

**QUARA FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Financial Statements (unaudited)
For the Nine-Month Period Ended September 30, 2023

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Report on review of condensed interim financial statements

To the Shareholders of Quara Finance Company:
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Quara Finance Company (the "Company") as at 30 September 2023 and the related condensed interim statement of comprehensive income for the three-month and nine-month periods then ended, and the related condensed interim statements of changes in shareholders' equity and cash flows for the nine-month period then ended, and other explanatory notes (the "condensed interim financial statements").

The Board of Directors is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

A blue ink signature, appearing to be 'Khalid A. Mahdhar', written in a stylized, cursive script.


Khalid A. Mahdhar
License Number 368


24 October 2023

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Statement of Financial Position
(All amounts in Saudi Riyals unless otherwise stated)

		September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	Note		
Assets			
Cash and cash equivalents		106,162,922	181,441,739
Murabaha receivable, net	5	674,190,835	710,295,126
Due from a related party	6	-	2,732,147
Prepayments and other receivables		30,603,944	23,328,155
Repossession assets held for sale	7	1,642,785	1,642,785
Property and equipment		12,731,429	10,768,426
Total assets		825,331,915	930,208,378
Liabilities and shareholders' equity			
Liabilities			
Sukuk	8	-	4,090,909
Loan from a related party	9	96,849,373	93,397,500
Term loans	10	296,258,205	461,132,355
Accrued and other liabilities		27,997,091	18,588,002
Provision for zakat	11	15,772,568	13,192,887
Employees' termination benefits	12	1,557,100	1,071,100
Total liabilities		438,434,337	591,472,753
Shareholders' equity			
Share capital		300,000,000	300,000,000
Statutory reserve		7,163,843	7,163,842
Equity contribution on related party loan		10,862,676	10,862,676
Retained earnings		68,871,059	20,709,107
Total shareholders' equity		386,897,578	338,735,625
Total liabilities and shareholders' equity		825,331,915	930,208,378

The attached notes 1 to 17 form part of these condensed interim financial statements.


Abdullah Shilash
Chairman


Faisal Al Alshaikh
Chief Executive Officer


Anrisha Shah
Chief Financial Officer

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Statement of Comprehensive Income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the Three-month period ended September 30	For the Nine-month period ended September 30
		2023	2022
Murabaha income		44,882,195	141,165,584
Management fee income		871,853	2,639,265
Modification gain on restructuring of financings and borrowings net of grant income		-	-
Financial charges		(1,925,041)	(6,211,074)
		43,829,007	136,901,568
Other income		15,322,408	24,446,424
Other general and administrative expenses		(17,756,662)	(47,968,664)
Provision for murabaha losses		(6,097,378)	(21,514,077)
Salaries and other benefits		(10,814,846)	(34,619,557)
Interest income on deposits		912,751	3,114,953
Income for the period before zakat		25,395,280	60,360,647
Zakat charge for the period		(5,129,845)	(12,198,694)
Income for the period after zakat		20,265,435	48,161,953
Other comprehensive income		-	-
Total comprehensive income for the period		20,265,435	48,161,953
Earnings per share			
Basic and diluted earnings per share (Saudi Riyal)		0.68	1.61
Weighted average number of shares		30,000,000	30,000,000

The attached notes 1 to 17 form-part of these condensed interim financial statements.


Abdullah Shilash
Chairman


Faisal Al Alshaikh
Chief Executive Officer


Anyish Shah
Chief Financial Officer


QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Statement of Changes in Shareholders' Equity
 (All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	(Accumulated losses) / Retained earnings	Equity contribution on related party loan	Total
January 1, 2022 (Audited)	300,000,000	2,080,046	(25,045,061)	10,862,676	287,897,661
Comprehensive income					
Income for the period	-	-	38,015,877	-	38,015,877
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	38,015,877	-	38,015,877
September 30, 2022 (Unaudited)	300,000,000	2,080,046	12,970,816	10,862,676	325,913,538
January 1, 2023 (Audited)	300,000,000	7,163,842	20,709,107	10,862,676	338,735,625
Comprehensive income					
Income for the period	-	-	48,161,953	-	48,161,953
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	48,161,953	-	48,161,953
September 30, 2023 (Unaudited)	300,000,000	7,163,842	68,871,060	10,862,676	386,897,578

The attached notes 1 to 17 form part of these condensed interim financial statements.


 Abdullah Shilash
 Chairman



 Faisal Al Alshaikh
 Chief Executive Officer


 Amrisha Shah
 Chief Financial Officer

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Condensed Interim Statement of Cash Flows (Unaudited)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the Nine-month period ended September 30	
		2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities			
Income for the period before zakat		60,360,647	45,573,435
<u>Adjustments for non-cash items</u>			
Depreciation		3,187,761	2,717,548
Financial charges		6,903,281	11,292,316
Accrued income on short-term deposit		(3,114,953)	(2,345,123)
Modification loss on restructuring of financings and borrowings net of grant income		-	(678,596)
Provision for murabaha losses		21,514,077	15,545,342
Loss on sale of repossessed assets	5	-	193,503
Provision for employees' termination benefits	12	666,822	624,328
<u>Changes in working capital</u>			
Murabaha receivable		14,590,214	145,098,409
Due from related parties		2,732,147	1,827,735
Prepayments and other receivables		(7,275,789)	(3,340,661)
Accrued and other liabilities		9,409,089	8,499,904
Employee termination benefits paid	12	(180,822)	(156,328)
Zakat paid	11	(9,619,012)	(9,011,785)
Financial charges received on short-term deposit		3,392,448	-
Financial charges paid		(3,241,257)	(24,052,898)
Net cash generated from operating activities		99,324,653	191,787,129
Cash flow from investing activities			
Purchase of property and equipment		(5,150,764)	(4,959,637)
Proceeds from sale of repossessed assets		-	709,512
Net cash utilized in investing activities		(5,150,764)	(4,250,125)
Cash flows from financing activities			
Loan proceeds from long-term loans		93,750,000	144,426,802
Payments of term loan		(259,111,797)	(226,377,690)
Payment of loan from a related party		-	(75,000,000)
Sukuk repayment		(4,090,909)	(12,272,727)
Net cash utilized in financing activities		(169,452,706)	(169,223,615)
Net change in cash and cash equivalents		(75,278,817)	18,313,389
Cash and cash equivalents at beginning of period		181,441,739	196,549,402
Cash and cash equivalents at end of period		106,162,922	214,862,791

The attached notes 1 to 17 form part of these condensed interim financial statements.


Abdullah Shilash
Chairman


Faisal Al Alshaikh
Chief Executive Officer


Amrisha Shah
Chief Financial Officer

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the Condensed Interim Financial Statements (Unaudited)
For the Nine-Month Period Ended September 30, 2023
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Quara Finance Company (the "Company") is a closed joint stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010262141 issued in Riyadh on Safar 9, 1430H (corresponding to February 4, 2009).

As per the Saudi Arabian Monetary Authority ("SAMA") license number 45/HA/201605 dated 2 Sha'ban 1437H (corresponding to May 9, 2016), the Company is authorized to provide lease finance, consumer finance and small and medium enterprise finance in the Kingdom of Saudi Arabia.

The Company's registered office is located in Riyadh at the following address:

Quara Finance Company
P.O. Box 271188, Riyadh 11352
Kingdom of Saudi Arabia

The accompanying condensed interim financial statements were authorized for issue by the Board of Directors on 22 October 2023.

These condensed interim financial statements have been reviewed, not audited.

2 Significant accounting policies

2.1 Basis of preparation

The condensed interim financial statements of the Company as at and for the three-month and nine-month periods ended September 30, 2023 have been prepared in accordance with International Accounting Standard "Interim Financial Reporting"- ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

The condensed interim statement of financial position is stated broadly in order of liquidity.

These condensed interim financial statements do not include all the information and disclosure required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2022. The interim results may not be an indicator of the annual results of the Company.

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2022.

3 Impact of changes in accounting policies due to adoption of new standards

Accounting standards issued but not yet effective

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

New standards, interpretations and amendments adopted by the Company

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after 1 January 2023. The management has assessed that the amendments have no significant impact on the Company's condensed interim financial statements.

- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;
- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities; and
- IFRS 17 – Insurance contracts, Pursuant to the regulations in the Kingdom of Saudi Arabia, the Company is required to write-off exposures for deceased customers and accordingly there is an insurance risk under the Islamic financing contracts. Upon adoption of IFRS 17 effective from 1 January 2023, the Company has made a policy choice to continue to account for such exposures under IFRS 9 'Financial Instruments' instead of IFRS 17. Accordingly, based on management's assessment, there was no impact upon adoption of IFRS 17.

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the Condensed Interim Financial Statements (Unaudited)
For the Nine-Month Period Ended September 30, 2023
(All amounts in Saudi Riyals unless otherwise stated)

4 Significant accounting judgments, estimates and assumptions

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the statutory financial statements as at and for the year ended December 31, 2022.

5 Murabaha receivable, net

	September 30, 2023		
	Retail	SME financing	Total
	(Unaudited)	(Unaudited)	(Unaudited)
Murabaha receivable	626,648,390	254,692,046	881,340,436
Less: Unearned revenue	(168,044,365)	(13,003,894)	(181,048,259)
Less: Modification loss on restructuring of financings	-	(1,779,947)	(1,779,947)
Gross carrying value of Murabaha receivable	458,604,025	239,908,205	698,512,230
Less: Provision for Murabaha losses	(15,175,654)	(9,145,741)	(24,321,395)
	443,428,371	230,762,464	674,190,835
Current portion of Murabaha receivable	270,929,979	172,689,666	443,619,645
Non-current portion of Murabaha receivable	187,674,046	67,218,539	254,892,585
	458,604,025	239,908,205	698,512,230
Less: Provision for Murabaha losses	(15,175,654)	(9,145,741)	(24,321,395)
	443,428,371	230,762,464	674,190,835
	December 31, 2022		
	Retail	SME financing	Total
	(Audited)	(Audited)	(Audited)
Murabaha receivable	601,165,207	310,986,475	912,151,682
Less: Unearned revenue	(159,347,473)	(20,522,068)	(179,869,541)
Less: Modification loss on restructuring of financings	-	(6,769,569)	(6,769,569)
Gross carrying value of Murabaha receivable	441,817,734	283,694,838	725,512,572
Less: Provision for Murabaha losses	(11,136,014)	(4,081,432)	(15,217,446)
	430,681,720	279,613,406	710,295,126
Current portion of Murabaha receivable	252,227,862	196,128,079	448,355,941
Non-current portion of Murabaha receivable	189,589,872	87,566,759	277,156,631
	441,817,734	283,694,838	725,512,572
Less: Provision for Murabaha losses	(11,136,013)	(4,081,433)	(15,217,446)
	430,681,721	279,613,405	710,295,126

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the Condensed Interim Financial Statements (Unaudited)
For the Nine-Month Period Ended September 30, 2023
(All amounts in Saudi Riyals unless otherwise stated)

5 Murabaha receivable, net (continued)

The movement in Provision for Murabaha losses of retail segment is as follows:

For the nine-month period ended September 30, 2023				
	Stage 1	Stage 2	Stage 3	Total
	(Unaudited)			
Opening balance at beginning of the period	598,175	1,078,432	9,459,406	11,136,013
Charge for the period	284,918	(29,466)	14,573,189	14,828,641
Written off during the period*	-	-	(10,789,000)	(10,789,000)
Closing balance at end of the period	883,093	1,048,966	13,243,595	15,175,654

For the year ended December 31, 2022				
	Stage 1	Stage 2	Stage 3	Total
	(Audited)			
Opening balance at beginning of the year	3,741,576	3,004,185	16,325,853	23,071,614
Charge for the year	(3,143,401)	(1,925,753)	20,817,237	15,748,083
Written off during the year*	-	-	(27,683,684)	(27,683,684)
Closing balance at end of the year	598,175	1,078,432	9,459,406	11,136,013

The movement in Provision for Murabaha losses of SME financing segment is as follows:

For the nine-month period ended September 30, 2023				
	Stage 1	Stage 2	Stage 3	Total
	(Unaudited)			
Opening balance at beginning of the period	75,652	512,031	3,493,750	4,081,433
Charge for the period	92,983	54,951	6,545,534	6,693,468
Written off during the period*	-	-	(1,629,160)	(1,629,160)
Closing balance at end of the period	168,635	566,982	8,410,124	9,145,741

For the year ended December 31, 2022				
	Stage 1	Stage 2	Stage 3	Total
	(Audited)			
Opening balance at beginning of the year	71,641	1,440,538	1,171,303	2,683,482
Charge for the year	4,011	(928,507)	13,193,298	12,268,802
Written off during the year*	-	-	(10,870,851)	(10,870,851)
Closing balance at end of the year	75,652	512,031	3,493,750	4,081,433

* The write-offs during the period/year are in accordance with Company's write-off policy which is in line with SAMA's rules and regulations for write-offs.

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the Condensed Interim Financial Statements (Unaudited)
For the Nine-Month Period Ended September 30, 2023
(All amounts in Saudi Riyals unless otherwise stated)

5 Murabaha receivable, net (continued)

The analysis of movement in provision for impairment of Murabaha receivable is as follows:

Retail	For the nine-month period ended September 30, 2023 (Unaudited)			Total
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	
Loss allowance as at January 1, 2023	598,175	1,078,432	9,459,406	11,136,013
Transfer from performing	(52,958)	38,472	14,486	-
Transfer from under-performing	223,574	(513,775)	290,201	-
Transfer from non-performing	590,293	358,311	(948,604)	-
Remeasurement of loss allowance	(662,045)	380,183	17,120,140	16,838,278
Financial assets – settled	(245,414)	(292,657)	(1,903,034)	(2,441,105)
Financial assets originated	431,468	-	-	431,468
Write-off during the period	-	-	(10,789,000)	(10,789,000)
Loss allowance as at September 30, 2023	883,093	1,048,966	13,243,595	15,175,654

SME Financing	For the three-month period ended September 30, 2023 (Unaudited)			Total
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	
Loss allowance as at January 1, 2023	83,686	512,031	3,493,750	4,089,467
Transfer from performing	(24,193)	23,121	1,072	-
Transfer from under-performing	87,664	(177,663)	89,999	-
Transfer from non-performing	-	223,130	(223,130)	-
Remeasurement of loss allowance	48,563	266,761	6,953,252	7,268,576
Financial assets – settled	(36,840)	(280,398)	(275,659)	(592,897)
Financial assets originated	9,755	-	-	9,755
Write-off during the period	-	-	(1,629,160)	(1,629,160)
Loss allowance as at September 30, 2023	168,635	566,982	8,410,124	9,145,741

Retail	For the year ended December 31, 2022 (Audited)			Total
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	
Loss allowance as at January 1, 2022	3,741,576	3,004,184	16,325,854	23,071,614
Transfer from performing	(490,130)	368,054	122,076	-
Transfer from under-performing	751,666	(1,217,967)	466,301	-
Transfer from non-performing	1,001,466	476,720	(1,478,186)	-
Remeasurement of loss allowance*	(3,088,920)	(307,847)	26,612,239	23,215,472
Financial assets – settled	(1,766,598)	(1,244,712)	(4,913,719)	(7,925,029)
Financial assets originated	449,115	-	-	449,115
Write-off during the year	-	-	(27,675,159)	(27,675,159)
Loss allowance as at December 31, 2022	598,175	1,078,432	9,459,406	11,136,013

SME financing	For the year ended December 31, 2022 (Audited)			Total
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	
Loss allowance as at January 1, 2021	71,641	1,440,538	1,171,303	2,683,482
Transfer from performing	(14,357)	10,996	3,361	-
Transfer from under-performing	300,042	(564,181)	264,139	-
Transfer from non-performing	-	58,182	(58,182)	-
Remeasurement of loss allowance*	(261,102)	(2,030)	13,117,572	12,854,440
Financial assets – settled	(24,643)	(431,474)	(125,067)	(581,184)
Financial assets originated	12,105	-	-	12,105
Write-off during the year	-	-	(10,879,376)	(10,879,376)
Loss allowance as at December 31, 2021	83,686	512,031	3,493,750	4,089,467

* This includes provision for Murabaha receivables from related party. Please refer note 6.

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the Condensed Interim Financial Statements (Unaudited)
For the Nine-Month Period Ended September 30, 2023
(All amounts in Saudi Riyals unless otherwise stated)

5 Murabaha receivable, net (continued)

The net carrying amount of loan receivables, and thus the maximum exposure to loss, is as follows:

	September 30, 2023		
	Retail	SME financing	Total
	(Unaudited)	(Unaudited)	(Unaudited)
Performing (Stage 1)	383,606,964	144,847,119	528,454,083
Underperforming (Stage 2)	51,015,744	29,600,710	80,616,454
Non-performing (Stage 3)	23,981,317	65,460,376	89,441,693
Total net loan receivables	458,604,025	239,908,205	698,512,230
Less: Provision for Murabaha losses	(15,175,654)	(9,145,741)	(24,321,395)
Loan receivables net of expected credit losses	443,428,371	230,762,464	674,190,835

	December 31, 2022		
	Retail	SME financing	Total
	(Audited)	(Audited)	(Audited)
Performing	360,526,598	195,443,874	555,970,472
Underperforming	62,616,756	48,197,240	110,813,996
Non-performing	18,674,380	42,793,906	61,468,286
Total net loan receivables	441,817,734	286,435,020	728,252,754
Less: Provision for Murabaha losses	(11,136,014)	(4,089,467)	(15,225,481)
Loan receivables net of expected credit losses	430,681,720	282,345,553	713,027,273

Note- Portfolio / Murabaha receivables classification mentioned above is based on curing period criteria as per SAMA guideline however considering DPD as base below is the classification.

	September 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Performing	575,213,344	576,178,197
Underperforming	38,593,386	112,128,715
Non-performing	84,705,499	37,205,660
Total net loan receivables	698,512,230	725,512,572
Less: Provision for Murabaha losses	(24,321,395)	(15,217,446)
Loan receivables net of expected credit losses	674,190,835	710,295,126

The movement in Murabaha receivables of retail segment is as follows:

Retail	For the nine-month period ended September 30, 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2023	360,526,598	62,616,756	18,674,380	441,817,734
Transferred from Stage 1	(58,699,264)	47,503,873	11,195,391	-
Transferred from Stage 2	15,790,476	(29,046,026)	13,255,550	-
Transferred from Stage 3	1,254,741	737,182	(1,991,923)	-
Repayments and settlements	(191,491,642)	(30,796,041)	(6,363,082)	(228,650,765)
New financial assets originated	256,226,055	-	-	256,226,055
Write-offs (From stage 3)	-	-	(10,788,999)	(10,788,999)
Gross carrying amount as at September 30, 2023	383,606,964	51,015,744	23,981,317	458,604,025

Retail	For the year ended December 31, 2022 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2022	316,548,216	70,443,444	33,082,617	420,074,277
Transferred from Stage 1	(52,129,756)	30,809,809	21,319,947	-
Transferred from Stage 2	19,764,095	(24,322,378)	4,558,283	-
Transferred from Stage 3	2,127,483	1,023,441	(3,150,924)	-
Repayments and settlements	(308,848,009)	(15,337,560)	(9,460,384)	(333,645,953)
New financial assets originated	383,064,569	-	-	383,064,569
Write-offs (From stage 3)	-	-	(27,675,159)	(27,675,159)
Gross carrying amount as at December 31, 2022	360,526,598	62,616,756	18,674,380	441,817,734

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the Condensed Interim Financial Statements (Unaudited)
For the Nine-Month Period Ended September 30, 2023
(All amounts in Saudi Riyals unless otherwise stated)

5 Murabaha receivable, net (continued)

The movement in Murabaha receivables of SME financing segment (including due from related party) is as follows:

SME financing	For the nine-month period ended September 30, 2023 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at January 1, 2023	195,443,873	48,197,240	42,793,906	286,435,019
Transferred from Stage 1	(35,537,985)	22,870,586	12,667,399	-
Transferred from Stage 2	2,739,126	(28,092,308)	25,353,182	-
Transferred from Stage 3	-	7,797,293	(7,797,293)	-
Repayments and settlements	(92,029,324)	(21,172,101)	(5,927,658)	(119,129,083)
New financial assets originated	74,231,429	-	-	74,231,429
Write-offs (From stage 3)	-	-	(1,629,160)	(1,629,160)
Gross carrying amount as at September 30, 2023	144,847,119	29,600,710	65,460,376	239,908,205

SME financing	For the year ended December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
(Audited)				
Gross carrying amount as at January 1, 2022	354,889,974	99,167,416	27,922,919	481,980,309
Transferred from Stage 1	(75,681,671)	55,165,689	20,515,982	-
Transferred from Stage 2	27,712,007	(44,419,908)	16,707,901	-
Transferred from Stage 3	-	734,817	(734,817)	-
Repayments and settlements	(263,099,052)	(62,450,774)	(10,738,703)	(336,288,529)
New financial assets originated	151,622,615	-	-	151,622,615
Write-offs (From stage 3)	-	-	(10,879,376)	(10,879,376)
Gross carrying amount as December 31, 2022	195,443,873	48,197,240	42,793,906	286,435,019

Management receives collaterals in form of real estate property and Kafalah. Management policy for valuation of real estate collaterals is in accordance with SAMA guidelines.

Credit quality of Murabaha receivables based on past due days is as follows:

Retail – 30 September 2023	Net Receivable	ECL	Total
0 - 30	406,399,931	(1,776,681)	404,623,250
31 - 60	-	-	-
61 - 90	29,908,132	(1,025,631)	28,882,501
91 - 180	6,513,230	(3,519,712)	2,993,518
181 - 270	6,427,170	(3,551,594)	2,875,576
271 - 360	6,197,402	(3,475,634)	2,721,768
361 - 720	3,158,160	(1,826,402)	1,331,758
Above 720	-	-	-
	458,604,025	(15,175,654)	443,428,371
Retail – 31 December 2022	Net Receivable	ECL	Total
0 - 30	364,287,288	(1,653,250)	362,634,038
31 - 60	37,435,830	(746,807)	36,689,023
61 - 90	24,455,870	(799,799)	23,656,071
91 - 180	7,872,366	(3,906,184)	3,966,182
181 - 270	4,059,730	(2,087,339)	1,972,391
271 - 360	3,706,650	(1,942,634)	1,764,016
361 - 720	-	-	-
Above 720	-	-	-
	441,817,734	(11,136,013)	430,681,721

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5 Murabaha receivable, net (continued)

SME – 30 September 2023	Net Receivable	ECL	Total
0 - 30	168,813,413	(630,079)	168,183,334
31 - 60	2,241,384	(351,293)	1,890,091
61 - 90	6,443,870	(237,301)	6,206,569
91 - 180	2,104,829	(80,796)	2,024,033
181 - 270	24,586,331	(1,341,200)	23,245,131
271 - 360	21,354,409	(5,237,251)	16,117,158
361 - 720	10,506,352	(781,209)	9,725,143
Above 720	3,857,617	(486,612)	3,371,005
	239,908,205	(9,145,741)	230,762,464

SME – 31 December 2022	Net Receivable	ECL	Total
0 - 30	214,631,091	(1,079,840)	213,551,251
31 - 60	21,253,966	(327,553)	20,926,413
61 - 90	28,983,048	(827,585)	28,155,463
91 - 180	2,141,182	(112,342)	2,028,840
181 - 270	2,348,837	(269,984)	2,078,853
271 - 360	8,314,343	(714,291)	7,600,052
361 - 720	7,615,375	(711,983)	6,903,392
Above 720	1,147,177	(45,887)	1,101,290
	286,435,019	(4,089,465)	282,345,554

6 Due from a related party

Due from a related party represents due amounts from one of the Company's related party against obtaining finance in form of Murabaha contracts. The terms of the contract were approved by the Company's Board of Directors. Due from the related party is stated as follows:

	Relationship	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Talad Investment Company	Associate	-	2,732,147
		-	2,732,147

The above Murabaha receivable to related party is an unsecured financing issued to the related party on normal business terms. As at September 30, 2023, Talad Investment Company is no longer a related party of the Company, and accordingly the outstanding receivable has been transferred to Murabaha receivables.

7 Repossessed assets held for sale

This represents real estate received from a Company's customer during 2019 to settle part of his outstanding balance. The legal procedures needed to transfer the ownership of real estate to the Company has been completed during 2020. The Company is expecting to liquidate these assets by the end of 2023.

8 Sukuk

During the year 2018, the Company obtained SAMA approval to issue private Sukuk Certificates (Sukuk) with total amount of Saudi Riyals 500 million. The first phase of Sukuk issuance amounted to Saudi Riyals 100 million was issued in 2018. In March 2020, the Company issued the second phase of Sukuk amounting to Saudi Riyals 100 million. During the period ended September 30, 2023, the Company has paid the Sukuk completely.

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Current portion	-	4,090,909
Non-current portion	-	-
	-	4,090,909

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9 Loan from a related party

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Opening balance	93,397,500	168,307,266
Add: Loan management fee accrued during the period / year	3,451,873	4,590,234
Less: Principal paid during the period / year	-	(75,000,000)
Less: Management fee paid during the period / year	-	(4,500,000)
Carrying amount of loan from related party	96,849,373	93,397,500

During 2021, the Company received approval from SAMA to obtain loan from related party to the extent of Saudi Riyals 150 million. During the year ended December 31, 2021, the Company obtained loan amounting to Saudi Riyals 100 million in 4 equal tranches for a period of 3 years. These loans obtained are interest free loans and are recorded at fair value.

During the year ended December 31, 2022, management reassessed the treatment of accounting for the benefit of interest free loan from related party and restated the difference between the fair value and the cash received which had previously been recognized under a loan from related party to equity in order to reflect the substance of the transaction, which is an equity contribution from a related party.

10 Term loans

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Long term loan – Monsha’at	10.1	38,400,896	89,038,059
Long term loan – SAMA	10.2	257,857,309	372,094,296
		296,258,205	461,132,355

10.1 Term loan – Monsha’at

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Opening balance		83,146,130	130,943,104
Add: Loans obtained during the period		-	25,000,000
Add: Loan management fee accrued during the period		2,367,930	5,782,378
Less: Principal repayment during the period		(47,474,671)	(70,712,117)
Less: Loan management fee paid during the period		(2,367,930)	(5,236,024)
Less: Deferred income on initial recognition of interest free loans		-	(2,157,281)
Less: Upfront income on loan from Monsha’at		-	(473,930)
Closing balance		35,671,459	83,146,130
Add: Deferred income on interest free loans	10.1.1	2,729,437	5,891,929
		38,400,896	89,038,059
Current portion		27,261,846	62,896,835
Non-current portion		11,139,051	26,141,224
		38,400,896	89,038,059

10.1.1 Deferred income on interest free loans

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Opening balance	5,891,929	8,121,783
Add: Deferred income on initial recognition of interest free loan	-	2,157,281
Less: Amortization of deferred income on interest free loans	(3,162,494)	(4,387,135)
Closing balance	2,729,437	5,891,929

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10 Term loans (continued)

10.1 Term loan – Monsha’at (continued)

10.1.1 Deferred income on interest free loans (continued)

Since 2018, the Company has received eight interest free loans from Monsha’at Loans from Social Development Bank to finance small and medium entities in the Kingdom of Saudi Arabia amounting Saudi Riyals 245 million for three years. These loans carry a fixed special commission rate that is significantly lower than currently prevailing market rate. These loans provided to the Company carries a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of “lower than market value” loan obtained by the Company has been identified and accounted for in accordance with IFRS 9. Such benefit is being recognized in the condensed interim statement of comprehensive income of the Company on a systematic basis as the expense for which such loan is intended to compensate, is recognized.

10.2 Term loan – SAMA

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Long term loan – SAMA Funding for Lending	10.2.1	198,728,811	265,966,055
Deposit received from SAMA against repayments deferment	10.2.2	59,128,498	106,128,241
		257,857,309	372,094,296

10.2.1 Loan from SAMA - funding for lending

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Opening balance	265,966,055	332,206,449
Add: Loans obtained during the period/year	93,750,000	121,633,636
Less: Principal repayment during the period/year	(160,987,244)	(187,874,030)
Closing balance	198,728,811	265,966,055
Current portion	109,043,769	182,400,750
Non-current portion	89,685,042	83,565,305
	198,728,811	265,966,055

During the year 2020, the Company has entered into SAMA’s Funding for Lending Program, whereby Kafala (SME financing guarantee program) has guaranteed 95% of the financing amount to the SME customers. During the period ended 30 September 2023, the Company received additional financing amounting to Saudi Riyals 93.75 million. The financing tenure is thirty-six months. The net impact of the interest free funding from SAMA and interest charged on financing to SME customers with a low interest rate is not significant to the condensed interim statement of income.

10.2.2 Deposit received from SAMA against repayments deferment

	Nine-month period ended September 30, 2023 (Unaudited)	Year ended December 31, 2022 (Audited)
Opening balance	106,128,241	121,897,918
Add: Loans obtained during the period	-	43,293,184
Add: Unwinding of modification grant income	3,650,139	7,252,554
Less: Principal repayment during the period	(50,649,882)	(62,417,634)
Less: Grant income recognized on subsidized funding	-	(3,897,781)
Closing Balance	59,128,498	106,128,241
Current portion	59,128,498	106,128,241
Non-current portion	-	-
	59,128,498	106,128,241

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11 Provision for zakat

11.1 The movement in the zakat provision is as follows:

	Nine-month period ended September 30, 2023 (Unaudited)	Year end December 31, 2022 (Audited)
Opening balance	13,192,887	12,635,265
Charge during the period / year	12,198,694	9,569,408
Payments made during the period / year	(9,619,013)	(9,011,786)
Closing balance	<u>15,772,568</u>	<u>13,192,887</u>

11.2 Status of assessments

The Company has filed its zakat returns with Zakat, Tax and Customs Authority (ZATCA) for the years until 2022. During 2021, the Company received assessment for 2015 with additional zakat for Saudi Riyal 2,893,955. The Company has further filed an objection appeal with ZATCA against the assessment and believes that the outcome will be favorable.

Further, zakat liability for the financial years from 2009 to 2014 is settled as per applicable zakat regulations.

12 Employees' termination benefits

Provision for employees' termination benefits is made in accordance with the Saudi Arabian Labour Law assuming the maximum payable based on current remuneration and cumulative years of service at the end of the reporting period.

The following tables summaries the components of net benefits expenses recognised in the condensed interim statement of comprehensive income:

	Nine-month period ended September 30, 2023 (Unaudited)	Year end December 31, 2022 (Audited)
Opening balance	1,071,100	1,486,870
Condensed interim statement of comprehensive income		
Service cost attributable to the current and past periods	666,822	239,600
Reversal of past service cost	-	(380,883)
End of service paid during the period / year	(180,822)	(274,487)
Ending balance	<u>1,557,100</u>	<u>1,071,100</u>

13 Share capital

As at September 30, 2023, the authorised, issued and fully paid-up share capital of the Company was Saudi Riyal 300,000,000 divided into 30,000,000 shares (December 31, 2022: Saudi Riyal 300,000,000 divided into 30,000,000 shares) with a par value of SR 10 each.

14 Operating segments

Operating segments are identified based on internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to segments and to assess their performance. Performance is measured based on operating profit of the segment, as management believes that this indicator is the most relevant in evaluating the results of segments relative to other entities that operate within these sectors.

The Company's operations are in the Kingdom of Saudi Arabia and the Company currently provides financing to Saudi individuals from government and private sectors and to SMEs. Accordingly, the Company's operations represent the following operating segments. None of a single customer of the Company generates more than 10% of the revenue.

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14 Operating segments (continued)

The Company's reportable segments are as follows:

- 1) Retail (Personal financing): These personal financing is provided to retail segment.
- 2) SME financing: These financing to provide to small and medium enterprises.

**For the nine-month period ended
30 September 2023 (Unaudited)**

	Retail	SME financing	Total
Revenue			
Murabaha income	118,788,611	22,376,973	141,165,584
Management fee	472,068	2,167,197	2,639,265
Finance charges	(3,451,874)	(3,451,408)	(6,903,282)
Expenses			
Other general and administrative	(30,881,325)	(1,931,793)	(32,813,118)
Provision for murabaha losses	(14,630,141)	(6,883,936)	(21,514,075)
Salaries and other benefits	(13,299,313)	(466,443)	(13,765,756)
Other income	11,979,572	11,164,257	23,143,829
	68,977,598	22,974,847	91,952,445
Unallocated income			4,417,526
Unallocated expenses*			(36,009,324)
Net income before zakat			60,360,647

**For the nine-month period ended
30 September 2022 (Unaudited)**

	Retail	SME financing	Total
Revenue			
Murabaha income	95,570,864	28,882,970	124,453,834
Management fee	929,681	261,165	1,190,846
Modification gain on restructuring of financings and borrowings net of grant income	-	678,596	678,596
Finance charges	(4,458,830)	(6,833,486)	(11,292,316)
Expenses			
Other general and administrative	(1,630,301)	(58,032)	(1,688,333)
Provision for murabaha losses	(11,543,423)	(4,001,919)	(15,545,342)
Salaries and other benefits	(6,599,257)	(138,375)	(6,737,632)
Other income	12,678,748	212,800	12,891,548
	84,947,482	19,003,719	103,951,201
Unallocated income			5,399,206
Unallocated expenses*			(63,776,972)
Net income before zakat			45,573,435

* Unallocated other general and administrative expenses are common expenses which mainly include bank charges, depreciation, taxes and other common expenses which are not relevant to a particular segment.

As at September 30, 2023 (Unaudited)

	Retail	SME financing	Total
Murabaha receivables, net	443,428,371	230,762,464	674,190,835
Unallocated assets	-	-	151,141,080
Total assets			825,331,915
Loans	96,849,373	296,258,205	393,107,578
Other liabilities	-	-	45,326,759
Total liabilities			438,434,337

As at December 31, 2022 (Audited)

	Retail	SME financing	Total
Murabaha Receivables, net	430,681,720	279,613,406	710,295,126
Due from a related party	-	2,732,147	2,732,147
Unallocated assets	-	-	217,181,105
Total assets			930,208,378
Loans	199,525,741	359,095,023	558,620,764
Other liabilities	-	-	32,851,989
Total liabilities			591,472,753

15 Fair value of financial instruments

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

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability the principal or the most advantageous market must be accessible to the Company.

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of Murabaha receivables, due from related party. Financial liabilities consist of Sukuk, loan from a related party, long term loans. Fair value of all financial assets and financial liabilities that are measured at amortized cost approximate their fair value.

For assets and liabilities that are recognised in the condensed interim financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

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15 Fair value of financial instruments (continued)

30 September 2023 (Unaudited)
Financial assets as amortised cost:

	Carrying Value	Fair value		
		Level 1	Level 2	Level 3
Murabaha receivable	698,512,230	-	-	702,284,561
Cash and cash equivalents	106,162,922	106,162,922	-	-
Other receivables	687,921	-	-	687,921

Financial liabilities at amortised cost:

Loan from a related party	96,849,373	-	-	96,849,373
Term loans	296,258,205	-	-	296,258,205

31 December 2022 (Audited)
Financial assets as amortised cost:

	Carrying Value	Fair value		
		Level 1	Level 2	Level 3
Murabaha receivable	725,512,572	-	-	729,430,720
Due from related parties	2,740,181	-	-	2,740,181
Cash and cash equivalents	181,441,739	181,441,739	-	-
Other receivables	3,394,099	-	-	3,394,099

Financial liabilities at amortized cost:

Sukuk	4,090,909	-	-	4,090,909
Loan from a related party	93,397,500	-	-	93,397,500
Term loans	461,132,355	-	-	461,132,355

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16 Related party transactions

	Nine-month period ended September 30, 2023 (Unaudited)	Nine-month period ended September 30, 2022 (Unaudited)
<u>Transactions with related parties during the period:</u>		
Murabaha income (Talad Investment Company – Associate)	-	342,093
Repayment of Murabaha receivable (Talad Investment Company – Associate)	-	2,178,000
Interest expense (Atheer Al Tharwa – Associate)	-	197,260
Interest income on short-term deposit (Al Khair Capital - Associate)	3,114,953	2,345,123
Balances:	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Murabaha receivable, net (Talad Investment Company – Associate)	-	2,732,147
Loan from a related party - Al Mawared Al Oula – Shareholder	96,849,373	93,397,500
Short-term deposit (Al Khair Capital - Associate)	64,180,853	120,451,322
Key Management Personnel	Nine-month period ended September 30, 2023 (Unaudited)	Nine-month period ended September 30, 2022 (Unaudited)
Salaries and other short-term employee benefits	6,013,467	7,412,520
End of service benefits – Paid	40,693	-
Directors' meeting attendance fee accrued	259,250	121,000
Loans to key management of the Company	78,539	131,243

Key management personnel include Chief Executive Officer and other department heads.

17 Capital management

Although global market conditions have affected market confidence and consumer spending patterns, the Company remains well placed to grow revenues. The Company has reviewed its exposure to climate related and other emerging business risks, but has not identified any risks that could impact the financial performance or position of the Company as at September 30, 2023. It has sufficient headroom to enable it to conform to covenants on its existing borrowings and sufficient working capital and undrawn financing facilities to service its operating activities.

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital. The Company is required to maintain an equity to net receivable (excluding expected credit losses) ratio as approved by SAMA. The Company is in compliance with the SAMA requirements in relation to equity to net receivables.

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17 Capital management (continued)

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Murabaha financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and debt covenants and, as at the condensed interim statement of financial position date, the Company was in compliance with the prescribe requirements. At financial position date, the management analysis of gearing ratio was as follows:

<u>Debt to equity ratio</u>	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Debt	393,107,578	558,620,764
Shareholders' equity	386,897,578	338,735,625
Debt to Equity Ratio	1.02	1.65

<u>Net receivables to equity ratio</u>	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Net receivables (excluding ECL)	698,512,230	725,512,572
Shareholders' equity	386,897,578	338,735,625
Net receivables to equity ratio	1.8	2.1