

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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PKF

Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

**TO THE SHAREHOLDERS OF SAUDI FINANCE COMPANY
CLOSED JOINT STOCK COMPANY**

(1 / 1)

RIYADH, KINGDOM OF SAUDI ARABIA

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Saudi Finance Company (the "Company") as of 30 September 2023 and the related interim statement of comprehensive income for the three-month and nine-month periods ended and the interim statement of changes in equity and interim statement of cashflows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

OTHER MATTER

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 2 March 2023. Further, the interim condensed financial statements of the Company for the three-month and nine-month periods ended 30 September 2022 were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed financial statements on 27 October 2022.

For Al-Bassam & Co.

Ahmed A. Mohandis
Certified Public Accountant
License No. 477

Riyadh: 11 Rabi Al Thani 1445H
Corresponding to: 26 October 2023



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SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Cash and cash equivalents		41,208,580	31,927,675
Prepayments and other receivables		10,113,466	5,398,182
Due from related parties	6	974,658	769,302
Shari'a alternatives for financial derivative instruments		768	34,165
Net investment in Islamic financings	7, 13	856,222,360	1,036,370,658
Investments carried at fair value through other comprehensive income (FVOCI)		892,850	892,850
Assets repossessed held-for-sale	8	5,902,623	5,902,623
Restricted cash deposit		2,100,510	2,601,274
Property and equipment		5,215,429	5,974,543
Intangible assets		4,082,339	4,888,259
Right-of-use assets		2,456,340	3,507,081
TOTAL ASSETS		<u>929,169,923</u>	<u>1,098,266,612</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	200,000,000	200,000,000
Statutory reserve		18,066,511	18,066,511
Retained earnings		180,191,553	166,113,647
Actuarial reserve		(213,949)	(213,949)
TOTAL EQUITY		<u>398,044,115</u>	<u>383,966,209</u>
LIABILITIES			
Trade payables		12,521,371	2,265,355
Other payables and accruals		5,500,304	11,134,534
Lease liabilities		1,115,725	2,486,765
Provision for zakat	10	7,583,052	12,676,676
Financial facilities	11, 6	500,101,196	681,531,342
End of service indemnities		4,304,160	4,205,731
TOTAL LIABILITIES		<u>531,125,808</u>	<u>714,300,403</u>
TOTAL EQUITY AND LIABILITIES		<u>929,169,923</u>	<u>1,098,266,612</u>

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended		For the nine-month period ended	
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
INCOME FROM ISLAMIC FINANCING OPERATING (EXPENSES) / INCOME		28,315,053	33,984,078	93,146,181	107,646,385
Finance cost	12	(8,555,795)	(8,988,286)	(24,201,069)	(29,197,238)
General and administrative expenses		(11,860,022)	(11,420,981)	(36,841,162)	(31,629,561)
Selling and marketing expenses		(3,009,199)	(3,391,974)	(9,058,083)	(9,848,924)
(Charge) / reversal of impairment on Islamic financing, net	13	(5,322,691)	(88,751)	(6,678,474)	1,515,935
Unrealized (loss) / gain on shari'a alternatives for financial derivative instruments		(3,335)	69,593	(33,397)	209,328
Write-off of financial asset		-	-	-	(1,860,000)
Other income, net	14	1,111,230	2,333,350	193,910	4,109,906
NET INCOME BEFORE ZAKAT		675,241	12,497,029	16,527,906	40,945,831
Zakat	10	(600,000)	(1,500,000)	(2,450,000)	(5,500,000)
NET INCOME FOR THE PERIOD		75,241	10,997,029	14,077,906	35,445,831
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		75,241	10,997,029	14,077,906	35,445,831

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

For the nine-month period ended

30 September 2022

	Share capital	Statutory reserve	Retained earnings	Actuarial reserve	Total equity
Balance as at 1 January 2022 (Audited)	100,000,000	13,357,581	123,733,277	(188,080)	236,902,778
Comprehensive income for the period	-	-	35,445,831	-	35,445,831
Capital contribution	100,000,000	-	-	-	100,000,000
Balance as at 30 September 2022 (Unaudited)	<u>200,000,000</u>	<u>13,357,581</u>	<u>159,179,108</u>	<u>(188,080)</u>	<u>372,348,609</u>

30 September 2023

	Share capital	Statutory reserve	Retained earnings	Actuarial reserve	Total equity
Balance as at 1 January 2023 (Audited)	200,000,000	18,066,511	166,113,647	(213,949)	383,966,209
Comprehensive income for the period	-	-	14,077,906	-	14,077,906
Balance as at 30 September 2023 (Unaudited)	<u>200,000,000</u>	<u>18,066,511</u>	<u>180,191,553</u>	<u>(213,949)</u>	<u>398,044,115</u>

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the nine-month period ended	
		30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before zakat		16,527,906	40,945,831
Adjustments for:			
Depreciation of right-of-use assets		1,050,741	1,149,858
Depreciation of property and equipment		2,035,725	1,774,696
Amortization of intangible assets		1,558,996	1,470,139
Finance cost	12	24,201,069	29,197,238
Reversal of deferred income		(851,682)	-
Impairment on Islamic financing	13	10,910,000	1,960,000
Net loss on modification of financial instruments		-	300,478
Loss on the fair value of financial assets	14	855,869	6,816,412
Government grant for SAMA funding for lending program	11.3	(154,113)	(9,023,764)
Unrealized gain on shari'a alternatives for financial derivative instruments		33,397	(209,328)
Write-off of financial asset		-	1,860,000
Income on contract termination	14	-	(953,802)
Provision for end of service indemnities		682,000	810,000
(Increase) / decrease in operating assets		(4,715,284)	(1,048,422)
Prepayments and other receivables		(205,356)	(969,681)
Due from related parties		168,382,429	79,640,598
Net investment in Islamic financing		500,764	2,708,629
Restricted cash deposit			
(Decrease) / increase in operating liabilities		10,256,016	3,305,613
Trade payables		(5,634,230)	(2,153,370)
Other payables and accruals		-	19,280
Due to a related party			
Cash generated from operations		225,434,247	157,600,405
Zakat paid	10	(7,543,624)	(8,303,587)
End of service indemnities paid		(583,571)	(348,098)
Net cash generated from operating activities		217,307,052	148,948,720
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,276,611)	(823,658)
Purchase of intangible assets		(753,076)	(1,229,819)
Net cash used in investing activities		(2,029,687)	(2,053,477)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial facilities		210,255,647	191,351,221
Repayment of financial facilities		(406,920,691)	(369,357,782)
Finance cost paid		(7,672,070)	(3,377,804)
Proceeds from capital contribution		-	100,000,000
Lease liabilities paid		(1,659,346)	(1,829,100)
Net cash used in financing activities		(205,996,460)	(83,213,465)
Net (decrease) / increase in cash and cash equivalents		9,280,905	63,681,778
Cash and cash equivalents at beginning of the period		31,927,675	37,761,086
Cash and cash equivalents at end of the period		41,208,580	101,442,864

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

Saudi Finance Company (the “Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010078374 and unified number 7001351779 dated 23 Muharram 1411H (corresponding to 14 August 1990).

The Company is engaged in leasing, commercial financing, small and medium business financing, and retail financing in accordance with the Saudi Central Bank (“SAMA”) approval number 351000071328 dated 3 Jumad Thani 1435H and license number 114102 dated 27 Muharram 1436H.

The activities of the Company are conducted in accordance with Islamic Shari’a, which prohibits usury as determined by the Shari’a Supervisory Board of the Company. The Company carries out financing activities through various Shari’a-compliant instruments.

The Company’s Head Office is located at the following address:

Saudi Finance Company
Sultan Center, Prince Sultan St, Alma’athar
P.O. Box 18331
Riyadh 11415
Kingdom of Saudi Arabia

The Company has the following branches

S. No	Branch	C.R. No.	Date
1	Khurais, Riyadh	1010137723	17 Rabi Thani 1416H
2	Buraidah	1131013974	26 Dhul-Hijjah 1417H
3	Dammam	2051026306	24 Rabi Awal 1423H
4	Jeddah	4030242129	23 Rabi Thani 1434H
5	Al-Ahsa	2251056896	16 Jumad Awal 1435H
6	Medina	4650073124	11 Sha’aban 1435H

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

These interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The results for the nine-month period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s financial statements for the year ended 31 December 2022.

Assets and liabilities in the interim statement of financial position are presented in the order of liquidity.

2. BASIS OF PREPARATION (CONTINUED)

2.2. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared under the historical cost method except for the following:

- a) Shari'a alternatives for financial derivative instruments measured at fair value;
- b) Investment in equity instruments measured at fair value;
- c) Assets repossessed held-for-sale measured at lower of carrying value and fair value less cost to sell.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in SR has been rounded to the nearest SR, unless otherwise mentioned.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements as at 31 December 2022.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these interim condensed financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements i.e., 31 December 2022.

5. NEW AMENDED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE:

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2023 and the details of the same has been explained in annual financial statements for the year ended 31 December 2022, but they do not have a material effect on the Company's interim condensed financial statements.

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

6. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the period

Name of related party	Nature of relationship	Nature of transactions	For the nine-month period ended	
			30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Abu Dhabi Islamic Bank (ADIB), UAE	Shareholder	Financial facilities obtained	30,000,000	70,000,000
		Financial facilities repaid	(45,000,000)	(56,000,000)
		Finance cost	(756,796)	(1,987,524)
		Finance cost repaid	(1,429,696)	(1,267,083)
		Reimbursed for expenses paid on behalf of shareholder	642,651	66,435
		Expenses paid on behalf of shareholder	872,063	(1,036,116)
Abdullah Ibrahim Al Khorayef Sons Company, KSA	Shareholder	Collection on behalf of a shareholder	25,965	49,360
		Repaid to shareholder	-	(30,080)

	For the nine-month period ended	
	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Key management personnel		
Salaries and other short-term employees' benefits	7,990,086	9,112,744

Balances as at period / year -end

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Due from related parties		
Abu Dhabi Islamic Bank (ADIB), UAE	888,063	642,651
Abdullah Ibrahim Al Khorayef Sons Company, KSA	86,595	126,651
	974,658	769,302

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Financial Facilities		
ADIB, UAE	30,000,000	45,000,000
Accrued finance cost	583,493	1,256,393
	30,583,493	46,256,393

SAUDI FINANCE COMPANY
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FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

6. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

a. Key management personnel

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Advance to staff	396,050	132,875

7. NET INVESTMENT IN ISLAMIC FINANCING

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Gross investment in Islamic financing	1,122,555,854	1,252,875,423
Unearned / deferred Islamic financing income	(242,422,566)	(200,008,797)
Net investment in Islamic financing before provision for impairment	880,133,288	1,052,866,626
Less: Provision for impairment	(23,910,928)	(16,495,968)
Net investment in Islamic financing	856,222,360	1,036,370,658

- 7.1.** The Company in the ordinary course of its business holds collateral in respect of Islamic financing (being the title of assets leased out) including real-estate collaterals in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.
- 7.2.** The Company has assigned Islamic financing receivables amounting to SR 288 million (31 December 2022: SR 119 million) to local commercial banks for obtaining financial facilities. These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk.
- 7.3.** During the period, the Company has provided financing amounting to SR 0.5 million to Small and Medium-Sized Entities (SMEs) that qualify for the facility under SAMA funding for financing program on profit rates below-market. These facilities are 60% secured under the Kafala program and these facilities are repayable in 36 monthly installments, which is discounted using average market prevailing profit rates for similar financing facilities to determine the fair value. The difference between financing provided and its fair value is recorded in the statement of profit or loss as per the requirements of IFRS 9.
- 7.4.** The movement in the provision for impairment of Islamic financing during the period is as follows:

	For the nine-month period ended 30 September 2023 (Unaudited)	For the year ended 31 December 2022 (Audited)
Balance at beginning of the period / year	16,495,968	16,488,089
Provided during the period / year	10,910,000	4,260,000
Written off during the period / year	(3,495,040)	(4,252,121)
Balance at the end of the period / year	23,910,928	16,495,968

SAUDI FINANCE COMPANY
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(All amounts in Saudi Riyals unless otherwise stated)

7. NET INVESTMENT IN ISLAMIC FINANCING (CONTINUED)

7.5. During the period, the Risk and Credit Committee of the Company approved a write-off of net investment in Islamic financing receivable amounting to SR 3.5 million. These amounts are subject to enforcement activities.

8. ASSETS REPOSSESSED HELD FOR SALE

During 2016, the Company acquired certain real estate properties in the satisfaction of a claim in order to achieve an orderly realization of a Murabaha receivable. The Company filed a legal case against the erstwhile owner for possession of the properties. These properties are expected to be sold within 12 months from the reporting date.

The Company does not believe to have any contingent liability with regards to the legal case filed. As of 30 September 2023, the case has been closed and it was in the favor of the Company. Accordingly, these properties are legally owned by one of the board members of the Company for the sole benefit of the Company and the Company has held up the properties for sale.

9. SHARE CAPITAL

The Company's subscribed and paid-up share capital of SR 200,000,000 is divided into 20,000,000 equity shares of SR 10 each fully subscribed and paid, and distributed among shareholders as follows:

Shareholders	30 September 2023 and 31 December 2022		
	Holding (%)	No. of shares	Amount (SAR)
ADIB Two Financial Invest LLC, UAE	51	10,200,000	102,000,000
Abdullah Ibrahim Al Khorayef Sons Company, KSA	46	9,200,000	92,000,000
Mohamed Abdullah Al Khorayef	1	200,000	2,000,000
Saad Abdullah Al Khorayef	1	200,000	2,000,000
Hamad Abdullah Al Khorayef	1	200,000	2,000,000
	100	20,000,000	200,000,000

10. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the nine-month period ended 30 September 2023 (Unaudited)	For the year ended 31 December 2022 (Audited)
Balance at the beginning of the period / year	12,676,676	14,201,279
Provided during the period / year	2,450,000	7,300,000
Payment during the period / year	(7,543,624)	(8,824,603)
Balance at the end of the period / year	7,583,052	12,676,676

SAUDI FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

10. PROVISION FOR ZAKAT (CONTINUED)

STATUS OF ASSESSMENTS

During 2016, zakat assessments have been raised by the ZATCA for the years 2005 to 2007 assessing additional zakat of SR 2,621,509 against which the Company has filed an appeal. No provision has been recorded in these financial statements in this respect, as the Company is confident of a favorable outcome on this matter. During 2018 the Company received certain queries related to appeal filed for 2005 to 2007 and the response was submitted to ZATCA.

During 2019, ZATCA provided a settlement assessment for the year 2014 to 2017 with zakat liability of SR 3,256,349 based on the methodology of 10% zakat calculated on the net profit before zakat. This resulted in the reversal of the excess zakat provision of SR 12,382,326 held by the Company for these years. During the year 2022, the Company paid an installment amount of SR 521,016. As of 30 September 2023, the remaining installments amounted to SR 521,016.

During the period, ZATCA again assessed 2005 to 2007 additional amount for which the Company has filed an appeal to the General Secretariat of the Tax Committees (GSTC).

Additionally during the period, ZATCA assessed 2005 to 2007 for an amount of 1,650,399 for which the Company has filed a re appeal. No provision has been recorded in these financial statements in this respect.

Currently, there are open assessments from the years 2008 to 2013 by ZATCA, for which the Company has provided for additional provision amounting to SR 4,939,350. No demand from ZATCA has been received till the date of these financial statements.

The Company has submitted its Zakat declaration to ZATCA for the year ended 31 December 2022 and has obtained the certificate valid until 21 Shawwal 1445H corresponding to 30 April 2024.

11. FINANCIAL FACILITIES

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Short-term financial facilities		30,000,000	45,000,000
Long-term financial facilities	11.1	416,711,786	564,688,144
Finance cost payable		53,389,410	71,843,198
		<u>500,101,196</u>	<u>681,531,342</u>

11.1. Long-term financial facilities

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Current portion		
Long-term financial facilities	370,844,782	370,985,879
Non-current portion		
Long-term financial facilities	45,867,003	193,702,265
	<u>416,711,785</u>	<u>564,688,144</u>

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FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

11. FINANCIAL FACILITIES (CONTINUED)

- 11.2.** The Company has obtained bank financial facilities from local Islamic banks for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates and also have restricted cash deposits.
- 11.3.** During 2023, the Company obtained government financing amounting to SR 0.5 million from SAMA at a zero-profit rate to finance the Small and Medium-Sized Entities (SME) under SAMA funding for a financing program. These financings are repayable in 36 monthly installments with the first installment due after 6 months' grace period from the date of the contract, which is discounted using average market prevailing profit rates for similar financing facilities. The difference between financing received and its present value is recorded as a government grant and has been accounted for as per the requirements of IFRS.

The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 30 September 2023, the Company was not in compliance with certain covenants of one of the financing agreements for which outstanding facility balances amounting to SR 59 million was classified within current portion of financial facilities.

12. FINANCE COST

	For the nine-month period ended	
	30 September 2023	30 September 2022
	(Unaudited)	(Unaudited)
Islamic financial facilities:		
- Non-profit bearing financing	14,278,416	25,057,529
- Murabaha	5,655,163	2,074,568
- Tawarruq	3,979,183	1,950,118
Lease liabilities	288,307	115,023
	<u>24,201,069</u>	<u>29,197,238</u>

13. CHARGE / (REVERSAL) OF IMPAIRMENT ON ISLAMIC FINANCING, NET

		For the nine-month period ended	
	Note	30 September 2023	30 September 2022
		(Unaudited)	(Unaudited)
Impairment on Islamic financing	7.4	10,910,000	1,960,000
Write-off recoveries		(4,231,526)	(3,475,935)
		<u>6,678,474</u>	<u>(1,515,935)</u>

14. OTHER INCOME, NET

		For the nine-month period ended	
	Note	30 September 2023	30 September 2022
		(Unaudited)	(Unaudited)
Government grant on SAMA funding for lending program	11.3	154,114	9,023,764
Management fees and other income		895,665	1,249,230
Income on contract termination		-	953,802
Modification loss on financial assets		-	(300,478)
Loss on the fair value of financial assets	7.3	(855,869)	(6,816,412)
		<u>193,910</u>	<u>4,109,906</u>

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15. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, investment, net investment in Islamic financing, restricted cash deposits and other receivables. Its financial liabilities consist of trade payables, financial facilities, due to related party and other liabilities.

The Company's management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement.

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI and Shari'a alternatives for financial derivative instruments. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

30 September 2023 (Unaudited)	Fair value level			Total
	1	2	3	
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
FINANCIAL LIABILITIES				
FVTPL mandatorily				
Shari'a alternatives for financial derivative instruments	-	768	-	768
31 December 2022 (Audited)				
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
FINANCIAL LIABILITIES				
FVTPL mandatorily				
Shari'a alternatives for financial derivative instruments	-	34,165	-	34,165

The above financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

Financial assets / financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Investment carried at FVOCI	Cost	N/A	N/A

Shari'a alternatives for financial derivative instruments classified as Level 2 comprise profit rate swaps. These derivatives are fair valued using widely recognized valuation models. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

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16. SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-ended that would require additional disclosure or adjustment in these interim condensed financial statements.

17. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were approved and authorized for issue on 11 Rabi Al Thani 1445H (corresponding to 26 October 2023) by the Board of Directors of the Company.