Osama Aijaz Alraee amounting to SR 3,000,000. The Company has completed the legal formalities related to these changes.

<u>Name of Shareholders</u>	<u>Nationality</u>	<u>Percentage</u>	<u>Number of shares</u>	<u>Total</u>
Lendo Inc	Cayman	60%	1,200,000	12,000,000
Osama Aijaz Alraee	Saudi	40%	800,000	8,000,000
		<u>100%</u>	<u>2,000,000</u>	<u>20,000,000</u>

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11- EMPLOYEES' BENEFITS OBLIGATIONS

The movement in the employees' benefits obligations at December 31, as follows:

	<u>2022</u>	<u>2021</u>
Balance in January 1,	136,360	49,163
Charged during the year	148,767	53,057
Losses on re-measurement of Employees' benefits	176,488	34,140
Balance in December 31,	<u>461,615</u>	<u>136,360</u>

The following are the main actuarial assumptions:

	<u>2022</u>	<u>2021</u>
Discount rate	5.10%	3.15%
Salary increase rate	5.10%	3.15%
Retirement age	60 years	60 years
Turnover	Moderate	Moderate

12- RELATED PARTIES TRANSACTIONS AND BALANCES

The Company deals in its normal activities with related parties, and these transactions include providing operational services and others.

(a) The following table shows the significant transactions with the related parties during the year:

Related Party	Relationship	Nature of transactions	<u>2022</u>	<u>2021</u>
Lendo Inc.	Affiliate/ shareholder	Financing	12,000,000	5,750,000
Osama Ajjaz Alraee	Shareholder	Additional capital	8,000,000	-
Faris Bin Ibrahim Rashid Alhamed	Shareholder	Transfer of shares	<u>(4,990,000)</u>	-

(b) The balance due to related parties is as follows:

	<u>2022</u>	<u>2021</u>
Lendo Inc.	-	<u>4,406,000</u>

13- ACCRUED EXPENSES AND OTHER LIABILITIES

	<u>2022</u>	<u>2021</u>
Value added tax payable	250,893	99,380
Employees related payable	55,282	1,070
Accruals	-	202,307
	<u>306,175</u>	<u>302,757</u>

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14- ZAKAT AND INCOME TAX PROVISION

Movement in Zakat provision

	<u>2022</u>	<u>2021</u>
Balance in January 1,	-	14,140
Charged during the year	53,765	-
Payment during the year	-	(14,140)
Balance in December 31,	<u>53,765</u>	<u>-</u>

Movement in income tax provision

	<u>2022</u>	<u>2021</u>
Balance in January 1,	-	-
Charged during the year	-	-
Payment during the year	-	-
Balance in December 31,	<u>-</u>	<u>-</u>

The Company has filed its zakat returns with the Zakat, Tax and Customs Authority (ZATCA) for the period from 2019 till year 2021, which is still under review of the ZATCA. Also, The Company has booked the zakat and income tax for the year on provisional amount and still in process for submitting the zakat and income tax return for the year.

15- GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2022</u>	<u>2021</u>
Salaries and wages	7,032,313	2,209,315
Legal and Professional fees	1,875,965	542,547
IT expenses	484,824	256,135
License and subscriptions	164,375	56,250
Advertisement	359,413	32,248
Government fees	140,380	77,598
Rent	590,100	262,455
Withholding tax	25,755	116,331
Depreciation	93,277	29,731
Others	200,766	110,270
	<u>10,967,168</u>	<u>3,692,880</u>

16- EARNING PER SHARE

Basic and diluted earnings per share are calculated by dividing operating loss by the weighted average number of ordinary shares issued, that is 549,315 shares as at 31 December 2022 (2021: 207,534 shares).

	<u>2022</u>	<u>2021</u>
Net loss for the year	(5,151,964)	(797,358)
Weighted average number of shares	549,315	207,534
Basic and diluted loss per share of net loss for the year	<u>(9.38)</u>	<u>(3.84)</u>

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17- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Liquidity risks

Liquidity risk occurs when an entity faces a difficulty in selling a financial asset in a timely and quickly manner to prevent or reduce the loss. Liquidity risks are closely managed through the periodic monitoring of available liquidity and current and future liabilities.

Foreign currency risk management

Currency risk arises from possible changes and fluctuations in currency rates that affect future profit. The company monitors currency fluctuations and believes that the impact of currency risk is not material.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Company's management believes the fair value of the financial assets and liabilities approximate their carrying amounts.

18- ACCUMULATED LOSSES

The Company has recurring losses of SR 5.33 million for year ended December 31, 2022 (December 31, 2021: SR 831 thousand), and has accumulated losses amounting to SR 8.31 million (2021: SR 2.9 million). During the year, and as a plan to support the Company's operations, the Company have got the approval of its Extraordinary General Assembly Meeting to increase the capital of the Company by SR 15 million of which an amount of SR 12 million was related to an amount due to Lendo Inc.

19- THE APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on March 6, 2023.