

Related-Party transactions

(External Audit Report – Declaration letter from Board to shareholders)

Items (8) and (9) in Agenda



KPMG Professional Services

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Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Limited Assurance Report to Nayifat Finance Company on the Board of Directors' Declaration on the Requirements of Article 71 of the Companies Law

To the Shareholders of Nayifat Finance Company

We were engaged by the management of Nayifat Finance Company (the "Company") to report on the the Board of Directors' declaration (the "Declaration") prepared by the management in accordance with the requirements of Article 71 of the Companies Law, which comprises the transactions carried out / that will be carried out by the Company during the year ended 31 December 2023 / ending 31 December 2024 in which any of the members of Board of Directors ("BoD") of the Company had direct or indirect personal interest as detailed below ("Subject Matter") and the accompanying management's statement thereon as set out in Appendix 1, in the form of an independent limited assurance conclusion that based on our work performed and evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter is not properly prepared, in all material respects, based on the applicable criteria ("Applicable Criteria") below.

Subject Matter

The Subject Matter for our limited assurance engagement is related to the Declaration enclosed in the attached Appendix 1 prepared by the management in accordance with the requirements of Article 71 of the Companies Law, presented by the Chairman of the Company, which comprises the transactions carried out / that will be carried out by the Company during the year ended 31 December 2023 / ending 31 December 2024 in which any of the members of BoD of the Company had direct or indirect personal interest.

Applicable Criteria

We have used the following as the Applicable Criteria:

- Article 71 of the Companies Law issued by the Ministry of Commerce ("MoC").

Management's Responsibility

The management of the Company is responsible for preparing the Subject Matter information that is free from material misstatement in accordance with the Applicable Criteria and for the information contained therein. The management of the Company is also responsible for preparing the Subject Matter information (i.e. Appendix 1).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of the Subject Matter that information is free from material misstatement, whether due to fraud or error. It also includes selecting the Applicable Criteria and ensuring that the Company complies with the Companies Law; designing, implementing and effectively operating controls to achieve the stated control objectives; selecting and applying policies; making judgments and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the Subject Matter information.

The management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities. The management of the Company is responsible for ensuring that staff involved with the preparation of the Subject Matter information are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

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كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٤٠,٠٠٠,٠٠٠) ريال سعودي مفعول بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومرجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة التابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.



Independent Limited Assurance Report to Nayifat Finance Company on the Board of Directors' Declaration on the Requirements of Article 71 of the Companies Law

To the Shareholders of Nayifat Finance Company (continued)

Our Responsibility

Our responsibility is to examine the Subject Matter information prepared by the Company and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" endorsed in the Kingdom of Saudi Arabia and the terms and conditions for this engagement as agreed with the Company's management. That standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Subject Matter information is properly prepared, in all material respects, as the basis for our limited assurance conclusion.

The firm applies International Standard on Quality Management 1 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our understanding of the Subject Matter and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In obtaining an understanding of the Subject Matter and other engagement circumstances, we have considered the process used to prepare the Subject Matter information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's process or internal control over the preparation and presentation of the Subject Matter information.

Our engagement also included: assessing the appropriateness of the Subject Matter, the suitability of the criteria used by the Company in preparing the Subject Matter information in the circumstances of the engagement, evaluating the appropriateness of the procedures used in the preparation of the Subject Matter information and the reasonableness of estimates made by the Company.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We did not perform procedures to identify additional procedures that would have been performed if this were a reasonable assurance engagement.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Subject Matter information nor of the underlying records or other sources from which the Subject Matter information was extracted.

Procedures Performed

Our procedures performed include but are not limited to the following:

- Obtained the Declaration that includes the transactions performed / that will be performed in which any of the BoD members of the Company has either direct or indirect interest during the year ended 31 December 2023 / ending 31 December 2024;
- Reviewed the minutes of meetings of the BoD that indicate notifications to the BoD by certain directors of actual or potential conflicts of direct or indirect interest in relation to transactions involving the BoD member, where applicable;
- Checked that the relevant directors who notified the BoD of actual or potential conflicts of direct or indirect interest did not vote on the resolution to recommend the related transaction;
- On a sample basis, obtained the required approvals along with supporting documents in respect of the transactions included in the declaration; and
- Checked the transaction amounts included in the Declaration agree, where applicable, to the transaction amounts disclosed in note 24 of the audited financial statements of the Company for the year ended 31 December 2023.



Independent Limited Assurance Report to Nayifat Finance Company on the Board of Directors' Declaration on the Requirements of Article 71 of the Companies Law

To the Shareholders of Nayifat Finance Company (continued)

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter information is not prepared, in all material respects, in accordance with the Applicable Criteria.

Restriction of Use of Our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company and MoC for any purpose or in any context. Any party other than the Company and MoC who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company and MoC for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to the Company and MoC on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent.

KPMG Professional Services

Hani Hamzah A. Bedairi
License No: 460



Riyadh: 14 May 2024
Corresponding to: 6 Dhul Qadah 1445H

Date: 12 – 05 – 2024

Declaration letter

Dear Shareholders of Nayifat Finance Company,

Greetings,

Subject to the provision of Article 71- (Disclosure of Interest in Transactions and Contracts), paragraph (1): "Subject to the provision of Article 27 of this Law, a board member shall immediately disclose to the board of directors any direct or indirect interest he may have in company transactions or contracts. Such disclosure shall be recorded in the minutes of the board meeting. Said member may not vote on a decision by the board of directors and the General Assemblies relating to such transactions and contracts. The board shall notify the general assembly, when it convenes, of the transactions and contracts in which such board member has direct or indirect interest; the notice shall be accompanied with a special report prepared by the company auditor in accordance with auditing standards approved in the Kingdom". Accordingly, we would like to inform you of the work carried out with Related parties for the year 2023/2024, in order to obtain the authorization from the Association, as follows:

1. Voting on the business and contracts concluded between Nayifat Finance Company and Yaqeen Financial Company, in which the two members of the Board of Directors, Mr. Abdul Mohsen Muhammad AlSaleh and Mr. Salman AbdulAziz bin Shehween, have an indirect interest (Related Parties) for the year 2024, which is the management of the company's investment portfolio in addition to acting as an agent for Nayifat customers in the sale of their financing goods, noting that the transactions that took place during the year 2023 were worth 1,000,000 Saudi riyals, including VAT, without any conditions Preferential.
2. Voting on the business that will take place between Nayifat Finance Company and AlBayouk Chartered Accountants Office, in which Mr. Ata Hamad AlBayouk has a direct interest (Owner) for the year 2024, which is to provide professional services related to Zakat and Value Added Tax to the company, noting that the transactions that took place during the year 2023 were worth 312,800 Saudi riyals, including VAT, without any preferential conditions.

We also attach to you the report of the company's auditor (KPMG Professional Consulting) on these transactions.

Approved by Board of Directors:

Mr. Saleh Nasser AlOmair

Chairman



Mr. AbdulMohsin Mohammed AlSaleh

Vice Chairman

Abstain

Mr. Ata Hamad AlBayouk

Member

Abstain

Mr. Salman Abdulaziz Shehween

Member

Abstain

Mr. Yosef Ibrahim AlShaer

Member

Mr. Bandar Mohammed AlBaiz

Member

Mr. Saad AbdulMohsin AlHamidi

Member

Mr. Turki Nasser AlQahtani

Member

