QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
AND INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Quara Finance Company

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Quara Finance Company (the "Company") as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of comprehensive income for the year ended December 31, 2023;
- the statement of financial position as at December 31, 2023;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, 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, i.e., the Audit Committee, is responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the shareholders of Quara Finance Company (continued)

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Khalid A. Mahdhar
License Number 368

25 February 2024

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Statement of comprehensive income
For the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2023	2022 *Restated**
Murabaha income		**187,610,869**	169,873,185
Modification gain on restructuring of financings net of grant income		**-**	678,596
Financial charges		**(8,901,342)**	(14,429,314)
		178,709,527	156,122,467
Other general and administrative expenses	4	**(76,300,658)**	(53,163,996)
Provision for Murabaha losses	6	**(6,512,742)**	(9,755,485)
Salaries and other benefits		**(39,909,059)**	(41,690,729)
Other income, net		**7,056,643**	8,895,115
Net income for the year before zakat		**63,043,711**	60,407,372
Zakat charge	15	**(9,257,005)**	(9,569,408)
Net income for the year after zakat		**53,786,706**	50,837,964
Other comprehensive income		**-**	-
Total comprehensive income		**53,786,706**	50,837,964
Earnings per share		**1.79**	1.69
Weighted average number of shares	17	**30,000,000**	30,000,000

The notes from 1 to 26 form an integral part of these financial statements.

* *Refer note 25*

Abdullah Alshilash	Faisal Al Alshaikh	Amrish Shah
Chairman	Chief Executive Officer	Chief Financial Officer

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position
As at December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	December 31, 2023	December 31, 2022
Assets			
Cash and cash equivalents	5	**41,809,229**	181,441,739
Murabaha receivables, net	6	**676,975,453**	710,295,126
Due from related party	7	**-**	2,732,147
Prepayments and other receivables	8	**31,862,305**	23,328,155
Repossessed assets held for sale	9	**1,642,785**	1,642,785
Intangibles	10.1	**5,485,851**	-
Property and equipment, net	10	**7,309,197**	10,768,426
Total assets		**765,084,820**	930,208,378
Liabilities and shareholders' equity			
Liabilities			
Debt securities – Sukuk	11	**-**	4,090,909
Long term loans	13	**227,188,804**	461,132,355
Loan from a related party	12	**98,027,769**	93,397,500
Accrued and other liabilities	14	**32,795,936**	18,588,002
Provision for zakat	15	**12,830,880**	13,192,887
Employees' termination benefits	16	**1,719,100**	1,071,100
Total liabilities		**372,562,489**	591,472,753
Shareholders' equity			
Share capital	17	**300,000,000**	300,000,000
Statutory reserve	18	**12,542,513**	7,163,842
Equity contribution on related party loan		**10,862,676**	10,862,676
Accumulated profit		**69,117,142**	20,709,107
Net shareholders' equity		**392,522,331**	338,735,625
Total liabilities and equity		**765,084,820**	930,208,378

The notes from 1 to 26 form an integral part of these financial statements.

Abdullah Alshilash Chairman	Faisal Al Alshaikh Chief Executive Officer	Amrish Shah Chief Financial Officer

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholders' equity
For the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	**Statutory reserve**	**Accumulated profit**	**Equity contribution on related party loan**	**Total**
January 1, 2022	300,000,000	2,080,046	(25,045,061)	10,862,676	287,897,661
Comprehensive income:					
Net income for the year after zakat	-	-	50,837,964	-	50,837,964
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	50,837,964	-	50,837,964
Transfer to statutory reserve	-	5,083,796	(5,083,796)	-	-
December 31, 2022	300,000,000	7,163,842	20,709,107	10,862,676	338,735,625
Comprehensive income:					
Net income for the year after zakat	-	-	**53,786,706**	-	**53,786,706**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	**53,786,706**	-	**53,786,706**
Transfer to statutory reserve		**5,378,671**	**(5,378,671)**		
December 31, 2023	**300,000,000**	**12,542,513**	**69,117,142**	**10,862,676**	**392,522,331**

The notes from 1 to 26 form an integral part of these financial statements.

Abdullah Alshilash
Chairman

Faisal Al Alshaikh
Chief Executive Officer

Amrish Shah
Chief Financial Officer

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
For the year ended December 31, 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
Cash flow from operating activities			
Net income for the year before zakat		**63,043,711**	60,407,372
Adjustments for non-cash items:			
Depreciation and amortisation	10	**4,376,920**	3,812,587
Modification loss on restructuring of financings and borrowings net of grant income		-	(678,596)
Accrued income on investment deposit		**3,330,772**	(3,663,655)
Financial charges		**8,901,342**	14,429,314
Provision for doubtful debts	6, 7	**32,354,563**	28,024,919
Provision for employees' termination benefits	16	**965,445**	(141,283)
Loss on sale repossessed assets		-	193,503
Changes in working capital			
Murabaha receivables		**(2,473,316)**	129,893,816
Prepayments and other assets		**(8,534,151)**	(6,989,413)
Due from related party		**2,732,147**	2,134,297
Accrued and other liabilities		**14,207,934**	349,012
Zakat paid	15	**(9,619,012)**	(9,011,786)
Employees' termination benefits paid	16	**(317,445)**	(274,487)
Financial charges paid		**(7,502,993)**	(14,990,135)
Net cash generated from operating activities		**101,465,917**	203,495,465
Cash flow from investing activities			
Purchase of property and equipment	10	**(6,438,542)**	(4,124,595)
Proceeds from sale of repossessed assets		**35,000**	709,512
Net cash utilized in investing activities		**(6,403,542)**	(3,415,083)
Cash flow from financing activity			
Repayment of related party loan		-	(75,000,000)
Proceeds from long term loans	13	**133,750,000**	189,926,820
Payment of long term loans	13	**(364,353,976)**	(313,751,228)
Sukuk repayments		**(4,090,909)**	(16,363,637)
Net cash utilized in financing activity		**(234,694,885)**	(215,188,045)
Net cash and cash equivalents		**(139,632,510)**	(15,107,663)
Cash and cash equivalents at the beginning of the year	5	**181,441,739**	196,549,402
Cash and cash equivalents at the end of the year	5	**41,809,229**	181,441,739

The notes from 1 to 26 form an integral part of these financial statements.

Abdullah Alshilash	Faisal Al Alshaikh	Amrish Shah
Chairman	Chief Executive Officer	Chief Financial Officer

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, Unified national number 7001592562 issued in Riyadh on Safar 9, 1430H (corresponding to February 4, 2009).

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

With effect from Jumada al-Thani 1, 1442H (corresponding to January 14, 2021), the name of the Company was changed from Maalem Financing Company to Quara Finance Company.

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

Quara Finance Company 8246,
King Abdulaziz Road, Al – Wizarat District,
Unit Number 15,
Riyadh 12622 – 3797

2 Material accounting policies

The accounting and risk management policies adopted in the preparation of these financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2022, except for the adoption of the amendments to existing standards which has had no material impact on the financial statements of the Company as follows.

2.1 Basis of preparation

The financial statements of the Company as at and for the year ended December 31, 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the The Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The financial statements have been prepared on a historical cost basis following the accrual basis of accounting, except as disclosed in the notes to these financial statements.

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

2.2 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('Saudi Riyals'). The financial statements are presented in Saudi Riyals, which is the Company's functional and presentation currency.

2.3 Adoption of new standards and amendments:

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB), have been effective from 1 January 2023 and accordingly adopted by the Company has assessed that the amendments have no significant impact on the Company's financial statements, as applicable:

2 Material accounting policies (continued)

2.3 Adoption of new standards and amendments: (continued)

a) *New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company:*

- *IFRS 17, 'Insurance contracts'* – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.

- *Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8* - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- *Amendment to IAS 12* – deferred tax related to assets and liabilities arising from a single transaction - requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

- *Amendment to IAS 12* - International tax reform - pillar two model rules - These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

With respect to IFRS 17, pursuant to the regulations in 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 continues to account for such exposures under IFRS 9 'Financial Instruments' instead of IFRS 17, given it meets the scope exemption under IFRS 17. Accordingly, based on management's assessment, there was no impact upon adoption of IFRS 17 and the impact of such exposure under IFRS 9 is immaterial considering limited history of deceased customers.

2 Significant accounting policies (continued)

2.3 Adoption of new standards and amendments: (continued)

b) Standards issued but not yet effective:

Standards issued but not yet effective up to the date of issuance of the Company's annual financial statements are listed below. The Company intends to adopt these standards when they become effective.

Standard/ Interpretation	Description	Effective from periods beginning on or after the following date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	Annual periods beginning on or after 1 January 2024.
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	Annual periods beginning on or after 1 January 2024.
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Annual periods beginning on or after 1 January 2024.

2.4 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts (if any).

2.5 Murabaha receivables

Murabaha originated by the Company, are initially recognized at fair value including transaction costs when cash is advanced to customers. Subsequently, these financial assets are measured at amortized cost. For presentation purposes, the unearned finance income and provision for impairment are deducted from gross receivables.

2 Material accounting policies (continued)

2.6 Repossessed assets held for sale

The Company, in the ordinary course of business, acquires real estate or other assets against settlement of finances due. Such assets are considered as assets held for sale and are initially recorded at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Company's policy, at the time of possession. No depreciation is charged on such assets.

Subsequent to initial recognition, any subsequent write down to fair value, less cost to sell, are charged to the statement of comprehensive income. Any subsequent gain in the fair value less cost to sell of these assets to the extent this does not exceed the cumulative write down is recognized as income together with any gain/loss on disposal.

2.7 Property and equipment

Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful life. The estimated useful life of the assets are as follows:

	Number of years
Vehicles	5 years
Furniture and fixtures	5 years
Information technology equipment	5 years
Leasehold improvements	4 - 5 years or over the lease term whichever is shorter

2.8 Provisions, accrued and other liabilities

Provisions are recognized when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognized for future operating losses. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2.9 Employees' termination benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

2.10 Short-term employee benefits

Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

2.11 Zakat

In accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"), the Company is subject to zakat attributable to the Saudi shareholders. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis and charged directly to statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

2 Material accounting policies (continued)

2.12 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. 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 comprehensive income.

2.13 Revenue recognition

Income from murabaha receivables is recognized in the statement of comprehensive income using the effective yield method, on the outstanding balance over the term of the contract.

The calculation of effective yield method includes transaction costs and fees and commission income received that are an integral part of effective yield method. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial asset.

Other income are recognized on accrual basis as the services are rendered. Other income is recorded in accordance with the requirement of IFRS 15 "Revenue from Contracts with Customers". Revenue from providing services is recognised in the accounting period in which the services are rendered.

2.15 General and administrative expenses

General and administrative expenses are those arising from Company's efforts underlying the administrative activities.

2.16 Financial instruments

The Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

IFRS 9 contains three principal classification categories for financial assets. The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (FVOCI)
- those to be measured subsequently at fair value through profit or loss (FVTPL) and
- those to be measured at amortized cost.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss (FVTPL) are expensed in statement of comprehensive income.

Subsequent measurement of debt instrument depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Company classifies its debt instruments:

i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit (SPPP) are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognized in statement of comprehensive income when the asset is derecognized or impaired. Profit from these financial assets is calculated the effective yield method. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement, including the impact of prepayment and early termination features of the contract. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

2 Material accounting policies (continued)

2.16 Financial instruments (continued)

ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, profit on financial instrument (revenue) and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of comprehensive income and recognised in other gains / (losses). Profit from these financial assets is included in finance income using the effective yield method.

iii) Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of comprehensive income and presented net in the statement of comprehensive income within other gains / (losses) in the period in which it arises. Profit from these financial assets is included in the finance income.

Currently, the Company does not hold any equity instruments; therefore, the related accounting policies have not been presented.

2.17 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortized cost. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Incorporation of forward-looking information

Macroeconomic information (such as GDP growth rate, oil prices and inflation rate) is incorporated as part of the internal rating model.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from economic experts and consideration of a variety of forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by the International Monetary Fund and the Saudi Central Bank.

(All amounts in Saudi Riyals unless otherwise stated)

2 Material accounting policies (continued)

2.17 Impairment of financial assets (continued)

Incorporation of forward-looking information (continued)

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro- economic variables and credit risk and credit losses. The economic scenarios used as at the year-end included the following ranges of key indicator:

Economic Indicators	**31 December 2023**	**31 December 2022**
Oil prices	Upside 30% Base case 40% Downside 30%	Upside 30% Base case 40% Downside 30%
Gross domestic product	Upside 30% Base case 40% Downside 30%	Upside 30% Base case 40% Downside 30%
KSA inflation rate	Upside 30% Base case 40% Downside 30%	Upside 30% Base case 40% Downside 30%

Probability weightings

The Company considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Company's credit portfolios in determining them.

Probability weighting of each scenario is determined by the management considering the risks and uncertainties surrounding the base case economic scenario. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data.

Economic indicators	**Forecast calendar years used in 2023 ECL model**			**Forecast calendar years used in 2022 ECL model**		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**
Gross domestic product	**3.70%**	**2.90%**	**2.80%**	4.8%	2.8%	2.8%
Oil price	**$89.8**	**$89.8**	**$89.8**	$89.8	$89.8	$89.8
KSA inflation rate	**2.20%**	**2%**	**2%**	2.2%	2%	2%

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full;
- the borrower is classified in default category as per internal credit grade (applicable for corporate and high net worth individuals); or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative e.g. breaches of covenant
- quantitative e.g. overdue status and non-payment on another obligation of the same issuer to Company

Financial assets shall be written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be recovery of amounts due.

2 Material accounting policies (continued)

2.17 Impairment of financial assets (continued)

The Company uses three categories for murabaha receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Financial asset(s) that have not significantly deteriorated in credit quality since origination. Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are from 30 past due.	Lifetime expected losses
Non-performing	Interest and/or principal repayments above 90 days past due	Lifetime expected losses

Credit-impaired Murabaha receivables

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit- impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or lease by the Company on terms that the Company would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

A Murabaha receivable that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a Murabaha receivable that is overdue for 90 days or more is considered impaired.

Curing period

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period time. A customer needs to demonstrate consistently good payment behaviour (more than 1 repayment) over a period of time before the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to a 12-month ECL (Stage 1) for measurement at an amount equal to Lifetime ECL (Stage 2 and 3)

2.18 Financial liabilities

Financial liabilities are classified and subsequently measured at amortized cost using the effective yield method. The related cost of borrowing is charged to statement of comprehensive income. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of balance sheet when, and only when, the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in statement of comprehensive income.

2 Material accounting policies (continued)

2.19 Derecognition of financial instruments

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of comprehensive income.

2.20 Modifications of financial assets and financial liabilities

a. Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of comprehensive income.

b. Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of comprehensive income.

2.21 Leases

Leases are recognized as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortized cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of comprehensive income if the carrying amount of right-of-use asset is reduced to zero.

- any initial direct costs, and
- restoration costs.

2 Material accounting policies (continued)

2.21 Leases (continued)

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represents, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of comprehensive income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

2.22 Government grant

The Company recognizes a government grant related income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant related income. The below-market rate grant is recognized and measured in accordance with IFRS 9 - Financial Instruments. The benefit of the below- market rate of interest is measured as the difference between the initial carrying value of the grant determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognized in the statement of comprehensive income on a systematic basis over the periods in which, the Company recognizes as expenses, the related costs which the grants is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Company. Where the customer is the ultimate beneficiary, the Company only records the respective receivable and payable amounts.

3 Significant accounting judgments, estimates and assumptions

The preparation of 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. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. Significant area where management has used estimates, assumptions or exercised judgements is provision for doubtful debts (note 2.17 and note 6).

(All amounts in Saudi Riyals unless otherwise stated)

3 Significant accounting judgments, estimates and assumptions (continued)

Critical accounting judgement

i. SPPP Test:

Management has assessed the prepayment and early termination features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

Furthermore, the contractual provisions also stipulate that in the event of default the Company pursues legal action to recover its outstanding dues only upon meeting certain additional requirements as set out in the applicable SAMA regulations and the amounts to be recovered from the customer, representing the outstanding principal and profit is determined by the outcome of the legal action. Accordingly, management believes that the contractual cashflows of investment in Islamic financing contracts meet the SPPP test.

4 Other general and administrative expenses

	Note	2023	2022
Enquiry and subscriptions		**23,066,800**	9,283,015
Marketing expenses		**11,049,437**	6,727,537
Information technology		**10,251,500**	6,754,933
Bank charges		**7,447,855**	4,462,228
Depreciation and amortisation	10 & 10.1	**4,376,920**	3,812,587
Sales and Collection Incentives		**2,619,759**	3,436,429
Medical insurance		**3,983,961**	3,106,959
Professional fees	4.1	**2,802,861**	3,021,006
Utilities		**1,964,101**	1,429,787
Office stationery and post office		**1,362,436**	1,041,341
End of service benefits and vacation		**1,706,271**	659,615
Rentals		**726,114**	648,633
Taxes		**467,811**	5,704,030
Committee allowances		**313,250**	-
Other expenses		**4,161,582**	3,075,896
		76,300,658	53,163,996

4.1 Auditor's remuneration:

	For the year ended 31 December	
	2023	**2022**
Fee for statutory audit and interim reviews	**530,000**	530,000
Fee for other statutory and related certifications	**296,250**	427,500
	826,500	957,500

5 Cash and cash equivalents

	As at December 31	
	2023	**2022**
Short term deposit	**-**	120,451,322
Current accounts with banks	**41,805,633**	60,990,417
	41,805,633	181,441,739

Bank balances and deposits are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology.

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivables, net

	As at December 31	
	2023	**2022**
Murabaha receivables	**897,550,631**	912,151,681
Less: Unearned revenue	**(198,951,462)**	(179,869,540)
Less: Modification loss on restructuring of financing	**(1,067,469)**	(6,769,569)
Murabaha receivables, net	**697,531,700**	725,512,572
Less: Provision for doubtful debts	**(20,556,247)**	(15,217,446)
	676,975,453	710,295,126
Current portion of Murabaha receivables	**460,830,790**	448,355,941
Non-current portion of Murabaha receivables	**236,700,910**	277,156,631
	697,531,700	725,512,572
Less: Provision for Murabaha losses	**(20,556,247)**	(15,217,446)
	676,975,453	710,295,126

The movement in provision for doubtful debts was as follows:

	As at December 31	
	2023	**2022**
Opening balance	**15,217,446**	25,755,096
Charge for the year	**32,362,597**	28,016,885
Written off during the year	**(27,023,796)**	(38,554,535)
Closing balance at end of the year	**20,556,247**	15,217,446

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivables, net (continued)

6.1 Stage wise analysis of Murabaha receivables is as follows:

	Performing (Stage 1)	**Under-Performing (Stage 2)**	**Non-Performing (Stage 3)**	**Total**
December 31, 2023				
Receivables	**685,512,704**	**136,918,057**	**75,119,870**	**897,550,631**
Modification loss on restructuring of financing	**(1,067,469)**	**-**	**-**	**(1,067,469)**
Unearned revenue	**(166,586,763)**	**(26,187,566)**	**(6,177,133)**	**(198,951,462)**
Provision for Murabaha losses	**(628,959)**	**(2,143,444)**	**(17,783,844)**	**(20,556,247)**
Net receivables	**517,229,513**	**108,587,047**	**51,158,893**	**676,975,453**
December 31, 2022				
Receivables	707,602,670	134,063,516	70,485,496	912,151,682
Modification loss on restructuring of financing	(6,769,569)	-	-	(6,769,569)
Unearned revenue	(147,602,811)	(23,249,520)	(9,017,210)	(179,869,541)
Provision for Murabaha losses	(673,827)	(1,590,463)	(12,953,156)	(15,217,446)
Net receivables	552,556,463	109,223,533	48,515,130	710,295,126

6.2 The movement in provision for murabaha receivables is as follows:

		2023		
	Performing (Stage 1)	**Under-Performing (Stage 2)**	**Non-Performing (Stage 3)**	**Total**
January 1	**673,827**	**6,867,309**	**7,676,310**	**15,217,446**
Charge for the year	**(44,869)**	**(4,723,865)**	**37,131,330**	**32,362,597**
Written off during the year	**-**	**-**	**(27,023,796)**	**(27,023,796)**
December 31, 2023	**628,958**	**2,143,444**	**17,783,844**	**20,556,247**

		2022		
	Performing (Stage 1)	**Under performing (Stage 2)**	**Non-Performing (Stage 3)**	**Total**
January 1	3,813,217	9,721,569	12,220,310	25,755,096
Charge for the year	(3,139,390)	(2,854,260)	34,010,535	28,016,885
Written off during the year	-	-	(38,554,535)	(38,554,535)
December 31, 2022	673,827	6,867,309	7,676,310	15,217,446

As of December 31, 2023, the receivables amount written off still subject to enforcement activity amounts to SR 27 million (2022: SR 38 million).

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivables, net (continued)

6.2 (a) Reconciliation for provision for Murabaha losses with statement of comprehensive income

	As at December 31	
	2023	**2022**
Expected credit losses charge for the year	**32,354,563**	28,024,919
Recoveries from written off customers*	**(25,841,821)**	(18,269,434)
	6,512,742	9,755,485

* Recoveries from written off customers pertains to doubtful debts written off in previous years.

6.3 Reconciliation between gross to net receivables

		December 31, 2023		
	Note	**Retail**	**SME financing**	**Total**
Murabaha receivable		**710,162,272**	**187,388,359**	**897,550,631**
Less: Unearned revenue		**(193,260,856)**	**(5,690,606)**	**(198,951,462)**
Less: Modification loss on restructuring of financings	13	**-**	**(1,067,469)**	**(1,067,469)**
Gross carrying value of Murabaha receivable		**516,901,416**	**180,630,284**	**697,531,700**
Less: Provision for Murabaha losses		**(16,230,503)**	**(4,325,744)**	**(20,556,247)**
		500,670,913	**176,304,540**	**676,975,453**
Current portion of Murabaha receivable		**305,150,744**	**155,680,046**	**460,830,790**
Non-current portion of Murabaha receivable		**211,750,672**	**24,950,238**	**236,700,910**
		516,901,416	**180,630,284**	**697,531,700**
Less: Provision for Murabaha losses		**(16,230,503)**	**(4,325,744)**	**(20,556,247)**
		500,670,913	**176,304,540**	**676,975,453**

		December 31, 2022		
	Note	**Retail**	**SME financing**	**Total**
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	13	-	(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		(11,136,014)	(4,081,432)	(15,217,446)
		430,681,720	279,613,406	710,295,126

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivables, net (continued)

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

	For the year ended December 31, 2023			
Retail	**Performing (Stage 1)**	**Under-Performing (Stage 2)**	**Non-Performing (Stage 3)**	**Total**
Loss allowance as at January 1, 2023	**598,175**	**1,078,432**	**9,459,406**	**11,136,013**
Transfer from performing	**(54,162)**	**36,585**	**17,577**	**-**
Transfer from under-performing	**179,590**	**(476,175)**	**296,585**	**-**
Transfer from non-performing	**483,315**	**368,488**	**(851,803)**	**-**
Remeasurement of loss allowance*	**(709,012)**	**911,864**	**24,225,219**	**24,428,071**
Financial assets – settled	**(334,382)**	**(351,624)**	**(2,121,058)**	**(2,807,064)**
Financial assets originated	**437,666**	**-**	**-**	**437,666**
Write-off during the year	**-**	**-**	**(16,964,183)**	**(16,964,183)**
Loss allowance as at December 31, 2023	**601,190**	**1,567,570**	**14,061,743**	**16,230,503**

	For the year ended December 31, 2023			
SME financing	**Performing (Stage 1)**	**Under-Performing (Stage 2)**	**Non-Performing (Stage 3)**	**Total**
Loss allowance as at January 1, 2023	**83,686**	**512,031**	**3,493,750**	**4,089,467**
Transfer from performing	**(12,504)**	**12,024**	**480**	**-**
Transfer from under-performing	**5,492**	**(92,546)**	**87,054**	**-**
Transfer from non-performing	**-**	**223,130**	**(223,130)**	**-**
Remeasurement of loss allowance*	**5,742**	**249,759**	**10,836,204**	**11,091,705**
Financial assets – settled	**(60,276)**	**(328,523)**	**(412,643)**	**(801,442)**
Financial assets originated	**5,629**	**-**	**-**	**5,629**
Write-off during the year	**-**	**-**	**(10,059,613)**	**(10,059,613)**
Loss allowance as at December 31, 2023	**27,769**	**575,875**	**3,722,102**	**4,325,746**

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

	For the year ended December 31, 2022			
Retail	**Performing (Stage 1)**	**Under-Performing (Stage 2)**	**Non-Performing (Stage 3)**	**Total**
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

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivables, net (continued)

6.4 The analysis of movement in provision for impairment of Murabaha receivable is as follows: (continued)

	For the year ended December 31, 2022			
SME financing	**Performing (Stage 1)**	**Under-Performing (Stage 2)**	**Non-Performing (Stage 3)**	**Total**
Loss allowance as at January 1, 2022	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, 2022	83,686	512,031	3,493,750	4,089,467

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

	December 31, 2023		
	Retail	**SME financing**	**Total**
Performing (Stage 1)	**417,932,861**	**99,925,611**	**517,858,472**
Underperforming (Stage 2)	**72,314,291**	**38,416,200**	**110,730,491**
Non-performing (Stage 3)	**26,654,264**	**42,288,473**	**68,942,737**
Total net loan receivables	**516,901,416**	**180,630,284**	**697,531,700**
Less: Provision for Murabaha losses	**(16,230,503)**	**(4,325,744)**	**(20,556,247)**
Loan receivables net of expected credit losses	**500,670,913**	**176,304,540**	**676,975,453**

	December 31, 2022		
	Retail	**SME financing**	**Total**
Performing (Stage 1)	360,526,598	195,443,873	555,970,471
Underperforming (Stage 2)	62,616,756	48,197,240	110,813,996
Non-performing (Stage 3)	18,674,380	42,793,906	61,468,286
Total net loan receivables	441,817,734	286,435,019	728,252,753
Less: Provision for Murabaha losses	(11,136,014)	(4,089,466)	(15,225,480)
Loan receivables net of expected credit losses	430,681,720	282,345,553	713,027,273

6.6 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.

	December 31, 2023	**December 31, 2022**
Performing	**526,066,929**	576,178,197
Underperforming	**106,842,317**	112,128,715
Non-performing	**64,622,454**	37,205,660
Total net loan receivables	**697,531,700**	725,512,572
Less: Provision for Murabaha losses	**(20,556,247)**	(15,217,446)
Loan receivables net of expected credit losses	**676,975,453**	710,295,126

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivable, net (continued)

6.7 (i) The movements in Murabaha receivables of retail and SME segments are as follows:

	For the year ended December 31, 2023			
Retail	**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	**(93,880,418)**	**73,156,771**	**20,723,647**	**-**
Transferred from Stage 2	**13,239,966**	**(26,463,529)**	**13,223,563**	**-**
Transferred from Stage 3	**1,010,556**	**779,898**	**(1,790,454)**	**-**
Repayments and settlements	**(223,837,932)**	**(37,775,605)**	**(7,212,689)**	**(268,826,226)**
New financial assets originated	**360,874,091**	**-**	**-**	**360,874,091**
Write-offs (From stage 3)	**-**	**-**	**(16,964,183)**	**(16,964,183)**
Gross carrying amount as December 31, 2023	**417,932,861**	**72,314,291**	**26,654,264**	**516,901,416**

	For the year ended December 31, 2022			
Retail	**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 December 31, 2022	360,526,598	62,616,756	18,674,380	441,817,734

	For the year ended December 31, 2023			
SME financing	**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	**(45,004,417)**	**40,045,113**	**4,959,304**	**-**
Transferred from Stage 2	**3,033,183**	**(27,896,125)**	**24,862,942**	**-**
Transferred from Stage 3	**-**	**7,797,293**	**(7,797,293)**	**-**
Repayments and settlements	**(115,770,673)**	**(29,727,321)**	**(12,470,773)**	**(157,968,767)**
New financial assets originated	**62,223,645**	**-**	**-**	**62,223,645**
Write-offs (From stage 3)	**-**	**-**	**(10,059,613)**	**(10,059,613)**
Gross carrying amount as December 31, 2023	**99,925,611**	**38,416,200**	**42,288,473**	**180,630,284**

	For the year ended December 31, 2022			
SME financing	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivable, net (continued)

6.7 (i) The movements in Murabaha receivables of retail and SME segments are as follows: (continued)

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.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has used GDP growth rate, oil prices and inflation as their key macroeconomic factors. The macro-economic factors has been updated based on the latest available information (for GDP forecast as issued by International Monetary Fund, and for inflation rate as available on the www.stats.gov.sa).

7 Due from related party

Due from related parties represents due amounts from the Company's Associate obtaining finance in form of murabaha contracts. Terms of those contracts were approved by the Company's Board of Directors.

	Relationship	**As at December 31** **2023**	**2022**
Talad Investment Company	Associate	-	2,732,147
		-	2,732,147

	As at December 31 **2023**	**2022**
Gross receivable from a related party	-	2,904,000
Less: Unearned revenue	-	(163,819)
Less: Provision for murabaha losses	-	(8,034)
	-	2,732,147
Current portion of murabaha receivables	-	2,740,181
Non-current portion of murabaha receivables		-
	-	2,740,181
Less: Provision for Murabaha losses	-	(8,034)
	-	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.

	Performing	**Under-performing**	**Non-performing**	**Total**
December 31 2023				
Receivables	-	-	-	-
Unearned revenue	-	-	-	-
Provision for Murabaha losses	-	-	-	-
Net receivables	-	-	-	-
December 31, 2022				
Receivables	2,904,000	-	-	2,904,000
Unearned revenue	(163,819)	-	-	(163,819)
Provision for Murabaha losses	(8,034)	-	-	(8,034)
Net receivables	2,732,147	-	-	2,732,147

(All amounts in Saudi Riyals unless otherwise stated)

8 Prepayments and other receivables

	As at December 31	
	2023	**2022**
Advance financial interest	**722,747**	1,482,676
Prepayments and other receivables	**31,139,559**	21,845,479
	31,862,306	23,328,155

The ECL on other receivables is insignificant. All receivable balances are due within a period of less than 90 days.

9 Repossessed assets held for sale

This represents real estate received from a Company's customer during 2019 to settle part of customer's outstanding balance. The legal procedures needed to transfer the ownership of real estate to the Company has been completed during 2020. The Company expects to liquidate the asset in 2024.

(All amounts in Saudi Riyals unless otherwise stated)

10 Property and equipment, net

2023	**Vehicles**	**Furniture and fixtures**	**Information technology equipment***	**Leasehold improvements**	**Capital WIP**	**Total**
Cost						
January 1, 2023	265,300	2,957,017	15,157,588	5,929,985	-	24,309,890
Additions during the year	-	-	526,787	38,174	-	564,961
Sold During the Year	-	-	(143,640)	-	-	(143,640)
December 31, 2023	**265,300**	**2,957,017**	**15,540,735**	**5,968,159**	**-**	**24,731,211**
Accumulated depreciation						
January 1, 2023	265,296	2,379,761	6,497,848	4,398,559	-	13,541,464
Sold During the Year	-	-	(108,640)	-	-	(108,640)
Charge for the year	-	285,589	2,762,085	941,516	-	3,989,190
December 31, 2023	**265,296**	**2,665,350**	**9,151,293**	**5,340,075**	**-**	**17,422,014**
Net book value at December 31, 2023	**4**	**291,667**	**6,389,442**	**628,084**	**-**	**7,309,197**

2022	**Vehicles**	**Furniture and fixtures**	**Information technology equipment***	**Leasehold improvements**	**Capital WIP**	**Total**
Cost						
January 1, 2022	265,300	2,801,822	11,188,188	5,929,985	-	20,185,295
Additions during the year	-	155,195	3,969,400	-	-	4,124,595
December 31, 2022	265,300	2,957,017	15,157,588	5,929,985	-	24,309,890
Accumulated depreciation						
January 1, 2022	265,296	1,924,127	4,091,649	3,447,805	-	9,728,877
Charge for the year	-	455,634	2,406,199	950,754	-	3,812,587
December 31, 2022	265,296	2,379,761	6,497,848	4,398,559	-	13,541,464
Net book value at December 31, 2022	4	577,256	8,659,740	1,531,426	-	10,768,426

* This includes computer equipment and related information technology solutions.

(All amounts in Saudi Riyals unless otherwise stated)

10 Property and equipment, net (continued)

10.1 Intangibles

2023	**Software solutions**	**Capital WIP**	**Total**
Cost			
As at 1 January 2023	-	-	-
Additions during the year	4,339,757	1,533,824	5,873,581
As at 31 December 2023	**4,339,757**	**1,533,824**	**5,873,581**
Accumulated amortisation			
As at 1 January 2023	-	-	-
Amortisation during the year	387,730	-	387,730
As at 31 December 2023	**387,730**	**-**	**387,730**
Net book value as at 31 December 2023	**3,952,027**	**1,533,824**	**5,485,851**

2022	**Software solutions**	**Capital WIP**	**Total**
Cost			
As at 1 January 2022	-	-	-
Additions during the year	-	-	-
As at 31 December 2022	-	-	-
Accumulated amortisation			
As at 1 January 2022	-	-	-
Amortisation during the year	-	-	-
As at 31 December 2022	-	-	-
	-	-	-
Net book value as at 31 December 2022	-	-	-

11 Debt securities - 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.

	As at December 31	
	2023	**2022**
Current portion	-	4,090,909
Non-current portion	-	-
	-	4,090,909

12 Loan from a related party

	As at December 31	
	2023	**2022**
Opening balance	**93,397,500**	168,307,266
Add: Loan obtained during the year	-	-
Add: Loan management fee accrued during the year	**4,630,268**	4,590,234
Less: Deferred income on initial recognition of interest free loans	-	-
Less: Principal paid during the year	-	(75,000,000)
Less: Management fee paid during the year	-	(4,500,000)
Closing balance	**98,027,768**	93,397,500

(All amounts in Saudi Riyals unless otherwise stated)

12 Loan from a related party (continued)

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.

13 Long term loans

	Note	As at December 31 2023	2022
Long term loan – Monsha'at	13.1	**26,141,254**	89,038,059
Long term loan – SAMA	13.2	**160,428,631**	372,094,296
Loan from Bank	13.3	**40,618,919**	-
		227,188,804	461,132,355

13.1 Long term loan – Monsha'at

	Note	As at December 31 2023	2022
Opening balance		**83,146,130**	130,943,104
Add: Loans obtained during the year		-	25,000,000
Add: Loan management fee accrued during the year		**2,780,992**	5,782,378
Less: Principal repayment during the year		**(58,938,311)**	(70,712,117)
Less: Loan management fee paid during the year		**(2,780,992)**	(5,236,024)
Less: Deferred income on initial recognition of interest free loans		-	(2,157,281)
Less: Modification gain on restructuring of borrowings		-	(473,930)
Closing balance		**24,207,819**	83,146,130
Add: Deferred income on interest free loans	13.1.1	**1,933,435**	5,891,929
		26,141,254	89,038,059
Current portion		**18,911,529**	62,896,835
Non-current portion		**7,229,726**	26,141,224
		26,141,254	89,038,059

13.1.1 Deferred income on interest free loans

	As at December 31 2023	2022
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	**(3,958,496)**	(4,387,135)
Closing balance	**1,933,435**	5,891,929

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 recognised in the statement of income and other comprehensive income of the Company on a systematic basis as the expense for which such loan is intended to compensate, is recognised.

(All amounts in Saudi Riyals unless otherwise stated)

13 Long term loans (continued)

13.2 Long term loan - SAMA

	Note	As at December 31 2023	2022
Long term loan – SAMA funding for lending	13.2.1	**160,428,631**	265,966,055
Deposit received from SAMA against repayments deferment	13.2.2	**-**	106,128,241
		160,428,631	372,094,296

13.2.1 Loan from SAMA – funding for lending

	As at December 31 2023	2022
Opening balance	**265,966,055**	332,206,449
Add: Loans obtained during the year	**93,750,000**	121,633,636
Less: Principal repayment during the year	**(199,287,424)**	(187,874,030)
Closing balance	**160,428,631**	265,966,055
Current portion	**92,131,941**	182,400,750
Non-current portion	**68,296,690**	83,565,305
	160,428,631	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 31st December 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 statement of income.

13.2.2 Deposit received from SAMA against repayments deferment

	Note	As at December 31 2023	2022
Opening balance		**106,128,241**	121,897,918
Add: Loans obtained during the year		**-**	43,293,184
Add: Unwinding of modification grant income		**4,044,703**	7,252,554
Less: Principal repayment during the year		**(110,172,944)**	(62,417,634)
Less: Loan management fee paid during the year			-
Less: Grant income recognized on subsidized funding	26	**-**	(3,897,781)
Less: Modification gain on restructuring of borrowings			-
Closing balance as per Balance Sheet		**-**	106,128,241
Current portion		**-**	106,128,241
Non-current portion		**-**	-
		-	106,128,241

(All amounts in Saudi Riyals unless otherwise stated)

13 Long term loans (continued)

13.3 Loan from Bank

	As at December 31	
	2023	**2022**
Opening balance	-	-
Add: Loans obtained during the period	**40,000,000**	-
Add: Loan management fee accrued during the period	**618,919**	-
Less: Principal repayment during the period	-	-
Less: Loan management fee paid during the period	-	-
Closing balance	**40,618,919**	-
Current portion	**8,618,919**	-
Non-current portion	**32,000,000**	-
	40,618,919	-

14 Accrued and other liabilities

	As at December 31	
	2023	**2022**
Murabaha contract related payables	**18,263,922**	9,160,796
Accrued expenses and others	**14,532,014**	9,427,206
	32,795,936	18,588,002

15 Provision for zakat

15.1 The movement in the zakat provision is as follows:

	2023	**2022**
January 1 (note 15.2)	**13,192,887**	12,635,265
Charge during the year	**9,257,005**	9,569,408
Payments made during the year	**(9,619,012)**	(9,011,786)
December 31	**12,830,880**	13,192,887

15.2 Status of assessments

The Company has filed its zakat returns with the Zakat, Tax and Customs Authority (ZATCA) for the years until 2022.

During 2021, the Company received an assessment for assessment year 2015 with additional Zakat liability amounting to Saudi Riyal 2,204,775. The Company filed an objection with ZATCA against the assessment which was rejected by ZATCA dated January 31, 2022. Therefore, on June 12, 2022, the Company filed an appeal with General Secretariat of Tax Committees (GSTC) Level 1 to contest the ruling of ZATCA. The GSTC had pronounced a ruling judgement in the favour of the defendant (i.e. ZATCA). Based on the above and in accordance with the GSTC Rules and Regulations the Company has filed an appeal with GSTC Level 2 on 20 September 2022. On 08 November 2023, GSTC had given their final ruling judgement in favour of the defendant. The Company has already provided the amount in the financial statements.

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

16 Employees' termination benefits

	2023	**2022**
Opening balance	**1,071,100**	1,486,870
Current service cost	**965,445**	239,600
Reversal of past service cost	-	(380,883)
End of service payments during the year	**(317,445)**	(274,487)
Ending balance	**1,719,100**	1,071,100

(All amounts in Saudi Riyals unless otherwise stated)

16 Employees' termination benefits (continued)

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

	December 31, 2023	December 31, 2022
Opening balance at beginning of year	**1,071,100**	1,486,870
Statement of comprehensive income		
Service cost attributable to the current and past periods	**965,445**	(141,283)
End of service paid during the year	**(317,445)**	(274,487)
Ending balance at end of year	**1,719,100**	1,071,100

The provision of this defined benefit plan is based on projected unit credit method. The key assumptions used in current and prior year include 2.5% (2022: 2.5%) salaries increment and 5.0% (2022: 2.5%) discount rate. The change in assumptions will not have significant effect on the provision as at December 31, 2023.

17 Share capital

Share capital consists of 30,000,000 shares as of December 31, 2023 (December 31, 2022: 30,000,000 million shares). Each share has a book value of Saudi Riyals 10 as of December 31, 2023 (December 31, 2022: Saudi Riyals 10).

Shareholders	Holding	No. of shares	Amount
2023			
Al Mawared Al Oula Company for Real Estate	**33.33%**	**10,000,000**	**100,000,000**
Awayed Financial Company	**33.33%**	**10,000,000**	**100,000,000**
Nawaqis Company for Commerce	**33.33%**	**10,000,000**	**100,000,000**
	100.00%	**30,000,000**	**300,000,000**
2022			
Al Mawared Al Oula Company for Real Estate	33.33%	10,000,000	100,000,000
Awayed Financial Company	33.33%	10,000,000	100,000,000
Nawaqis Company for Commerce	33.33%	10,000,000	100,000,000
	100.00%	30,000,000	300,000,000

18 Statutory reserves

In accordance with Regulations for Companies in Saudi Arabia and the By-laws of the Company, the Company is required to set aside a statutory reserve, after absorption of accumulated losses, if any, by the appropriation of 10% of net income until the reserve equals at least 30% of the share capital. This reserve is not available for distribution.

19 Commitments

Capital commitments

There are no significant capital commitments at financial position date.

20 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 segment's financing portfolio and the operating results of the segment i.e the 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 and resident 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.

(All amounts in Saudi Riyals unless otherwise stated)

20 Operating segments (continued)

The Company's reportable segments are as follows:

1) Retail (Personal financing): These personal financing is provided to retail segment. Products included in retail segment are cash loan and microfinance.

2) SME financing: These financing to provided to small and medium enterprises. Product included in SME financing segment is term loans.

For the year ended December 31, 2023	**Retail**	**SME financing**	**Total**
Murabaha income	**162,020,824**	**22,151,619**	**184,172,443**
Management fee	**620,063**	**2,818,363**	**3,438,426**
Revenue	**162,640,887**	**24,969,982**	**187,610,869**
Finance charges	**(5,274,188)**	**(3,627,155)**	**(8,901,343)**
Expenses			
Other general and administrative	**(43,977,066)**	**(2,145,629)**	**(46,122,695)**
Provision for murabaha losses	**(21,860,174)**	**(10,494,390)**	**(32,354,563)**
Salaries and other benefits	**(17,259,452)**	**(466,443)**	**(17,725,895)**
Other income	**15,768,440**	**11,464,806**	**27,233,246**
	90,038,448	**19,701,171**	**109,739,619**
Unallocated income*			**7,056,643**
Unallocated expenses**			**(53,752,550)**
Net income before zakat			**63,043,713**

For the year ended December 31, 2022	**Retail**	**SME financing**	**Total**
Murabaha income	131,652,415	36,512,745	168,165,160
Management fee	685,790	1,022,235	1,708,025
Revenue	132,338,205	37,534,980	169,873,185
Modification gain on restructuring of financings and borrowings net of grant income	-	678,596	678,596
Finance charges	(7,945,008)	(6,484,306)	(14,429,314)
Expenses			
Other general and administrative	(24,305,632)	(1,528,969)	(25,834,601)
Provision for murabaha losses	(15,756,076)	(12,268,843)	(28,024,919)
Salaries and other benefits	(13,965,832)	(2,733,071)	(16,698,903)
Other income	17,819,824	449,609	18,269,433
	88,185,481	15,647,996	103,833,477
Unallocated income*			8,895,116
Unallocated expenses**			(52,321,221)
Net income before zakat			60,407,371

* Unallocated income mainly includes interest on short-term deposits and nationalisation rebates.

** 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.

For the year ended December 31, 2023	**Retail**	**SME financing**	**Total**
Murabaha receivables, net	**500,670,913**	**176,304,540**	**676,975,453**
Due from a related party	**-**	**-**	**-**
Unallocated assets			**88,109,367**
Total assets			**765,084,820**
Loans	**138,646,687**	**186,569,886**	**325,216,573**
Unallocated liabilities			**47,345,916**
Total liabilities			**372,562,489**

(All amounts in Saudi Riyals unless otherwise stated)

20 Operating segments (continued)

For the year ended December 31, 2022	**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	430,681,720	282,345,553	930,208,378
Loans	199,525,741	359,095,023	558,620,764
Unallocated liabilities	-	-	32,851,989
Total liabilities	199,525,741	359,095,023	591,472,753

21 Fair values of financial assets and liabilities

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. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

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

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Where they are available, the fair value of loans and advances and loan from a related party is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes contractual cash flows discounted at latest yield, which is the contracted profit rate for recent transactions.

(All amounts in Saudi Riyals unless otherwise stated)

21 Fair values of financial assets and liabilities (continued)

Valuation models (continued)

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.

	Carrying	Fair value			
31 December 2023	**value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets as amortised cost:					
Murabaha receivable	**697,531,700**			**701,298,736**	**701,298,736**
Due from related parties	**-**				
Cash and cash equivalents	**41,809,229**	**41,809,229**	**-**	**-**	**41,809,229**
Other receivables	**31,862,306**	**31,862,306**	**-**	**-**	**31,862,306**
Financial liabilities at amortised cost:					
Sukuk	**-**	-	-	-	-
Loan from a related party	**98,027,769**	-	-	**98,027,769**	**98,027,769**
Long term loan	**227,188,804**	-	-	**227,188,804**	**227,188,804**

	Carrying	Fair value			
31 December 2022	**value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets as amortised cost:					
Murabaha receivable	725,512,572	-	-	729,430,720	729,430,720
Due from related parties	2,740,181	-	-	2,740,181	2,740,181
Cash and cash equivalents	181,441,739	181,441,739	-	-	181,441,739
Other receivables	3,394,099	3,394,099	-	-	3,394,099
Financial liabilities at amortised cost:					
Sukuk	4,090,909	-	-	4,090,909	4,090,909
Loan from a related party	93,397,500	-	-	93,397,500	93,397,500
Long term loan	461,132,355	-	-	461,132,355	461,132,355

22 Financial risk management

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and supervising the Company's risk management framework. The Board of Directors has established the Risk Management Committee, to oversee the development and maintenance of risk management processes, policies, strategies, risk methodologies and reporting them to the Board.

In addition, the Audit Committee of the Company also reviews the internal audit risk assessment, discusses the Company's policy with respect to risk assessment and risk management. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Management Committee oversees the Company risks and reports to the Board of Directors.

(i) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to murabaha receivables customers, including outstanding receivables and due from related parties. For details of credit risk in Murabaha receivables and due from related party please refer note 6.

Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength. Where Murabaha receivable customers are independently rated, such ratings are used. Where there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The compliance with credit limits by Murabaha receivables customers is regularly monitored by line management.

The overall decision to lend to a particular customer is based on the following key parameters:

- Dual credit score i.e. Saudi Credit Bureau (SIMAH) and internal risk acceptance criteria;
- Minimum income level and maximum debt burden of the borrower; and
- Loan repayment history with other financial institutions sourced from SIMAH.

At the inception of the contract, internal credit risk ratings are allocated to each exposure. These credit risk grades are defined using a variety of qualitative and quantitative factors including income levels, employment segment, nationality etc.

A significant number of customers are Government sector employees. The Company generally receives repayments through variable channels such as SADAD and bank transfers. The Company has approved collection policies and procedures establishing a collection strategy to follow up with the delinquent customers. In order to monitor exposure to credit risk, reports are reviewed by the risk committee on a quarterly basis. Furthermore, the Company has also strengthened its legal department in order to be actively involved in the collection process of delinquent customers. An allowance for ECL is maintained at a level which, in the judgment of management, is adequate to provide for potential losses that can be reasonably anticipated.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. For certain Murabaha receivables the Company may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment.

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

(i) Credit risk (continued)

Amounts arising from ECL – Significant increase in credit risk (continued)

In determining whether credit risk has increased significantly since initial recognition, the Company assesses past due information.

Stage 1: When receivables are first recognised, the Company recognises an allowance based on 12months ECLs. Stage 1 receivables also include facilities where the credit risk has improved and the receivables has been reclassified from Stage 2.

Stage 2: When a receivable has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECL. Stage 2 receivables also include facilities, where the credit risk has improved and the receivables has been reclassified from Stage 3.

Stage 3: Receivables considered credit-impaired. The Company records an allowance for the Lifetime ECL.

POCI: Purchased or originated credit impaired (POCI) assets are receivables that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modelling, the remaining lifetime PD is determined to have increased significantly.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

For SME and retail portfolio, apart from the customers whose receivables are restructured due to deterioration in credit worthiness, as a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- the criteria do not align with the point in time when an asset becomes 30 days past due.

Collateral

The Company in the ordinary course of financing activities hold collaterals as security to mitigate credit risk in the Murabaha receivables. These collaterals mostly include financial guarantees, real estate, Kafala and other fixed assets. The collaterals are held mainly against SME Murabaha receivables and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of collateral held as security for SME Murabaha receivables that are credit impaired as at 31 December are as follows:

	2023	**2022**
Less than 50% collateral	-	1,797,582
51-80% collateral	**4,450,144**	7,251,210
More than 80% collateral	**34,942,702**	33,745,113
Total	**39,392,846**	42,793,905

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

(i) Credit risk (continued)

Collateral (continued)

Concentration of Murabaha receivables according to segment

As at December 31, 2023	**Net receivable**	**ECL**	**Total**
Retail – Governmental	**289,927,391**	**(7,602,079)**	**282,325,312**
Retail - Private	**226,974,025**	**(8,628,423)**	**218,345,602**
SME - Construction	**56,268,410**	**(894,520)**	**55,373,890**
SME - Non-Construction	**124,361,874**	**(3,431,225)**	**120,930,649**
Total	**697,531,700**	**(20,556,247)**	**676,975,453**

As at December 31, 2022	**Net receivable**	**ECL**	**Total**
Retail – Governmental	305,049,543	(6,321,553)	298,727,990
Retail - Private	136,768,191	(4,814,461)	131,953,730
SME - Construction	82,550,616	(244,116)	82,306,500
SME - Non-Construction	203,884,403	(3,845,350)	200,039,053
Total	728,252,753	(15,225,480)	713,027,273

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

Retail 2023	**Net receivable**	**ECL**	**Total**
0 - 30	**422,338,777**	**(1,060,780)**	**421,277,997**
31 - 60	**38,314,182**	**(1,031,251)**	**37,282,931**
61 - 90	**31,427,804**	**(1,071,525)**	**30,356,279**
91 - 180	**8,026,397**	**(4,156,549)**	**3,869,848**
181 - 270	**7,173,335**	**(3,836,746)**	**3,336,589**
271 - 360	**5,466,956**	**(2,887,450)**	**2,579,506**
361 - 720	**4,153,965**	**(2,186,202)**	**1,967,763**
Above 720	**-**	**-**	**-**
	516,901,416	**(16,230,503)**	**500,670,913**

Retail 2022	**Net receivable**	**ECL**	**Total**
0 – 30	364,287,287	(1,653,250)	362,634,037
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	-	-	-
	441,817,733	(11,136,013)	430,681,720

SME 2023	**Net receivable**	**ECL**	**Total**
0 – 30	**103,728,152**	**(77,671)**	**103,650,481**
31 – 60	**15,413,353**	**(473,649)**	**14,939,704**
61 – 90	**21,686,979**	**(386,149)**	**21,300,830**
91 – 180	**-**	**-**	**-**
181 – 270	**2,029,680**	**(72,395)**	**1,957,285**
271 – 360	**10,015,091**	**(394,223)**	**9,620,868**
361 – 720	**23,114,348**	**(2,447,882)**	**20,666,466**
Above 720	**4,642,681**	**(473,775)**	**4,168,906**
	180,630,284	**(4,325,744)**	**176,304,540**

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

(i) Credit risk (continued)

Collateral (continued)

SME 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

Measurement of ECL

The Company applies the IFRS 9 general approach to measuring expected credit losses which uses a 12-month or lifetime expected loss allowance as applicable for investment in Murabaha receivable contracts. The Company's ECL model is sensitive to macroeconomic variables such as expected movements of oil prices, inflation and GDP scenario weightings. Management evaluates changes in such macroeconomic factors on a periodic basis and has recognised the corresponding impact on the calculation of ECL as at 31 December 2023. The assessment of credit risk in the net investment in Murabaha receivables requires further estimations of credit risk using ECL which is derived by Probability of default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The Company measures an ECL at a contract level considering the EAD, PD and LGD. PD estimates are estimates at a certain date, based on the term structures as provided below. For LGD estimates, the Company uses present value of recoveries for loss accounts adjusted by the forward-looking information and further adjusts it in accordance with the Basel guidelines for investment in financing contracts. For retail and SME financing products LGD ranges from 5% to 100%. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract i.e. contractual repayments. For discounting, the Company has used each contract's effective profit rate. The Company's management believes that adequate ECL allowance has been made, where required to address the credit risk. Also see Note 6.

Generating the term structure of PD

PD is determined based on the historical loss experience of an entity. This historic PD is then adjusted by a factor, determined by reviewing the historic relationship between key economic parameters and PD. Forward looking macro-economic information is then considered and the calculated historical PD is adjusted.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, management considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on an extensive exercise carried out by the management, it had concluded that the GDP was the macroeconomic factor with the highest correlation to the historical collection and default trends. The Company measures the ECL as either a probability-weighted 12-month ECL (Stage 1) or a probability-weighted lifetime ECL (Stage 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weightings of 30%, 40% and 30% for "upturn", "baseline" and "downturn" scenarios respectively. Management updates the inputs with respect to macroeconomic factors to their ECL model on an periodic basis based on the latest available information. For details of macroeconomic factors used please refer note 2.17. As at 31 December 2023, the GDP incorporated in the upturn, baseline and downturn scenarios was 4.1%, 3.7% and 3.3% respectively (31 December 2022: Upturn 5.3%, baseline 4.8% and downturn 4.3%).

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

(i) Credit risk (continued)

Sensitivity analysis

An increase or decrease of USD 10 per barrel in the oil prices scenario weightings with all other variables held constant will result in an increase/decrease of Saudi Riyals 3,950 in the ECL allowance.

An increase or decrease of 1% in the GDP growth rate weightings with all other variables held constant will result in an increase of Saudi Riyals 44,175 in the ECL allowance.

An increase or decrease of 1% in the inflation rate weightings with all other variables held constant will result in an increase of Saudi Riyals 14,747 in the ECL allowance.

	Impact of ECL
100% weightage is given to base case	**-**
100% weightage is given to downturn case	**42,800**
100% weightage is given to upside case	**(42,800)**

Cash and bank balances and other receivables

The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with a bank which has been assigned investment grade rating "A-2" as per Standard and Poor's (S&P). Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

(ii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Total unused credit facilities available to the Company as at 31 December 2023 were approximately Saudi Riyals 10 million (31 December 2022: Saudi Riyals: Nil).

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

(ii) Liquidity risk (continued)

The Group has also complied with the liquidity ratios required by the regulator. The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Company's liabilities based on contractual undiscounted cash flows. Maturity profile of financial assets and liabilities are as follows:

2023	**Less than 3 months**	**3 to 12 months**	**1 to 10 years**	**Total 2023**
Financial assets – commission bearing				
Murabaha receivables, net	**203,131,356**	**395,769,748**	**297,582,058**	**896,483,162**
Due from a related party	-	-	-	-
Financial assets – non commission bearing				
Cash and cash equivalents	**41,805,633**	-	-	**41,805,633**
Other receivables	**31,862,306**	-	-	**31,862,306**
Financial liabilities – commission bearing				
Sukuk	-	-	-	-
Loan from a related party	-	**100,000,000**	-	**100,000,000**
Long term loan	**34,910,035**	**84,752,353**	**107,526,416**	**227,188,804**
Financial liabilities – non commission bearing				
Accrued and other liabilities	**17,698,025**	**13,190,199**	**1,907,712**	**32,795,936**
Liquidity gap	**224,191,235**	**197,827,196**	**188,147,930**	**610,166,361**

2022	**Less than 3 months**	**3 to 12 months**	**1 to 10 years**	**Total 2022**
Financial assets – commission bearing				
Murabaha receivables, net	199,175,976	369,948,628	336,257,508	905,382,112
Due from a related party	726,000	2,178,000	-	2,904,000
Financial assets – non commission bearing				
Cash and cash equivalents	181,441,739	-	-	181,441,739
Other receivables	23,328,155	-	-	23,328,155
	404,671,870	372,126,628	336,257,508	1,113,056,006
Financial liabilities – commission bearing				
Sukuk	4,090,909	-	-	4,090,909
Loan from a related party	-	-	100,000,000	100,000,000
Long term loan	97,937,696	252,310,626	110,884,033	461,132,355
Financial liabilities – non commission bearing				
Accrued and other liabilities	16,204,814	1,442,487	940,701	18,588,002
	118,233,419	253,753,113	211,824,734	583,811,266
Liquidity gap	286,438,451	118,373,515	124,432,774	529,244,740

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

(iii) Commission rate risk

Commission rate risk is the impact on future earnings of the Company resulting from increase in the market interest rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to interest rate adjustment within a specified period. The most important source of such risk is the Company's murabaha receivables and borrowings. The commission rate is fixed for the murabaha receivables and for the loan borrowings. The Company manages such risk by ensuring that there is no significant mismatch between commission bearing assets and liabilities and therefore such risk is not considered to have a significant impact on the financial statements.

(iv) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign currency exchange rates. All the transactions of the Company are in Saudi Arabian Riyals.

23 Capital management

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. For the purpose of the Company’s capital management, capital includes share capital, and all other equity reserves attributable to the shareholders.

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 ratio.

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. As at the 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:

	2023	**2022**
Debt	**325,216,573**	558,620,764
Shareholders’ equity	**392,522,331**	338,735,625
Debt to equity Ratio	**0.83**	1.65

Net receivables to equity ratio	**2023**	**2022**
Net receivables (excluding ECL and related party)	**697,531,700**	725,512,572
Shareholders’ equity	**392,522,331**	338,735,625
Net receivables to equity ratio	**1.8**	2.1

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions

In the ordinary course of its activities, the Company transacts business with related parties, which are related to its shareholders.

Transactions with related parties during the year:	**For the year ended December 31, 2023**	**For the year ended December 31, 2022**
Murabaha income (Talad Investment Company – Associate)	-	487,801
Repayment of Murabaha receivable (Talad Investment Company – Associate)	-	2,904,000
Interest income on Short term deposit (Al Khair Capital - Associate)	**3,330,772**	3,663,655

	As at December 31, 2023	**As at December 31, 2022**
Balances:		
Murabaha receivable, net (Talad Investment Company – Associate)	-	2,732,147
Al Mawared Al Oula – Shareholder	**100,000,000**	100,000,000
Short term deposit (Al Khair Capital - Associate)	-	120,451,322

Key Management Personnel	**2023**	**2022**
Salaries and other short-term employee benefits	**7,785,124**	10,075,062
End of service benefits – Paid	**102,719**	13,674
End of service benefits – Accrued	**172,016**	160,874
Directors' meeting attendance fee	**245,250**	121,000
Loans to key management of the Company	**138,207**	292,546

Key management personnel include Chief Executive Officer and other department head

25 Restatement

Management has re-evaluated the presentation of certain balances in the statement of comprehensive income in the prior years to determine if such balances have been presented appropriately in line with the requirements of IFRS as endorsed in the Kingdom of Saudi Arabia and to determine if an alternative disclosure is more relevant and reliable. Where necessary, changes in presentation were made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

As a result, management restated the comparatives detailed below in the financial statements for the year ended 31 December 2022 as prior year restatements.

<u>Restatement 1:</u>

In prior years, management fee income was presented as a separate line item on the face of statement of comprehensive income. IAS 1 - Presentation of Financial Statements ("IAS-1") requires the profit or loss section or the statement of profit or loss to present (a) revenue, presenting separately profit revenue calculated using the effective profit method.

During the year, management considered the above requirements and reclassified the "Management fees income" to "Murabaha income" and as a result, restated prior year financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

25 Restatement (continued)

Restatement 2:

Recoveries from written off customers were presented in other income on the face of the statement of comprehensive income.

During the year, the Company reviewed its financial statements and as a result changed the presentation by reclassifying "recoveries of amount previously written off" from "Other income" and presented the amounts in the line item "Provision for Murabaha Losses" on the face of the statement of comprehensive income.

The Company believes that the change in presentation provides reliable and more relevant information and is consistent with the nature of the Company's financing operations. In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly.

The above restatements have no effect on the Company's statement of financial position, statement of changes in equity or statement of cash flows. The effect of these restatements on the statement of comprehensive income is summarized below.

	As previously reported for the year ended December 31, 2022	**Restatement 1**	**Restatement 2**	**As restated for the year ended December 31, 2022**
Murabaha income	**168,165,160**	**1,708,025**	-	169,873,185
Management fee income	**1,708,025**	**(1,708,025)**	-	-
Provision for Murabaha losses	**(28,024,919)**	**-**	18,629,434	(9,755,485)
Other income, net	**27,164,549**	**-**	(18,629,434)	8,895,115

26 Approval of the financial statements

The financial statements have been approved by the Board of Directors on 8 Sha'ban 1445H (corresponding to 18 February 2024).