SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SAUDI FINANCE COMPANY
CLOSED JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

We have audited the financial statements of the Company, which comprise of the following:

- The statement of financial position as at 31 December 2023;
- The statement of profit or loss for the year then ended;
- The statement of comprehensive loss and income for the year then ended;
- The statement of changes in 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 policies 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 are independent of the Company in accordance with the code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 dated 2 March 2023 (corresponding to 10 Sha'ban 1444H).

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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SAUDI FINANCE COMPANY
CLOSED JOINT STOCK COMPANY (2/3)

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS (continued)

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 Board of Directors, are responsible for overseeing the Company's financial reporting process.

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

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

- Identify and asses the risk 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 by the management;

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SAUDI FINANCE COMPANY
CLOSED JOINT STOCK COMPANY (3/3)

RIYADH, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

- 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 the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- 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.

For Al-Bassam & Co.

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
license 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Sulaiman Al Hussain
Certified Public Accountant
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SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at 31 December 2023	2022
ASSETS			
Cash and cash equivalents	6	32,679,913	31,927,675
Prepayments and other receivables	7	7,685,918	5,398,182
Due from related parties	8	418,283	769,302
Shari'a alternatives for financial derivative instruments	22	-	34,165
Net investment in Islamic financings	9	796,036,220	1,036,370,658
Investment carried at FVOCI	10	892,850	892,850
Assets repossessed held for sale	11	6,087,234	5,902,623
Restricted cash deposit	12	2,106,156	2,601,274
Property and equipment	13	4,750,858	5,974,543
Intangible assets	14	4,116,868	4,888,259
Right-of-use assets	15	2,106,093	3,507,081
TOTAL ASSETS		856,880,393	1,098,266,612
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	200,000,000	200,000,000
Statutory reserve	17	18,121,283	18,066,511
Retained earnings		166,606,590	166,113,647
Actuarial reserve on end of service indemnities		(847,164)	(213,949)
TOTAL EQUITY		383,880,709	383,966,209
LIABILITIES			
Trade payables	19	567,858	2,265,355
Other payables and accruals	20	4,563,286	11,134,534
Provision for zakat	21	7,362,036	12,676,676
Financial facilities	9, 23	455,745,408	681,531,342
Lease liabilities	15.2	1,140,399	2,486,765
End of service indemnities	18	3,620,697	4,205,731
TOTAL LIABILITIES		472,999,684	714,300,403
TOTAL EQUITY AND LIABILITIES		856,880,393	1,098,266,612

The accompanying notes 1 to 35 form an integral part of these financial statements

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2023	2022
INCOME FROM ISLAMIC FINANCING, NET	24	120,306,353	141,360,294
OPERATING (EXPENSES) / INCOME			
Finance cost	25	(32,051,588)	(37,404,162)
General and administrative expenses	26	(50,095,774)	(42,560,438)
Selling and marketing expenses	27	(12,359,885)	(11,689,611)
Impairment on Islamic financing, net	28	(17,955,623)	95,332
Gain on fair value measurement of assets repossessed held for sale	11	184,611	5,109
Unrealized (loss) / gain on shari'a alternatives for financial derivative instruments		(34,165)	202,395
Write off of financial asset carried at amortized cost		-	(1,860,000)
Other (loss) / income	29	(4,696,214)	6,240,381
NET OPERATING INCOME BEFORE ZAKAT		3,297,715	54,389,300
Zakat	21	(2,750,000)	(7,300,000)
NET INCOME FOR THE YEAR		547,715	47,089,300

The accompanying notes 1 to 35 form an integral part of these financial statements

STATEMENT OF COMPREHENSIVE LOSS AND INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
NET INCOME FOR THE YEAR		547,715	47,089,300
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on end of service indemnities	18	(633,215)	(25,869)
Other comprehensive loss for the year		(633,215)	(25,869)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(85,500)	47,063,431

The accompanying notes 1 to 35 form an integral part of these financial statements

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

2022	**Share capital**	**Statutory reserve**	**Retained earnings**	**Actuarial reserve on end of service indemnities**	**Total equity**
Balance as at 1 January 2022	100,000,000	13,357,581	123,733,277	(188,080)	236,902,778
Net income for the year	-	-	47,089,300	-	47,089,300
Other comprehensive loss	-	-	-	(25,869)	(25,869)
Total comprehensive income / (loss) for the year	-	-	47,089,300	(25,869)	47,063,431
Transfer to statutory reserve	-	4,708,930	(4,708,930)	-	-
Issuance of share capital	100,000,000	-	-	-	100,000,000
Balance as at 31 December 2022	200,000,000	18,066,511	166,113,647	(213,949)	383,966,209

2023	**Share capital**	**Statutory reserve**	**Retained earnings**	**Actuarial reserve on end of service indemnities**	**Total equity**
Balance as at 1 January 2023	200,000,000	18,066,511	166,113,647	(213,949)	383,966,209
Net income for the year	-	-	547,715	-	547,715
Other comprehensive loss	-	-	-	(633,215)	(633,215)
Total comprehensive income / (loss) for the year	-	-	547,715	(633,215)	(85,500)
Transfer to statutory reserve	-	54,772	(54,772)	-	-
Balance as at 31 December 2023	200,000,000	18,121,283	166,606,590	(847,164)	383,880,709

The accompanying notes 1 to 35 form an integral part of these financial statements.

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating income before zakat		3,297,715	54,389,300
Adjustments for:			
Depreciation of right-of-use assets	15,26	1,400,988	1,500,105
Depreciation of property and equipment	13,26	2,617,472	2,250,808
Amortization of intangibles	14,26	2,103,870	2,084,167
Finance cost	25	32,051,588	37,404,162
Impairment on Islamic financing	28	23,155,350	4,260,000
Net loss on modification of financial instruments	29	5,551,336	300,478
Loss on the fair valuation of initial recognition of financial assets	29	355,375	6,816,412
Government grant for SAMA funding for lending program and liquidity support		(851,682)	(10,714,961)
Gain on fair value of assets repossessed held for sale	11	(184,611)	(5,109)
Unrealized loss / (gain) on shari'a alternatives for financial derivative instruments		34,165	(202,395)
Write off of financial asset		-	1,860,000
Income on contract termination		-	(953,802)
Provision for end of service indemnities		950,192	872,632
		70,481,758	99,861,797
(Increase) / decrease in operating assets			
Prepayments and other receivables		(2,287,736)	(2,758,446)
Due from related parties		351,019	(760,929)
Net investment in Islamic financing		211,272,376	95,275,431
Restricted cash deposit		495,118	3,294,239
(Decrease) / increase in operating liabilities			
Trade payables		(1,697,497)	1,488,492
Other payables and accruals		(6,571,248)	(3,460,319)
Cash generated from operating activities		272,043,790	192,940,265
Zakat paid	21	(8,064,640)	(8,824,603)
End of service indemnities paid	18.4	(2,374,920)	(420,110)
Net cash generated from operating activities		261,604,230	183,695,552
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	13	(1,393,787)	(784,720)
Purchase of intangible assets	14	(1,332,479)	(1,339,520)
Net cash used in investing activities		(2,726,266)	(2,124,240)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial facilities		275,255,647	262,201,221
Repayment of financial facilities		(519,700,007)	(542,653,711)
Finance cost paid		(12,022,019)	(5,123,133)
Issuance of share capital		-	100,000,000
Lease liabilities paid	15	(1,659,347)	(1,829,100)
Net cash used in financing activities		(258,125,726)	(187,404,723)
Net increase / (decrease) in cash and cash equivalents		752,238	(5,833,411)
Cash and cash equivalents at beginning of the year		31,927,675	37,761,086
Cash and cash equivalents at the end of the year	6	32,679,913	31,927,675

The accompanying notes 1 to 35 form an integral part of these financial statements

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 new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). The management is in the process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the new Law.

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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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") (collectively referred to as "IFRS that are endorsed in KSA").

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

2.2. BASIS OF MEASUREMENT

These financial statements are prepared under the historical cost method except for the following:
a) Shari'a alternatives for financial derivative instruments are measured at fair value;
b) Investment in equity instruments are measured at fair value;
c) Assets repossessed held for sale measured at lower of carrying value and fair value less cost to sell; and
d) End of service indemnities recognized at the present value of future obligations using the Projected Unit Credit method.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

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

2. BASIS OF PREPARATION (CONTINUED)

2.4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the SOCPA which require management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. 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 are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Judgements

2.4.1. Business model assessment

Classification and measurement of financial assets depend on the results of the sole payments of principal and profit and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

2.4.2. 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, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

2.4.3. Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. The Company also has the sufficient liquidity in place, please refer liquidity risk note 30.4.

Estimates

2.4.4. Determination of discount rate for present value calculations

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Company.

2.4.5. Impairment of non-financial assets

Refer note 5.7 for details.

(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates (Continued)

2.4.6. Actuarial valuation of end of service indemnities

The cost of the post-employment benefits ("employee benefits") under the defined benefit plan is determined using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and rate of employee turnover. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required. Further information on the carrying amounts of the Company's end of service indemnities and the sensitivity of those amounts to changes in discount rate are provided in note 18.

2.4.7. Fair value measurement and valuation process

Certain Company's assets and liabilities are measured at fair value for financial reporting purposes. The Company's management is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third-party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

2.4.8. Calculation of loss allowance

The determination of expected credit losses involves key estimates by management. Management has exercised judgment in assessing the impact of current and future economic conditions, as well as other relevant factors that may affect the collectability of financial assets. Key estimates include the estimation of credit risk, probability of default, exposure at default, and loss given default.

The ECL model relies on forward-looking information. Management continually monitors changes in economic conditions and adjusts the ECL estimates as necessary. Given the inherent uncertainty in forecasting economic conditions, the Company performs sensitivity analyses to assess the potential impact of changes in key assumptions on the expected credit losses (refer note 30.3)

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The following amendments to standards relevant to the Company are effective for the annual periods beginning on or after January 1, 2023 (unless otherwise stated). The Company adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

New amendments to standards issued and applied effective January 1, 2023

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

4. NEW STANDARDS, AMENDMENTS, AND REVISED IFRS ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following new and revised IFRS standards and amendments to IFRS that have been issued but are not yet effective.

Standard or amendments to standard	Description	Effective for annual years beginning on or after	Summary of amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	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.
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may not result in material impact on the financial statements of the Company in the period of initial application.

5. MATERIAL ACCOUNTING POLICIES INFORMATION

Material accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently to all years unless otherwise stated.

5.1. Cash and cash equivalents

Cash and cash equivalents may include cash in hand and cash at banks and other short-term highly liquid investments, with original maturities of three months or less from the purchase date, if any.

5.2. Leases

Lease arrangements where the Company is a lessor

Leases for which the Company is a lessor are classified as a finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at an amount equal to the net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which finance income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

Ijara receivables

Ijara finance is an agreement wherein gross amounts due under originated Ijara (finance) includes the total of future payments on Ijara finance, plus estimated residual amounts receivable (by an option to purchase the asset at the end of the respective financing term through an independent sale contract). The difference between the Ijara contracts receivable and the cost of the Ijara assets is recorded as unearned Ijara finance income and for presentation purposes, is deducted from the gross amounts due under Ijara finance.

Lease arrangements where the Company is a lessee

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect finance cost on the lease liability (using the effective profit method) and by reducing the carrying amount to reflect the lease payments made.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.2 Leases (Continued)

Lease arrangements where the Company is a lessee (Continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating profit rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the ‘Property and Equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Other expenses” in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

5.3. Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

5.3.1. Financial assets

Initial measurement

At initial recognition, the Company recognizes the financial asset at its fair value.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)
5.3. Financial instruments (Continued)
5.3.1. Financial assets (Continued)

Murabaha receivables
Murabaha is an agreement whereby the Company sells to a customer an asset, which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Murabaha sale contracts include the total of future sale price payments on the Murabaha agreement (Murabaha sale contract receivable). The difference between the Murabaha sale contracts receivable and the cost of the sold asset is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha sale contracts receivable.

Tawarruq receivables
Tawarruq is an agreement whereby the Company sells to a customer an asset, which the Company has already purchased and received either physically or constructively, and subsequently, to such sale, the customer arranges to sell the underlying asset and receives the sale proceeds. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale price payments on the Tawarruq agreement (Tawarruq sale contract receivable).

The difference between the Tawarruq sale contracts receivable and the cost of the sold asset is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the Tawarruq sale contracts receivable.

Subsequent measurement
After initial recognition financial assets can be measured at Amortised cost, Fair value through other comprehensive income (“FVOCI”), or Fair value through profit and loss (“FVTPL”).

a) Financial assets at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

b) Financial assets at FVOCI
On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This selection is made on an investment-by-investment basis.

c) Financial assets at FVTPL
All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Company changes its business model for managing financial assets.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)
5.3 Financial instruments (Continued)
5.3.1. Financial assets (Continued)

Business model assessment
The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and the information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning a contractual profit, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of financings in prior years, the reasons for such financings and its expectations about future financings activity. However, information about financing activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic financing risks associated with the principal amount outstanding during a particular year, and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to the cash flows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g., periodical reset of profit rates.

Derecognition of financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between:
(i) the carrying amount (measured at the date of derecognition) and
(ii) the consideration received (including any new asset obtained less any new liability assumed)
is recognized in profit or loss.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)
5.3. Financial instruments (Continued)
5.3.1. Financial assets (Continued)

Impairment
The Company recognizes loss allowances for ECL on financial instruments at amortised cost. No impairment loss is recognized on equity investments carried at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Financial instruments on which credit risk has not increased significantly since their initial recognition.
- 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company categories' the financing in the following 3 stages for the purpose of impairment:

Stage 1: 12-month ECL applies to all financial assets that have not experienced SICR since origination and are not credit impaired. The ECL will be computed using a factor that represents the PD occurring over the next 12 months and LGD and profit is calculated on a gross basis;

Stage 2: Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD, and EAD, and profit is calculated on a gross basis. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1;

Stage 3: Under Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit-impaired, and an amount equal to the lifetime ECL will be recorded for the financial assets, and profit is calculated on a net basis.

Measurement of ECL
ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets
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 a 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:

- the significant financial difficulty of the customer or issuer;
- a breach of contracts such as a default or past due event;
- the restructuring of financing or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

Financing that has been renegotiated due to deterioration in the customer'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, financing that is overdue for 90 days or more is considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL, for financial assets measured at amortized cost, are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (Continued)

Write-off

Financings are written off (either partially or in full) when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery including;

- when the debtor has been placed under liquidation or has entered into bankruptcy proceedings;
- unsecured exposures are written-off within 360 days once they are classified as Stage 3 exposures; or
- secured exposures are written-off within 720 days once they are classified as Stage 3 exposures.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

5.3.2. Financial liabilities

Initial measurement

At initial recognition, the Company recognizes the financial liability at its fair value.

Shari'a alternatives for financial derivative instruments

Shari'a alternatives for financial derivative instruments are initially recognized at fair value on the date on which the Shari'a alternative for the derivative contract is entered into and are subsequently re-measured at fair value in the statement of financial position with transaction costs recognized in the statement of profit or loss.

All Shari'a alternative for financial derivatives instruments are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models, and pricing models as appropriate.

Subsequent measurement

After initial recognition, the Company classifies its financial liabilities, other than financial guarantees & financing commitments and Shari'a alternatives for financial derivative instruments, at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EPR.

Derecognition of financial liability

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. When an existing financial liability is replaced by another from the same financier on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency, or bankruptcy of the Company or the counterparty.

Regular way contracts

All regular way purchase and sales of financial assets are recognized and derecognized on the trade date i.e., the date on which the Company commits to purchase or sell the assets. Regular way purchase or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the marketplace.

5.4. Assets repossessed held for sale

The Company in the ordinary course of its business acquires certain properties and other assets against the settlement of Islamic financings. Such assets are considered as assets held for sale and are initially recorded at the lower of carrying amount of related Islamic financings or the fair value of the related assets, less any costs to sell.

Subsequent to the initial recognition, these assets owned are periodically revalued and are carried at lower of their carrying values and fair value less costs to sell. Rental income realized gain or losses on disposal, and unrealized losses on revaluation are credited or charged to the statement of Profit or Loss.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)
5.4. Assets repossessed held for sale (Continued)

A loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative loss previously recognized.

A gain or loss not previously recognized by the date of the sale of the non-current asset is recognized at the date of derecognition.

Assets repossessed are not depreciated or amortized while they are classified as held for sale.

Assets repossessed classified as held for sale are presented separately from the other assets in the statement of Financial Position.

5.5. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 cost incurred to replace a component of an item of property and equipment is capitalized and the asset so replaced is retired from use. All other repairs and maintenance expenditures are charged to the profit and loss account during the year in which they are incurred.

Depreciation is charged using the straight-line method over its estimated useful life as mentioned below, after taking into account residual value.

Furniture & fixtures	7 Years
Office Equipment	4 Years
Motor Vehicles	4 Years
Leasehold Improvements	7 Years or lease period whichever is less

Depreciation on additions is charged from the month the assets are available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains/losses on disposal of property and equipment, if any, are taken to the profit and loss account in the year in which they arise.

The assets residual values, useful lives, and methods are reviewed and adjusted, if appropriate, at each financial position date.

Capital work in progress at year-end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant asset categories and are depreciated once they are available for their intended use.

5.6. Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses if any. Amortization is charged applying the straight-line method over the useful lives i.e. 4 years. Amortization is charged from the month in which the asset is available for use. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amounts 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.

Gains and losses on disposals, if any, are taken to the profit and loss account in the year in which they arise.

Capital work in progress at year-end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant asset categories and are amortized once they are available for their intended use.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.7. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

5.8. Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of IAS 10, ‘Events after the Reporting Year’ in the year in which they are approved / transfers are made.

5.9. Provisions

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

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

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

5.10. Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

5.11. End of service indemnities

The liability or asset recognized in the statement of financial position in respect of defined benefit. The plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.11. End of service indemnities (Continued)

Defined benefit costs are categorized as follows:

Service cost
Service costs include current service cost and past service cost are recognized immediately in the statement of profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

Interest cost
The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefits expense in the statement of profit or loss.

Re-measurement gains or losses
Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

5.12. Contingent liabilities

The Company receives legal claims through its normal cycle. Management has to make estimates and judgments about the possibility to set aside a provision to meet claims. The end of the legal claims date and the amount to be paid is uncertain. The timing and costs of legal claims depend on statutory procedures.

5.13. Revenue recognition

Income from Islamic financing is recognized in the statement of profit or loss using the effective profit method, using the applicable effective profit rate "EPR", on the outstanding balance over the term of the contract.

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

Origination fees charged in respect of processing and other services are recognized as income using EPR over the term of the financing agreement.

Other fee commission income are recognized at a point in time when services are delivered.

5.14. Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at exchange rates prevailing at the date of the transaction and the resulting gain/loss recognized in the statement of profit or loss Monetary assets and liabilities in foreign currencies are translated at the rates of exchange that are prevailing on the statement of financial position date. Gains and losses on translation are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

5.15. General and administrative expenses and selling and marketing expenses

Selling and marketing expenses principally comprised of costs incurred in the sale and marketing of the Company's products/services. All other expenses are classified as general and administrative expenses.

5.16. Government Grant

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in the statement of profit or loss on a systematic basis over the periods in which the Company recognizes the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable. The benefit of a government loan at a below-market rate of profit is treated as a government grant, measured as the difference between proceeds received and the fair value of the financing based on prevailing market profit rates.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.17. Financial facilities

Financial facilities are initially recognized at fair value, net of transaction costs incurred. Financial facilities are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of profit or loss over the period of the facilities using the effective interest method. Financial facilities are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The financial facilities are classified as a current liability when the remaining maturity is less than 12 months.

5.18. Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on an accrual basis. Zakat charge for the year is charged directly to the statement of profit or loss with a corresponding liability recognized in the statement of financial position. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

5.19. Statutory reserve

In accordance with Company’s by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its profit for the year until such reserve equals 30% of its share capital. This reserve is currently not distributable to the Shareholders.

5.20. Actuarial reserve on end of service indemnities

Re-measurement gains or losses arising from adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. The actuarial reserve is established to account for the future cost of these gains / losses.

(All amounts in Saudi Riyals unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

	Note	As at 31 December 2023	2022
Financial Asset at Amortized Cost			
Cash in hand		10,500	10,500
Cash at banks - secured	6.1	32,669,413	31,917,175
		32,679,913	31,927,675

6.1. The Company does not earn profits on current accounts with banks and financial institutions in accordance with Shari'a rules and principles.

7. PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at 31 December 2023	2022
Prepaid maintenance and support		3,675,923	3,361,930
Prepaid banking charges		923,985	382,500
Prepaid subscription		632,091	155,330
Prepaid insurance		592,860	191,572
Prepaid rent		432,903	316,104
Prepaid license		356,490	374,167
Other prepaid expenses		341,130	48,958
		6,955,382	4,830,561
Financial Asset at Amortized Cost – Unsecured			
Advance to staff	7.1	533,026	401,732
Others		197,510	165,889
		730,536	567,621
		7,685,918	5,398,182

7.1. This includes amount due from a related party (key management personnel) see note 8.3.

8. RELATED PARTY TRANSACTIONS AND BALANCES

Following are the related parties including with whom the Company had entered into transactions or have arrangement / agreement in place:

Names of Related Party	Nature of Relationship	Country of incorporation	Aggregate % of shareholding in the Company
Abu Dhabi Islamic Bank (ADIB)	Ultimate Parent	United Arab Emirates	51%
Abdullah Ibrahim Al Khorayef Sons Company (AIA)	Shareholder	Kingdom of Saudi Arabia	46%
Mohamed Abdullah Al Khorayef	Shareholder	N/A	1%
Saad Abdullah Al Khorayef	Shareholder	N/A	1%
Hamad Abdullah Al Khorayef	Shareholder	N/A	1%

(All amounts in Saudi Riyals unless otherwise stated)

8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions during the year

Names of Related Party	Nature of Relationship	Nature of transactions	2023	2022
Abu Dhabi Islamic Bank (ADIB)	Affiliate	Financial facilities obtained	50,000,000	70,000,000
		Financial facilities repaid	(45,000,000)	(109,000,000)
		Finance cost charged	(1,515,135)	(2,566,121)
		Reimbursement for expenses paid on behalf of related party	1,246,651	243,623
		Expenses paid on behalf of related party	899,688	1,061,912
Abdullah Ibrahim Al Khorayef Sons Company (AIA)	Shareholder	Rent expense	-	87,580
		Repaid to AIA	-	(30,220)
		Reimbursement for expenses paid on behalf of associates	218,091	-
		Expenses paid on behalf of associates	113,346	-

Key management personnel	2023	2022
Salaries and other short-term employee benefits	11,113,741	10,894,591

Balance as at year end	As at 31 December 2023	As at 31 December 2022
Due from related parties		
Abu Dhabi Islamic Bank (ADIB)	307,688	642,651
Abdullah Ibrahim Al Khorayef Sons Company	110,595	126,651
	418,283	769,302

Financial Facilities	Note	As at 31 December 2023	As at 31 December 2022
ADIB	8.1	50,000,000	45,000,000
Accrued finance cost		1,341,832	1,256,393
		51,341,832	46,256,393

8.1. The facility represents short-term Murabaha financing provided by the Ultimate Parent Company. This is an unsecured financial facility. These facilities bear mark-up ranging from 7.86% to 8.18%. Also, refer to Note 23 and 25.

8.2. Key management personnel

	Note	As at 31 December 2023	As at 31 December 2022
Advance to staff	7.1	14,600	132,875

(All amounts in Saudi Riyals unless otherwise stated)

9. NET INVESTMENT IN ISLAMIC FINANCINGS

	As at 31 December	
	2023	**2022**
Financial assets carried at amortized cost		
Tawarruq	825,369,486	1,049,217,680
Murabaha	545,770	2,397,177
	825,915,256	1,051,614,857

9.1. Details of net investment in Islamic financings:

	Tawarruq		Murabaha		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2023	2022	2023	2022	2023	2022
Gross investment in Islamic financing	1,077,201,049	1,250,196,207	611,216	2,679,216	1,077,812,265	1,252,875,423
Unearned / Deferred Islamic financing income	(251,831,563)	(200,978,527)	(65,446)	(282,039)	(251,897,009)	(201,260,566)
	825,369,486	1,049,217,680	545,770	2,397,177	825,915,256	1,051,614,857
Unearned origination fees	(991,857)	(1,442,507)	-	(554)	(991,857)	(1,443,061)
Deferred transaction costs	4,212,843	2,693,973	-	857	4,212,843	2,694,830
	828,590,472	1,050,469,146	545,770	2,397,480	829,136,242	1,052,866,626
Impairment on Islamic financing					(33,100,022)	(16,495,968)
Net investment in Islamic financing					796,036,220	1,036,370,658
Current portion					388,883,255	533,712,373
Non-current portion					407,152,965	502,658,285

	Tawarruq		Murabaha		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2023	2022	2023	2022	2023	2022
Secured	465,595,736	805,991,149	-	1,265,479	465,595,736	807,256,628
Unsecured	359,773,750	243,226,531	545,770	1,131,698	360,319,520	244,358,229
	825,369,486	1,049,217,680	545,770	2,397,177	825,915,256	1,051,614,857

9.2. During the year, the Company experienced substantial fluctuations in its net investment in Islamic financing, attributable, but not exclusively limited, to various factors. These factors encompassed the initiation of new lease agreements, modifications to existing leases, and the impact of prevailing economic conditions, which exerted influence on the demand dynamics and subsequently affected the overall volume of financing transactions.

9.3. 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.

9.4. The Company has assigned Islamic financing receivables amounting to SR 292 million (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.

9. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)

9.5. In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA. As part of the Deferred Payment Program ("DPP"), the Company deferred payments for 6 months to contracts that qualify as MSME with extending the tenure of the facility.

9.6. During the year, 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 with the first installment is 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 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 (see Note 29).

9.7. The movement in the provision for impairment of Islamic financing during the year is as follows:

	Note	2023	2022
Balance at the beginning of the year		16,495,968	16,488,089
Provided during the year		23,155,350	4,260,000
Written off during the year	9.8	(6,551,296)	(4,252,121)
Balance at the end of the year		33,100,022	16,495,968

9.8. During the year, the Risk and Compliance Committee of the Company, authorized by the Board of directors, approved a write-off of gross investment in Islamic financing receivable amounting to SR 8.8 million (31 December 2022: SR 6.0 million) for certain customers with an existing provision of SR 6.6 million (31 December 2022: SR 4.3 million). These amounts are subject to enforcement activities.

9.9. The Company's Islamic financing arrangements do not include variable payments.

9.10. The Company is not exposed to foreign currency risk as a result of the financing arrangements, as all financings are denominated in Saudi Riyals.

10. INVESTMENT CARRIED AT FVOCI

During 2017, in accordance with instructions issued by SAMA, the Company made an investment in the Saudi Financial Leasing Contract Registry Company amounting to SR 892,850. As of 31 December 2023, the Company holds 89,285 shares (31 December 2022: 89,285).

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term purposes. Accordingly, the Company has elected to designate these investments in equity instruments as at FVOCI. Due to the unavailability of recent information to determine the fair value of the Company, the cost of the investment is considered to be the best estimate of fair value.

11. 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. The properties as of December 31, 2023 and 2022 are carried at lower of carrying amount and fair value less cost to sell.

These properties are legally owned by one of the board members of the Company for the sole benefit of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

11. ASSETS REPOSSESSED HELD FOR SALE (CONTINUED)

Movement for changes in carrying value

	2023	2022
Balance at beginning of the year	5,902,623	5,897,514
Reversal of impairment loss	184,611	5,109
Balance at the end of the year	6,087,234	5,902,623

The carrying amount of assets repossessed held for sale is analyzed as follows:

	2023	2022
Carrying value at classification as held for sale	6,087,234	6,087,234
Cumulative impairment loss	-	(184,611)
Carrying value at the end of the year	6,087,234	5,902,623

Valuation techniques used to determine level 3 fair values
The Company obtains independent valuations for its properties on an annual basis. At the end of each reporting period, the management updates their assessment of the fair value of each property. The fair value of the properties is based on the average valuations of two independent valuers. As per the valuation reports, market value of real estate properties was determined using the cost method. The cumulative average fair value (level 3 hierarchy) of the same on 31 December 2023 is 6.7 million (31 December 2022: 5.9 million)

The name and qualifications of the valuer performed evaluation of the real estate properties are as follows:

Name of valuers: Qiyas Company for Estate Appraisal / Abaad Company for Estate Appraisal
Valuer's qualifications: Licensed (TAQEEM).

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalized income projections based upon a property's estimated net market income, and a capitalization rate derived from an analysis of market evidence.

The level 3 fair value of properties held for resale has been derived using the sales comparison approach. The key inputs under this approach are the price per square meter from current year sales of comparable lots of properties in the area (location and size).

12. RESTRICTED CASH DEPOSIT

The Company has placed these funds in restricted bank accounts as a margin deposit for certain financing facilities granted to the Company by counterparty finance providers. The Company also earns a profit on these balances.

	As at 31 December	
	2023	**2022**
Financial Assets at Amortized Cost – Secured		
Restricted cash deposit	2,000,000	2,500,004
Accrued profit on restricted cash deposit	106,156	101,270
	2,106,156	2,601,274

The average yield on the restricted cash deposits ranges from 1.40% to 1.60%.

(All amounts in Saudi Riyals unless otherwise stated)

12. RESTRICTED CASH DEPOSIT (CONTINUED)

12.1. Maturity profile:

	As at 31 December 2023	As at 31 December 2022
Current portion	2,106,156	2,101,274
Non-current portion	-	500,000
	2,106,156	2,601,274

13. PROPERTY AND EQUIPMENT

2023	Furniture and fixture	Office equipment	Motor vehicle	Leasehold improvements	Capital work in progress	Total
Cost						
Balance as at 1 January	2,186,119	12,699,332	226,300	5,500,556	-	20,612,307
Additions during the year	-	-	-	-	1,393,787	1,393,787
Disposals during the year	-	-	-	-	-	-
Transfers during the year	114,913	303,520	-	923,481	(1,341,914)	-
Balance as at 31 December	2,301,032	13,002,852	226,300	6,424,037	51,873	22,006,094
Accumulated depreciation						
Balance as at 1 January	1,435,646	9,216,264	226,300	3,759,554	-	14,637,764
Depreciation charge for the year	171,914	1,618,566	-	826,992	-	2,617,472
Disposals during the year	-	-	-	-	-	-
Balance as at 31 December	1,607,560	10,834,830	226,300	4,586,546	-	17,255,236
Net book value as at 31 December	693,472	2,168,022	-	1,837,491	51,873	4,750,858

13.1. Property, plant and equipment include assets having gross carrying amount of SAR 5.08 million which are fully depreciated but are still in use.

2022	Furniture and fixture	Office equipment	Motor vehicle	Leasehold improvements	Capital work in progress	Total
Cost						
Balance as at 1 January	2,168,037	10,695,243	226,300	5,463,356	1,274,651	19,827,587
Additions during the year	-	-	-	35,899	748,821	784,720
Disposals during the year	-	-	-	-	-	-
Transfers during the year	18,082	2,004,089	-	1,301	(2,023,472)	-
Balance as at 31 December	2,186,119	12,699,332	226,300	5,500,556	-	20,612,307
Accumulated depreciation						
Balance as at 1 January	1,219,046	7,599,105	226,300	3,342,505	-	12,386,956
Depreciation charge for the year	216,600	1,617,159	-	417,049	-	2,250,808
Disposals during the year	-	-	-	-	-	-
Balance as at 31 December	1,435,646	9,216,264	226,300	3,759,554	-	14,637,764
Net book value as at 31 December	750,473	3,483,068	-	1,741,002	-	5,974,543

(All amounts in Saudi Riyals unless otherwise stated)

14. INTANGIBLES ASSETS

2023	**Computer software**	**Capital work in progress**	**Total**
Cost			
Balance as at 1 January	16,780,679	346,377	17,127,056
Additions during the year	33,947	1,298,532	1,332,479
Disposals during the year	-	-	-
Transfers during the year	564,985	(564,985)	-
Balance as at 31 December	17,379,611	1,079,924	18,459,535
Accumulated amortization			
Balance as at 1 January	12,238,797	-	12,238,797
Amortization charge for the year	2,103,870	-	2,103,870
Disposals during the year	-	-	-
Balance as at 31 December	14,342,667	-	14,342,667
Net book value as at 31 December	3,036,944	1,079,924	4,116,868

14.1. Capital work in progress include payments made to vendors for developments and upgrades in-process for computer software.

2022	**Computer software**	**Capital work in progress**	**Total**
Cost			
Balance as at 1 January	13,581,000	2,206,536	15,787,536
Additions during the year	-	1,339,520	1,339,520
Disposals during the year	-	-	-
Transfers during the year	3,199,679	(3,199,679)	-
Balance as at 31 December	16,780,679	346,377	17,127,056
Accumulated amortization			
Balance as at 1 January	10,154,630	-	10,154,630
Amortization charge for the year	2,084,167	-	2,084,167
Disposals during the year	-	-	-
Balance as at 31 December	12,238,797		12,238,797
Net book value as at 31 December	4,541,882	346,377	4,888,259

15. RIGHT-OF-USE ASSETS

15.1. Amounts recognized in the statement of financial position

Building

	Note	**2023**	**2022**
Cost			
Balance as at 1 January		12,790,918	14,035,995
Derecognition of right-of-use assets		-	(1,245,077)
Balance as at 31 December		12,790,918	12,790,918
Accumulated depreciation			
Balance as at 1 January		9,283,837	7,783,732
Depreciation charge for the year	26	1,400,988	1,500,105
Balance as at 31 December		10,684,825	9,283,837
Net Book Value as at 31 December		2,106,093	3,507,081

(All amounts in Saudi Riyals unless otherwise stated)

15. RIGHT-OF-USE ASSETS (CONTINUED)

15.1. Amounts recognized in the statement of financial position (Continued)

	Note	As at 31 December 2023	2022
Lease Liabilities			
Balance as at 1 January		2,486,765	6,436,255
Derecognition of lease liabilities		-	(2,198,879)
Charge for the year	26	312,981	78,489
Less: Lease payments during the year		(1,659,347)	(1,829,100)
Balance as at 31 December		1,140,399	2,486,765

15.2. The maturity profile of lease liabilities:

	As at 31 December 2023	2022
Year 1	1,453,380	1,001,661
Year 2	-	1,515,055
Year 3	-	-
Year 4	-	-
Year 5 and onwards	-	-
Total undiscounted lease liabilities	1,453,380	2,516,716
Less: Finance cost	(312,981)	(29,951)
Present value of lease liabilities	1,140,399	2,486,765
Current portion	1,140,399	971,710
Non-current portion	-	1,515,055
	1,140,399	2,486,765

15.3. Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2023	2022
Depreciation expense of right-of-use assets	1,400,988	1,500,105
Lease financial cost (included in finance cost)	312,981	78,489
The expense relating to short-term leases (included in General and administrative expenses, note 26)	1,061,226	960,490
The expense relating to leases of low-value assets that are not short-term leases	-	-
The expense relating to variable lease payments not included in lease liabilities	-	-

15.4. The Company has a lease building which is being used as its head office. The average lease term is 5 years (2022: 5 years)

15.5. The total cash outflow for leases was 1,659,347 (31 December 2022: 1,829,100).

15.6. As of 31 December 2023, the Company is not committed to any short-term leases.

15.7. The Company does not face any significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's finance function.

(All amounts in Saudi Riyals unless otherwise stated)

16. SHARE CAPITAL

The Company's authorized 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:

	31 December 2023 and 2022		
Shareholders	**Holding (%)**	**No. of Shares**	**Amount**
ADIB Two Financial Invest LLC, UAE (Ultimate parent)	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

17. STATUTORY RESERVE

As required by the Company's By-laws, 10% of the net income for the year, has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

18. END OF SERVICE INDEMNITIES

	As at 31 December 2023	2022
The present value of the end of service indemnities	3,620,697	4,205,731

18.1. Principal actuarial assumptions

	2023	2022
Discount rate (% per annum)	4.65%	4.7%
Rate of increase in salaries (% per annum)	8.65%	4.7%
Mortality rates SLIC (2001-2005)	WHO SA19	WHO SA19
Employee turnover (withdrawal) rates	Ultra-Heavy	Ultra-Heavy

18.2. Amount recognized in statement of profit or loss for the year ended

	2023	2022
Service cost	950,192	872,632
Finance cost on end of service indemnities	206,479	88,900
Total amount charged to the statement of profit and loss	1,156,671	961,532

18.3. Amount charged in the statement of other comprehensive income for the year ended

	2023	2022
Actuarial Gains due to change in demographic assumptions	(288)	152,846
Actuarial Losses due to change in financial assumptions	(505,984)	68,876
Actuarial Losses due to experience adjustments	(126,943)	(247,591)
Amount charged to other comprehensive income	(633,215)	(25,869)

(All amounts in Saudi Riyals unless otherwise stated)

18. END OF SERVICE INDEMNITIES (CONTINUED)

18.4. Reconciliation of the present value of defined benefit obligation

	2023	2022
The present value of the defined benefit obligation at 1 January	4,205,731	3,638,440
Current service cost	950,192	872,632
Finance cost on defined benefit obligations	206,479	88,900
Benefits paid during the year	(2,374,920)	(420,110)
Actuarial loss	633,215	25,869
The present value of defined benefit obligation at 31 December	3,620,697	4,205,731

18.5. The sensitivity of the end of service indemnities to changes in the weighted principal assumptions is:

	Change in assumption	Increase / (decrease) in present value of end of service indemnities liability	
		Amount	%
Discount rate	+0.5%	3,551,580	-1.91%
	-0.5%	3,692,739	1.99%
Long term salary	+0.5%	3,693,947	2.02%
	-0.5%	3,549,677	-1.96%
Mortality	+0.10%	3,619,782	-0.03%
	-0.10%	3,621,615	0.03%
Employee turnover rate	+0.10%	3,492,957	-3.53%
	-0.10%	3,773,851	4.23%

18.6. Maturity profile:

	As at 31 December 2023	2022
Year 1	745,481	570,963
Year 2	1,165,481	699,284
Year 3	811,129	754,010
Year 4	794,648	538,035
Year 5 onwards	4,438,563	7,957,268
Total undiscounted liabilities	7,955,302	10,519,560
Less: Finance cost	(4,334,605)	(6,313,829)
	3,620,697	4,205,731

The weighted average duration of the defined benefit obligation is 3.90 years.

The liability of employees' post-employment benefits related to key management amounted to SAR 0.33 million (2022: SAR 0.58 million) (refer note 8).

	As at 31 December 2023	2022
Current portion	745,481	570,963
Non-current portion	7,209,821	9,948,597
	7,955,302	10,519,560

(All amounts in Saudi Riyals unless otherwise stated)

19. TRADE PAYABLES

These represent non-profit-bearing payables against the purchase of assets leased by the Company on a conventional basis. These unsecured financial liabilities are carried at amortized cost.

20. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	**2022**
Financial Liabilities at Amortized Cost – unsecured		
Support and maintenance	601,957	461,413
Unclaimed deposits	588,905	483,171
Payable to suppliers	175,801	1,424,675
Others	360,174	481,080
	1,726,837	2,850,339
Financial Liabilities at Amortized Cost – secured		
Government-related	340,647	373,587
	340,647	373,587
Employee related accruals	1,332,337	6,496,505
Accrued commission expense	591,203	301,891
Accrued professional services	489,374	962,627
Accrued outsourcing expense	82,888	149,585
	2,495,802	7,910,608
	4,563,286	11,134,534

21. PROVISION FOR ZAKAT

21.1. The movement in the provision for zakat is as follows:

	2023	**2022**
Balance at the beginning of the year	12,676,676	14,201,279
Provision during the year	2,750,000	7,300,000
Payment during the year	(8,064,640)	(8,824,603)
Balance at the end of the year	7,362,036	12,676,676

21.2. 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. During 2018, the Company received certain queries related to appeal filed for 2005 to 2007 and the response was submitted to ZATCA. During the year, ZATCA re-assessed 2005 to 2007 for an amount of SR 2,526,005 million for which the Company has filed an appeal to the General Secretariat of the Tax Committees (GSTC). Adequate provision has been recorded in these financial statements in this respect.

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 2023, the Company paid final installment amount of SR 521,016.

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.

(All amounts in Saudi Riyals unless otherwise stated)

22. SHARI'A ALTERNATIVE FOR FINANCIAL DERIVATIVE INSTRUMENTS

	As at 31 December	
	2023	2022
Profit rate swaps	-	34,165

As at 31 December 2023, the Company held Profit Rate Swaps of the notional value of SAR Nil (2022: SR 4.47 million).

23. FINANCIAL FACILITIES

		As at 31 December	
	Note	2023	2022
Short-term financial facilities	8	50,000,000	45,000,000
Long-term financial facilities	23.2	318,025,548	564,688,144
Finance Cost payable		87,719,860	71,843,198
		455,745,408	681,531,342

23.1. Movement in financial facilities

	2023	2022
Opening balance	681,531,342	940,585,153
Add: facilities obtained during the year	275,255,647	262,201,221
Less: payments made during the year	(519,700,007)	(542,653,711)
Finance cost	30,834,560	37,236,773
Less: finance cost paid during the year	(12,022,019)	(5,123,133)
Government grant on SAMA funding for lending program and liquidity support	(154,115)	(10,714,961)
Closing balance	455,745,408	681,531,342

23.2. Maturity profile – long term

	As at 31 December	
	2023	2022
Current portion	146,081,745	370,985,879
Non-current portion	171,943,803	193,702,265
	318,025,548	564,688,144

23.3. Unsecured financial facilities at amortized cost

		As at 31 December	
	Note	2023	2022
Islamic financial facilities:			
- Murabaha	8	51,341,832	46,256,393
- Non-profit bearing financing	23.6	174,800,403	542,293,145
		226,142,235	588,549,538

23.4. Secured financial facilities at amortized cost

		As at 31 December	
	Note	2023	2022
Islamic financial facilities:			
- Murabaha	9.5	78,989,435	54,640,491
- Tawarruq	9.5	150,613,738	38,341,313
		229,603,173	92,981,804

(All amounts in Saudi Riyals unless otherwise stated)

23. FINANCIAL FACILITIES (CONTINUED)

23.5. The Company has obtained bank financial facilities from local Islamic banks for the purpose of financing working capital needs and financing to customers. These bank facilities bear finance costs at market prevailing rates and also have restricted cash deposits. Also refer note 9.4.

23.6. The Company obtained government financing 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 re-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 31 December 2023, the Company is in compliance with the covenants for all the financial facilities.

24. INCOME FROM ISLAMIC FINANCINGS, NET

	2023	2022
Revenue from main operations – over the period		
Income from Tawarruq	120,201,018	140,474,338
Income from Murabaha	105,335	885,956
	120,306,353	141,360,294

24.1. Income includes directly allocated transaction cost of Islamic financing is amounting to SR 2.1 million (2022: SR 2.36 million).

24.2. Income includes Insurance expense for Murabaha financing is amounting to SR 0.16 million (2022: SR 0.12 million).

25. FINANCE COST

	Notes	2023	2022
Islamic financial facilities;	23		
- Non-profit bearing financing		16,574,236	31,880,521
- Tawarruq		6,932,133	2,437,596
- Murabaha		8,025,759	2,918,656
Lease liabilities	15	312,981	78,489
End of service indemnities	18	206,479	88,900
		32,051,588	37,404,162

26. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2023	2022
Salaries, wages, and other benefits	8	25,626,628	22,209,202
Repair and maintenance		8,500,379	6,209,474
Legal, professional, and consultancy fees		2,691,423	1,926,903
Depreciation of property and equipment	13	2,617,472	2,250,808
Government expenses		2,028,544	2,004,971
Depreciation of right-of-use assets	15	1,400,988	1,500,105
Amortization of intangibles	14	2,103,870	2,084,167
Utilities		1,297,078	986,545
Rent expense	15.3	1,061,226	960,490
Miscellaneous		2,768,166	2,427,773
		50,095,774	42,560,438

(All amounts in Saudi Riyals unless otherwise stated)

27. SELLING AND MARKETING EXPENSES

	2023	2022
Salaries, wages, and other benefits	10,404,845	8,729,896
Collection commission	1,250,000	2,018,445
Advertising expenses	705,040	941,270
	12,359,885	11,689,611

28. IMPAIRMENT ON ISLAMIC FINANCING, NET

	Note	2023	2022
Impairment on Islamic financing	9.8	23,155,350	4,260,000
Write-off recoveries		(5,199,727)	(4,355,332)
		17,955,623	(95,332)

29. OTHER (LOSS) / INCOME

	Note	2023	2022
Government grant on SAMA funding for lending program and liquidity support		-	10,714,961
Origination fee		816,360	993,956
Government grant	29.1	361,970	577,160
Modification loss on financial assets	9.5	(5,551,336)	(300,478)
Loss on the fair valuation of initial recognition of financial assets		(355,375)	(6,816,412)
Income on contract termination		-	953,802
Income from restricted cash deposits	12	32,167	77,672
Others		-	39,720
		(4,696,214)	6,240,381

29.1. During 2023, government grant of SR 0.36 million (2022: SR 0.58 million) was received from Human Resource Development Fund (HRDF) as part of government's initiative to support the efforts in developing and recruiting the national workforce. There are no future related costs in respect of this grant.

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial instruments by category

	As at 31 December 2023		
	At amortized cost	At FVOCI	Total
Financial assets as per the Statement of Financial Position			
Cash and cash equivalent	32,679,913	-	32,679,913
Other receivables	197,510	-	197,510
Due from related parties	418,283	-	418,283
Net investment in Islamic financing	796,036,220	-	796,036,220
Investment carried at FVOCI	-	892,850	892,850
Restricted cash deposit	2,106,156	-	2,106,156
	831,438,082	892,850	832,330,932

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

	As at 31 December 2022		
	At amortized cost	At FVOCI	Total
Financial assets as per the Statement of Financial Position			
Cash and cash equivalent	31,927,675	-	31,927,675
Other receivables	165,889	-	165,889
Due from related parties	769,302	-	769,302
Net investment in Islamic financing	1,036,370,658	-	1,036,370,658
Investment carried at FVOCI	-	892,850	892,850
Restricted cash deposit	2,601,274	-	2,601,274
	1,071,834,798	892,850	1,072,727,648

	As at 31 December	
	2023	2022
Financial liabilities as per the Statement of Financial Position at amortized cost		
Trade payables	567,858	2,265,355
Other payables and accruals	4,563,286	11,134,534
Financial facilities	455,745,408	681,531,342
End of service indemnities	3,620,697	4,205,731
	464,497,249	699,136,962

30.1. Risk management structure

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement, and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk, and liquidity risk.

Board of Directors
The Board of Directors are responsible for establishing the Company's policies, including risk management framework, and reviewing the performance of the Company to ensure compliance with these policies.

Credit and risk management committee
The credit and risk management committee are appointed by the Board of Directors. The credit and risk management committee assists the Board in reviewing overall risks which the Company might face, evaluate and review operational and non-operational risks and decide on mitigating factors related therewith.

Audit committee
The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, and the soundness of the internal controls of the Company.

Internal audit
All key operational, financial, and risk management processes are audited by the Internal Audit. The internal audit examines the adequacy of the relevant policies and procedures, the Company's compliance with the internal policies and regulatory guidelines. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

30.2. Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in the credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises three types of risks: currency risk, profit rate risk, and other price risks.

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

30.2. Market risk (Continued)

30.2.1. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals during the year. Accordingly, the Company is not exposed to any significant currency risk.

30.2.2. Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company's exposure to the risk of changes in market profit rates relates primarily to the Company's long-term debt obligations with floating profit rates. For floating rate liabilities, the analysis is prepared to assume the amount of liability outstanding at the reporting date was outstanding for the whole year. A 0.25 % increase or decrease is used when reporting profit rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in profit rates.

Sensitivity analysis for variable-rate financial instruments is as follows:

	2023		2022	
	Change in Basis point	**Impact on income for the year**	**Change in Basis point**	**Impact on income for the year**
Saudi Riyals	-25	441,688	+25	114,063
Saudi Riyals	+25	(441,688)	-25	(114,063)

30.2.3. Other price risks

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risks.

30.3. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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 and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for exposure by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Generating the term structure of PD

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors as well as an in-depth analysis of the impact of certain other factors (e.g., forbearance experience) on the risk of default. For most exposures, key macroeconomic indicators are Gross Domestic Product (GDP) forecast and Consumer Price Index (CPI) forecast.

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

30.3. Credit risk (Continued)

Determining whether credit risk has increased significantly
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 modeling.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that 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.

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. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace year that might be available to the customer.

Modified Financial Assets
The contractual terms of Islamic financing and advances may be modified for a number of reasons, including changing market conditions, customer retention, and other factors not related to the current or potential credit deterioration of the customer. Existing Islamic financing and advances whose terms have been modified may be derecognized and the renegotiated Islamic financing and advances recognized as new Islamic financing and advance at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company may renegotiate Islamic financings receivable to customers in financial difficulties (referred to as 'forbearance activities' to maximize collection opportunities and minimize the risk of default. Under the Company's policy, Islamic financings receivable forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of profit payments, and amending the terms of Islamic financing and installment covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the customer's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Definition of 'Default'
The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the customer is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a customer is in default. The Company considers indicators that are:

- qualitative- e.g., breaches of the covenant, SIMAH scoring, sector of economies, employment type;
- quantitative- e.g., overdue status and;
- based on data developed internally and obtained from external sources.

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

30.3. Credit risk (Continued)

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Incorporation of forward-looking information

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 macroeconomic variables and credit risk and credit losses. The economic scenario used includes the key indicators of Gross Domestic Product (GDP) forecast and Consumer Price Index (CPI) forecast.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

i. The probability of default (PD);
ii. Loss given default (LGD);
iii. Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. For PD estimation, a transition matrix-based approach was used. Segment level transition rates between different delinquency buckets were used to compute PD, which was then extrapolated across the behavioral life.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of balances from defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

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 including amortization. Outstanding Balance, Instalment Amount, and Profit Rate are used to derive an amortizing balance curve for each account.

Sensitivity of ECL allowance:

The increase or decrease of 10% change in macro-economic factor will result in SR 0.019 million increase or SR 0.019 million decrease in the ECL provision.

Stress testing of macro-economic scenarios with a weightage of 30% for upside and downside scenarios will result in SR 0.006 million increase or SR 0.006 million decrease in the ECL provision.

Out of the total assets of SR 856 million (2022: SR 1,098 million), the assets which were subject to credit risk amounted to SR 831 million (2022: SR 1,071 million). The management analyzes the credit risk in the following categories:

	Note	As at 31 December 2023	As at 31 December 2022
Net investment in Islamic financings	9	796,036,220	1,036,370,658
Bank balances	6	32,669,413	31,917,175
Other receivables	7	197,510	165,889
Restricted cash deposits	12	2,106,156	2,601,274
		831,009,299	1,071,054,996

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

30.3. Credit risk (Continued)

30.3.1. Bank balances and other receivables

The credit quality of the Company's bank balances and restricted cash deposit is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. Other receivables are neither significant nor exposed to significant credit risk. No ECL was taken for restricted cash deposits and bank balances as the impact of the ECL was not material.

	As at 31 December	
	2023	**2022**
Cash at bank:		
- A+	7,571	-
- A	-	1,983
- A-	31,149,680	13,225,825
- BBB+	1,512,163	18,689,367
Restricted cash deposit:		
- BBB+	2,106,156	2,601,274
	34,775,570	34,518,449

30.3.2. Net investment in Islamic financings

The investment in Islamic financings generally exposes to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' creditworthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The Company also follows a credit classification mechanism, primarily driven by days delinquency as a tool to manage the quality of credit risk of the Islamic financing portfolio.

The aging of net investment in Islamic financings contracts is as under:

	As at 31 December	
	2023	**2022**
Neither past nor due	402,927,244	588,256,300
Past due 1-30 days	118,966,920	157,668,759
Past due 31-90 days	99,405,465	154,850,084
Past due 91-180 days	44,516,630	50,398,920
Past due 181-365 days	58,418,427	53,957,108
Past due over 1 year	101,680,570	46,483,686
Net Investment in Islamic financing before adjustment	825,915,256	1,051,614,857
Unearned origination fees	(991,857)	(1,443,061)
Deferred transaction costs	4,212,843	2,694,830
Net Investment in Islamic financing before provision	829,136,242	1,052,866,626
Less: Impairment for Islamic financing	(33,100,022)	(16,495,968)
Net of Impairment loss	796,036,220	1,036,370,658
Total portfolio coverage ratio (Impairment divided by Net Investment in Islamic financing before adjustment)	4.0%	1.6%
Non-performing loan ratio (balance of stage 3 divided by Net Investment in Islamic financing before adjustment	33.0%	18.1%

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)
30.3. Credit risk (Continued)
30.3.2. Net investment in Islamic financings

Net investment in Islamic financing and the corresponding ECL allowance is classified into as follows:

	As at 31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount before ECL	448,518,497	104,625,292	272,771,467	825,915,256
ECL	3,051,521	3,827,600	26,220,901	33,100,022
%	0.7%	3.7%	9.6%	4.0%

	As at 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount before ECL	716,319,312	144,642,723	190,652,822	1,051,614,857
ECL	2,968,804	2,521,943	11,005,221	16,495,968
%	0.41%	1.74%	5.77%	1.57%

The portfolio that is neither past due nor impaired has a satisfactory history of repayment, where applicable. As at the statement of financial position date, the Company has adequate collaterals to cover the overall credit risk exposure after making an impairment provision.

Management classifies the investment in Islamic financing that are either not yet due or otherwise past due but for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing". Below is the breakdown of performing and non-performing Islamic financing:

	As at 31 December	
	2023	**2022**
Performing	621,299,629	900,775,143
Non-performing	204,615,627	150,839,714
	825,915,256	1,051,614,857

The movement in provision for impairment for Islamic financing receivables is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
1 January 2023	2,968,804	2,521,943	11,005,221	16,495,968
Transfer from stage 1	(2,691,441)	1,143,361	1,548,081	-
Transfer from stage 2	1,027,850	(1,820,511)	792,661	-
Transfer from stage 3	39,709	115,814	(155,523)	-
Financial assets – settled	(4,675,485)	(526,791)	(704,533)	(5,906,809)
Financial assets - originated	1,233,985	1,571,112	6,102,089	8,907,186
Net re-measurement of loss allowance	5,148,100	822,672	14,184,201	20,154,973
	82,718	1,305,657	21,766,976	23,155,350
Write-off during the year	-	-	(6,551,296)	(6,551,296)
31 December 2023	3,051,521	3,827,600	26,220,901	33,100,022

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

30.3. Credit risk (Continued)

30.3.2. Net investment in Islamic financings (Continued)

	Stage 1	Stage 2	Stage 3	Total
1 January 2022	1,919,480	3,190,889	11,377,720	16,488,089
Transfer from stage 1	(238,662)	140,312	98,350	-
Transfer from stage 2	231,911	(629,803)	397,892	-
Transfer from stage 3	3,643	900,046	(903,689)	-
Financial assets – settled	(1,309,786)	(2,309,815)	(5,765,884)	(9,385,485)
Financial assets - originated	1,105,264	514,086	424,410	2,043,760
Net re-measurement of loss allowance	1,256,954	716,228	9,628,543	11,601,725
	1,049,324	(668,946)	3,879,622	4,260,000
Write-off during the year	-	-	(4,252,121)	(4,252,121)
31 December 2022	2,968,804	2,521,943	11,005,221	16,495,968

Concentration risk

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through diversification of Islamic financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

Collateral held as security and other credit enhancements

The credit risks on gross amounts due in relation to the investment in Islamic financing is mitigated by holding collaterals which are leased assets and real-estate. Further, the carrying amount of investment in Islamic Financing amounts against which collateral has been obtained amounts to SR 153 million (31 December 2022: 190 million) and the fair value of collateral amounting to SR 438 million as at 31 December 2023 (31 December 2022: SR 565 million). The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

The carrying amount of investment in Islamic Financing against which guarantees under Kafalah SME Loan Guarantee Program has been obtained amounts to SR 312 million.

30.4. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The shareholders of the Company are committed to provide the necessary financial support to the Company for its working capital, as and when needed.

The table below summarizes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

30.4. Liquidity risk (Continued)

As at 31 December 2023

	Carrying amount	Contractual cash flows	Up to three months	More than three months and up to one year	One to five years	More than 5 years
Trade payables	567,858	567,858	567,858	-	-	-
Other payables and accruals	4,563,286	4,563,286	-	4,563,286	-	-
Financial facilities	455,745,408	489,158,004	78,376,918	220,564,672	190,216,414	-
	460,876,552	494,289,148	78,944,776	225,127,958	190,216,414	-

As at 31 December 2022

	Carrying amount	Contractual cash flows	Up to three months	More than three months and up to one year	One to five years	More than 5 years
Trade payables	2,265,355	2,265,355	2,265,355	-	-	-
Other payables and accruals	11,134,534	11,134,534	-	11,134,534	-	-
Financial facilities	681,531,342	691,329,512	166,578,671	326,660,968	198,089,873	-
	694,931,231	704,729,401	168,844,026	337,795,502	198,089,873	-

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

30.4. Liquidity risk (Continued)

Analysis of financial assets and liabilities based on contractual maturities

The table shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	As at 31 December 2023			
	Carrying amounts	**Up to three months**	**More than three months and up to one year**	**More than one year**
Cash and cash equivalents	32,679,913	32,679,913	-	-
Prepayments and other receivables	7,685,918	-	7,685,918	-
Due from related parties	418,283	418,283	-	-
Net investment in Islamic financing	796,036,220	147,311,808	241,571,447	407,152,965
Investment carried at FVOCI	892,850	-	-	892,850
Restricted cash deposit	2,106,156	2,106,156	-	-
Financial assets	839,819,340	182,516,160	249,257,365	408,045,815
Trade payables	567,858	567,858	-	-
Other payables and accruals	4,563,286	-	4,563,286	-
Financial facilities	455,745,408	77,626,913	206,174,693	171,943,802
Financial liabilities	460,876,552	78,194,771	210,737,979	171,943,802
Maturity gap	378,942,788	104,321,389	38,519,386	236,102,013
Cumulative maturity gap	-	104,321,389	142,840,775	378,942,788

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

30.4. Liquidity risk (Continued)

	As at 31 December 2022			
	Carrying amounts	**Up to three months**	**More than three months and up to one year**	**More than one year**
Cash and cash equivalents	31,927,675	31,927,675	-	-
Prepayments and other receivables	5,398,182	-	5,398,182	-
Due from related parties	769,302	769,302	-	-
Shari'a alternatives for financial derivative instruments carried at FVTPL	34,165	34,165	-	-
Net investment in Islamic financing	1,036,370,658	150,914,448	382,797,925	502,658,285
Investment carried at FVOCI	892,850	-	-	892,850
Restricted cash deposit	2,601,274	500,004	1,601,270	500,000
Financial assets	1,077,994,106	184,145,594	389,797,377	504,051,135
Trade payables	2,265,355	2,265,355	-	-
Other payables and accruals	11,134,534	-	11,134,534	-
Financial facilities	681,531,342	163,365,433	324,463,644	193,702,265
Financial liabilities	694,931,231	165,630,788	335,598,178	193,702,265
Maturity gap	383,062,875	18,514,806	54,199,199	310,348,870
Cumulative maturity gap	-	18,514,806	72,714,005	383,062,875

(All amounts in Saudi Riyals unless otherwise stated)

30. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

30.4. Liquidity risk (Continued)

The Company has access to unused financial facilities amounting to SAR 192 million at the reporting date. These facilities may be drawn at any time subject to the continuance of satisfactory credit rating. These facilities have an average maturity of 4 years.

30.5. Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure and makes adjustment to it in light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

The Company monitors the aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA. As per SAMA regulations, the leverage ratio of the Company must not exceed 3 times of equity.

	2023	**2022**
Leverage ratio (Net investment in Islamic financing before provision and adjustments divided by total equity)	2.2 times	2.7 times

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

31.1. Fair value measurement 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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31.2. Fair values of financial assets and liabilities

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 for non-recurring measurement

(All amounts in Saudi Riyals unless otherwise stated)

31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

31.2. Fair values of financial assets and liabilities (Continued)

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.

2023		**Fair value Level**		
	1	**2**	**3**	**Total**
FINANCIAL ASSETS				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850

2022		**Fair value Level**		
	1	**2**	**3**	**Total**
FINANCIAL ASSETS				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
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.

32. CONTINGENCIES AND COMMITMENTS

There were no contingent liabilities and commitments as at 31 December 2023 and 2022.

33. RECLASSIFICATION OF PRIOR YEAR FIGURES

Certain comparative information has been reclassified to conform the current year presentation.

34. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end that require disclosure or adjustment in these financial statements.

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 22 Shab'an 1445 (corresponding to 3 March 2024) by the Board of Directors of the Company.