Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 December 2023

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Morabaha Marina Financing Company (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include material accounting policy information.

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

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 consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter are those matter that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit / impairment losses As at 31 December 2023, the Group's Islamic financing receivable amounted to SR 1,128 million (2022: SR 1,035 million), against which an Expected Credit Loss ("ECL") amounting SR 38.5 million (2022: SR 52.8 million) was maintained. We considered this as a key audit matter, as the determination of ECL involves significant estimation and management judgement and this has a material impact on the consolidated financial statements of the Group. The key areas of judgement include: 1. Categorisation of Islamic financing receivables into Stages 1, 2 and 3 based on the identification of: (a) exposures with a significant increase in origination; and (b) individually impaired / defaulted exposures. In accordance with the requirements of IFRS 9 Financial Instruments, the Group measures ECL based on the credit losses expected to arise over the next twelve months ('12-month ECL'), unless there has been a significant increase in credit risk since origination or default, in which case, the allowance is based on the ECL expected to arise over the life of the Islamic financing receivables ('Lifetime ECL'). The Group has applied additional judgements to identify and estimate the likelihood of borrowers that may have experienced Significant increase in credit risk ("SICR"). 2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including, but not limited to assessment of financial condition of counterparty, expected future cash flows, developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.	• We obtained and updated our understanding of management's assessment of ECL allowance in respect of Islamic financing receivables including the relevant accounting policy, model methodology including any key changes made during the year. • We compared the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9. • We assessed the design and implementation, and tested the operating effectiveness of the key controls (including relevant Information Technology "IT" general and application controls) over: a. the ECL model, including governance over the model, its validation during the year, and any model updates performed during the year, including key inputs, assumptions and management overlays, if any); b. the classification of Islamic financing receivable into Stages 1, 2 and 3 and timely identification of SICR and the determination of default / individually impaired exposures. c. the IT systems and applications underpinning the ECL model; and d. the integrity of data inputs into the ECL model. • For a sample of customers, we assessed: a. the appropriateness of staging as identified by management; and b. management's computations for ECL; and c. for selected Islamic financing receivables, we assessed management's assessment of recoverable cash flows, including the impact of collateral.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit / impairment losses (continued) 3. The need to apply management overlays using expert credit judgement to reflect all relevant risk factors, that might not have been captured by the ECL models. Application of these judgements and estimates, continues to result in greater estimation uncertainty and the associated audit risk around ECL calculations as at 31 December 2023. *Refer to the summary of material accounting policy note 3.3 for the impairment of financial assets; note 4 which contains the disclosure of critical accounting judgments, estimates and assumptions relating to impairment losses on financial assets and the impairment assessment methodology used by the Group and note 29 which contains the disclosure of impairment against Islamic financing receivables; credit quality analysis and key assumptions and factors considered in determination of ECL.*	• We assessed the appropriateness of the Group's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures, and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of impaired" exposures; and their classification of the Group's Islamic financing receivables portfolio. • We assessed the reasonableness of the underlying assumptions used by the Group in the ECL model including forward looking assumptions keeping in view the uncertainty and volatility in economic scenarios. • We tested the completeness and accuracy of data underpinning the ECL calculations as at31 December 2023. • Where required, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in the ECL model, particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weights and of assumptions used in management overlays. • We assessed the adequacy of disclosures in the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Other information included in The Group's 2023 Annual Report
Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Audit Committee, are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 23 Sha'ban 1445H
(4 March 2024)

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
Special commission income	5	**169,417,166**	158,114,983
Special commission expense		**(46,349,520)**	(29,412,500)
NET SPECIAL COMMISSION INCOME		**123,067,646**	128,702,483
Other operating income			
Other income, net	6	**10,715,471**	19,889,514
TOTAL OPERATING INCOME		**133,783,117**	148,591,997
Operating expenses			
General and administration expenses	7	**(97,227,870)**	(66,894,191)
Impairment losses on Islamic financing receivables, net	12	**(3,537,011)**	(28,694,321)
TOTAL OPERATING EXPENSES		**(100,764,881)**	(95,588,512)
Income from short-term deposits	8	**6,860,784**	1,491,375
INCOME BEFORE ZAKAT		**39,879,020**	54,494,860
Zakat	24	**(8,910,933)**	(9,514,233)
NET INCOME FOR THE YEAR		**30,968,087**	44,980,627
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to the profit and loss in subsequent periods			
Actuarial gain on remeasurement of employees' defined benefit liabilities	20	**179,488**	1,331,643
TOTAL COMPREHENSIVE INCOME		**31,147,575**	46,312,270
Attributable to:			
Equity holders of the parent		**36,827,914**	48,352,599
Non-controlling interest		**(5,680,339)**	(2,040,329)
		31,147,575	46,312,270
Basic and diluted earnings per share			
Earnings per share from net income attributable to equity holders of the Parent	23	**0.60**	1.07

Chief Financial Officer | Executive Managing Director | Chairman of the Board of Directors

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

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 SR	2022 SR
ASSETS			
Cash and cash equivalents	8	**91,937,978**	69,639,011
Restricted cash deposits	8 (b)	**16,000,000**	16,000,000
Fair value of derivatives	19	**2,842,693**	5,500,462
Islamic financing receivables	12	**1,089,345,610**	981,883,052
Repossessed asset held for sale	11	**45,980,281**	53,629,422
Investment at fair value through other comprehensive income (OCI)	10	**892,850**	892,850
Prepayments and other assets	9	**22,063,767**	36,571,091
Right of use assets	16	**18,199,496**	7,225,463
Intangible assets	15	**48,080,507**	45,379,200
Property and equipment	13	**7,242,436**	7,066,652
TOTAL ASSETS		**1,342,585,618**	1,223,787,203
LIABILITIES AND EQUITY			
Accounts payable, accruals and others	17	**23,588,023**	16,887,940
Provision for zakat	24	**9,442,940**	9,635,804
Borrowings	19	**443,541,947**	615,724,994
Lease liabilities	16	**17,523,342**	6,649,315
Employees' defined benefit liabilities	20	**6,256,561**	5,399,716
TOTAL LIABILITIES		**500,352,813**	654,297,769
EQUITY			
Share capital	21	**714,285,720**	500,000,000
Share premium	21	**64,314,817**	-
Statutory reserve	22	**25,747,980**	22,085,321
Treasury shares	21	**(16,062,300)**	(16,062,300)
Retained earnings		**48,930,492**	52,769,978
Equity attributable to equity holders of the Parent		**837,216,709**	558,792,999
Non-controlling interest	25	**5,016,096**	10,696,435
TOTAL EQUITY		**842,232,805**	569,489,434
TOTAL LIABILITIES AND EQUITY		**1,342,585,618**	1,223,787,203

Chief Financial Officer

Executive Managing Director

Chairman of the Board of Directors

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

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Attributable to equity holders of the parent							
	Share capital SR	*Share premium SR*	*Statutory reserve SR*	*Treasury shares SR*	*Retained earnings SR*	*Total SR*	*Non-controlling Interest SR*	*Total Equity SR*
Balance at 1 January 2022	311,355,000	-	17,250,061	-	37,274,589	365,879,650	-	365,879,650
Increase in share capital through transfer from retained earnings	28,021,950	-	-	-	(28,021,950)	-	-	-
Increase in share capital through cash injection	160,623,050	-	-	-	-	160,623,050	-	160,623,050
Treasury shares purchased (note 21)	-	-	-	(16,062,300)	-	(16,062,300)	-	(16,062,300)
Acquisition of a subsidiary (note 14)	-	-	-	-	-	-	12,736,764	12,736,764
Net income for the year	-	-	-	-	47,009,069	47,009,069	(2,028,442)	44,980,627
Other comprehensive income	-	-	-	-	1,343,530	1,343,530	(11,887)	1,331,643
Total comprehensive income	-	-	-	-	48,352,599	48,352,599	(2,040,329)	46,312,270
Transfer to statutory reserve	-	-	4,835,260	-	(4,835,260)	-	-	-
Balance at 31 December 2022	**500,000,000**	-	**22,085,321**	**(16,062,300)**	**52,769,978**	**558,792,999**	**10,696,435**	**569,489,434**
Issuance of shares (note 21)	**214,285,720**	-	-	-	-	**214,285,720**	-	**214,285,720**
Share premium (note 21)	-	**98,571,431**	-	-	-	**98,571,431**	-	**98,571,431**
Transaction cost related to issuance of share capital (note 21)	-	(34,256,614)	-	-	-	(34,256,614)	-	(34,256,614)
Dividend (note 25)	-	-	-	-	(37,004,741)	(37,004,741)	-	(37,004,741)
Net income for the year	-	-	-	-	36,626,587	36,626,587	(5,658,500)	30,968,087
Other comprehensive income	-	-	-	-	201,327	201,327	(21,839)	179,488
Total comprehensive income	-	-	-	-	36,827,914	36,827,914	(5,680,339)	31,147,575
Transfer to statutory reserve	-	-	3,662,659	-	(3,662,659)	-	-	-
Balance at 31 December 2023	714,285,720	64,314,817	25,747,980	(16,062,300)	48,930,492	837,216,709	5,016,096	842,232,805

Chief Financial Officer

Executive Managing Director

Chairman of the Board of Directors

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	2023 SR	2022 SR
OPERATING ACTIVITIES			
Income before zakat		**39,879,020**	54,494,860
Adjustments for:			
Impairment losses on Islamic financing receivables	12	**25,395,437**	46,449,918
Depreciation on property and equipment	13	**2,769,344**	2,091,192
Amortisation of intangible assets	15	**4,986,345**	2,107,469
Depreciation on right of use assets	16	**4,237,663**	2,778,883
Finance charge on lease	16	**1,237,506**	552,461
Provision for employees' terminal benefits	20	**1,396,401**	2,622,800
Fair value of derivative	19	**2,657,769**	(5,500,462)
Finance cost		**45,112,014**	17,301,544
Finance income		**(6,860,784)**	(1,491,375)
Operating cash flows before working capital changes		**120,810,715**	121,407,290
Working capital adjustments:			
Islamic financing receivables		**(129,605,386)**	(113,868,260)
Prepayments and other assets		**(17,238,001)**	(24,293,055)
Restricted cash deposits		-	(16,000,000)
Accounts payable, accruals and others		**8,054,848**	(13,197,358)
Net cash used in operations		**(17,977,824)**	(45,951,383)
Employees' terminal benefits paid	20	**(355,145)**	(136,672)
Zakat paid	24	**(9,103,797)**	(6,878,941)
Finance cost paid		**(45,433,515)**	(14,390,635)
Net cash used in operating activities		**(72,870,281)**	(67,357,631)
INVESTING ACTIVITIES			
Additions to property and equipment	13	**(2,945,128)**	(1,638,127)
Additions to intangible assets	15	**(7,687,652)**	(6,684,475)
Acquisition of a subsidiary – consideration paid	14	-	(7,100,000)
Finance income received		**6,031,575**	1,491,375
Net cash used in investing activities		**(4,601,205)**	(13,931,227)
FINANCING ACTIVITIES			
Proceeds from borrowings		**153,741,791**	316,062,300
Repayment of borrowings		**(325,924,842)**	(349,620,052)
Payment of principal portion of lease liabilities	16	**(3,898,906)**	(3,818,159)
Proceeds from increase of capital, net of treasury shares		-	144,560,750
Proceeds from issue of share capital through IPO		**312,857,151**	-
Dividends paid	25	**(37,004,741)**	-
Net cash from financing activities		**99,770,453**	107,184,839

Chief Financial Officer   Executive Managing Director   Chairman of the Board of Directors

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the year ended 31 December 2023

	Note	2023 SR	2022 SR
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,298,967**	25,895,981
Cash and cash equivalents at beginning of the year		**69,639,011**	42,807,690
Acquisition of a subsidiary - cash acquired	14	-	935,340
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8	**91,937,978**	69,639,011
SIGNIFICANT NON-CASH TRANSACTIONS			
Addition of right of use assets and lease liabilities	16	**15,211,696**	1,869,908
Transfer of repossessed assets held for sale	11	**3,252,608**	25,411,296
Issuance of share capital	21	-	28,021,950

Chief Financial Officer | Executive Managing Director | Chairman of the Board of Directors

1 CORPORATE INFORMATION

Morabaha Marina Financing Company (the "Company" or the "Parent") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010337706 dated 14 Jumada Al-Thani 1433H (corresponding to 5 May 2012). The Company's head office is located at Riyadh and registered address is P.O. Box 8055, Riyadh 14925, Kingdom of Saudi Arabia, Ar Rabi district, Thomamah road.

The Company has the following branches:

Branch Commercial Registration Number	***Branch location***	***Date***
3450015199	Arar	8 Jumada II 1437H
1010337706	Riyadh Main	14 Jumada II 1433H
1010351999	Riyadh	16 Dhul-Qadah 1433H
1010453589	Riyadh	2 Dhul-Qadah 1439H
1116010899	Dawadmi	19 Jumada II 1436H
2050125719	Dammam	8 Ramdan 1440H
2053112249	Qatif	2 Dhul-Qadah 1439H
3400019877	Skaka	10 Sahwwal 1437H
3452010771	Qurayyat	27 Sha'aban 1438H
4030288370	Jeddah	8 Jumada II 1437H
4030305936	Jeddah	2 Dhul-Qadah 1439H
5850064133	Abha	4 Sha'aban 1435H
5900034225	Jizan	8 Jumada II 1437H
1131307492	Buraydah	8 Muharram 1440H
3350149330	Hail	8 Muharram 1440H
5950028443	Najran	25 Muharram 1440H
5855359542	Khamis mushait	27 Sha'aban 1443H
4032258441	Taif	27 Sha'aban 1443H

The Company is engaged in Finance lease, financing facilities to medium and small enterprises and consumer finance in accordance with The Saudi Central Bank ("SAMA") approval number 22/201410 dated 19 Dhul Qadah 1435H (corresponding to 13 September 2014).

On 20 August 2019 the shareholders of the Company decided to go for an Initial Public Offering (IPO). On 26 December 2022, the Capital Market Authority's (CMA) Board has issued its resolution approving the Company's application for the registration and offering of 21,428,572 shares representing 30% of Company's share capital post listing in Saudi Stock Exchange (Tadawul).

On 1 May 2023, the Company announced its intention to proceed with the initial public offering and listing of its ordinary shares by way of issuance of 21,428,572 new shares.

On 14 May 2023, the Company announced commencement of retail subscription period from 28 May 2023 to 29 May 2023 and institutional investors subscription period from 14 May 2023 to 18 May 2023 at an offer price of SR 14.6 per share. Allotment of shares to new shareholders completed on 5 June 2023 and the Company's ordinary shares trading was commenced in Saudi Stock Exchange (Tadawul) on 21 June 2023 (also refer to note 21).

Shareholder	*Pre-Offering*			*Post-Offering*		
	No. of shares	*Ownership (%)*	*Nominal Value (SR)*	*No. of shares*	*Ownership (%)*	*Nominal Value (SR)*
Founding shareholders	50,000,000	100%	500,000,000	50,000,000	70%	500,000,000
Public	-	-	-	21,428,572	30%	214,285,720
	50,000,000	100%	500,000,000	71,428,572	100%	714,285,720

1 CORPORATE INFORMATION (continued)

These consolidated financial statements include the financial statements of the Company and the financial statements of Digital Payments Company for Financial Technology, a 80% owned subsidiary (31 December 2022: 80%) (collectively with the Company referred to as the "Group"). Digital Payments Company for Financial Technology is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010949680 issued on 28 Sha'ban 1439H (corresponding to 14 May 2018). The company is engaged in building the technology of payments getaway (aggregation model), capable of satisfying the rapidly growing electronic commerce payments (Bayan) and providing electronic wallet services (Bayan wallet) in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Group 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

b) Basis of measurement and presentation

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern under the historical cost convention, except for employee benefits' liabilities, where actuarial present value calculations are used.

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 30.

c) Functional and presentation currency

These consolidated financial statements have been presented in Saudi Riyals ("SR") unless otherwise stated, which is also the Group's functional currency.

d) Going concern

In making the going concern assessment, the Group has considered a wide range of information including present and future projections of profitability, cash flows and availability of other capital resources etc.

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting year as that of the Company, using consistent accounting policies.

The Company consolidates a subsidiary when it controls it. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding, or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Company considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Company can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights

Whether the Company is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

2 BASIS OF PREPARATION (continued)

e) Basis of consolidation (continued)

The consolidated financial statements comprise the financial statements of the Company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting year as that of the Company, using consistent accounting policies.

The Company consolidates a subsidiary when it controls it. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding, or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Company considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Company can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights

Whether the Company is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent and to the non-controlling interest (NCI), even if this results in the NCI having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Any investment retained is recognised at fair value at the date of loss of control.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is (substantively) enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. For example:

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.1 **New and amended standards and interpretations *(continued)***

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12 (continued)

a) Qualitative information such as how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist, and
b) Quantitative information such as:

- An indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
- An indication of how the entity's overall effective tax rate would have changed if Pillar Two legislation had been effective.

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes. The requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates and concluded that the amendments will have no impact on the Group's consolidated financial statements at 31 December 2023.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments has no impact on the Group's disclosures of accounting policies, measurement, recognition or presentation of any items in the Group's financial statements.

IFRS 17 – Insurance contracts
IFRS 17 Insurance Contracts (IFRS 17) is effective for reporting periods beginning on or after 1 January 2023. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Limited scope exceptions apply.

The Group has not identified contracts that result in the transfer of significant insurance risk, and therefore it has concluded that IFRS 17 does not have a impact on the consolidated financial statements for the year ended 31 December 2023.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments has no impact on the Group's consolidated financial statements.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- 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
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21).

The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Accounting standards issued but not yet effective (continued)

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.

When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

3.3 Summary of material accounting policies

The significant accounting policies adopted by the Group in preparation of these consolidated financial statements are as follows:

Financial instruments

i) Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of Islamic financing receivables to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Islamic financing receivables to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Financial instruments

ii) Financial instruments – initial recognition

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in "Financial assets and liabilities per financial statement line" note below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Islamic financing receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in special commission income.

Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
- Amortised cost
- Fair value through other comprehensive income, FVOCI
- Fair value through profit and loss, FVTPL

Financial liabilities, other than loan commitments are measured at amortised cost or at FVPL when they are held for trading or the fair value designation is applied.

Determination of fair value
In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.

Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Financial instruments (continued)

ii) Financial assets and liabilities per financial statement line

Financial assets at amortised 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 interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. 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 realised in a way that is different from the Group 's original expectations, the Group 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.

SPPI Test
As a second step of its classification process the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Financial instruments (continued)

Debt instruments at FVOCI (continued)
FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in statement of comprehensive income in the same manner as for financial assets measured at amortised cost.

Equity instruments at FVOCI
Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

iii) Reclassification of financial assets and liabilities
The Group does not reclassify its financial assets subsequent to their initial recognition. Financial liabilities are never reclassified.

iv) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions
The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, the Group considers various factors.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Financial instruments (continued)

(v) Derecognition of financial assets and liabilities (continued)
Derecognition due to substantial modification of terms and conditions

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if the Group has transferred its contractual rights to receive cash flows from the financial asset.

A transfer only qualifies for derecognition if either:
- The Group has transferred substantially all the risks and rewards of the asset, OR
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group 's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender 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. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Financial instruments (continued)

v) Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

vi) Impairment of financial assets

Overview of the ECL principles
The Group records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out in note 27.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECL.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECL
The Group calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Financial instruments (continued)
The calculation of ECL (continued)

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in note 27.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 26.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 27.

When estimating the ECL, the Group considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs, EADs and LGDs, as set out below. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1	The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

The Group also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., unemployment, GDP growth, inflation and profit rates) and economic forecasts obtained through internal and external sources.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Financial instruments (continued)

Debt instruments measured at fair value through OCI
The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

vii) Credit enhancements: collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in form of personal guarantees, real estate and vehicles. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on an annual basis by the approved external valuer.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties.

viii) Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group '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 presented as other income in the statement of comprehensive income.

ix) Repossessed asset held for sale
The Group's policy is to classify the assets repossessed as assets held for sale at fair value less cost to sell at the repossession date.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, are charged to the statement of comprehensive income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the statement of comprehensive income. Gains or losses on disposal are recognised in the statement of comprehensive income.

Revenue / expenses recognition
Special commission income and expenses
Net special commission income comprises special commission income and special commission expense calculated using both the effective interest method. These are disclosed separately on the face of the income statement for both special commission income and special commission expense to provide symmetrical and comparable information. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Revenue / expenses recognition (continued)

Measurement of amortized cost and special commission income

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating special commission income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is suspended. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Income from early settlement fees is recognized upon the early termination of contract by the customer and fees charged at that point.

Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income for the year by weighted average number of shares outstanding during the year .

Expenses

General and administration expenses include direct and indirect costs not specifically forming part of operating costs.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its consolidated provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash in hand and short term bank deposits with original maturities of three months or less but does not include restricted cash deposits.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease. Expenditure for repair and maintenance are charged to statement of comprehensive income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following, the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Accounting for leases
On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets (RoU)
The Group apply cost model, and measure right of use asset at cost;
1. Less any accumulated depreciation and any accumulated impairment losses; and
2. Adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment

Lease Liability
On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group 's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

After the commencement date, Group measures the lease liability by:
1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group 's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Accounting for leases (continued)

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Fair value

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in its fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to statement of comprehensive income.

Impairment of non-current assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in statement of comprehensive income in those expense categories that are consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income. Impairment loss recognized against goodwill is not reversed in subsequent periods.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Employees' terminal benefits
The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding impact in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to statement of comprehensive income in subsequent periods.

Past service cost are recognised in statement of comprehensive income on the earlier of:
- The date of the plan amendment or curtailment, and
- The date the Group recognises related restructuring costs.

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation in statement of comprehensive income:
- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administration expenses); and
- Net special commission expense or income.

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 accruals basis. As set out in the note 2, zakat is charged to the statement of comprehensive income.

Value added tax ("VAT")
The Group collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Group and is expensed.

Borrowings
Special commission bearing funding from financial institutions and shareholders are measured at amortised cost using the effective profit rate ("EPR") method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EPR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortization is included in special commission expense in the statement of comprehensive income.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to statement of comprehensive income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Summary of material accounting policies (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

Treasury shares
Treasury shares are recorded at acquisition cost and presented as a deduction from equity. Any gains or losses on disposal of such shares are reflected under equity and are not recognised in the consolidated statement of income.

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are charged to statement of comprehensive income.

Segment reporting
A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments.

Asset under management
Islamic financing receivables in which the Group act as Managing agent are not treated as assets of the Group and, accordingly, are not included in these accompanying financial statements.

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
The preparation of the consolidated financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements that are endorsed by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Determining the lease term of contracts with renewal and termination options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Determining the lease term of contracts with renewal and termination options (continued)

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 in respect of Islamic financing receivables requires certain amount of judgement including the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's Expected Credit Loss ("ECL") calculations are outputs of models with underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include assignment of Probability of Defaults ("PDs"), criteria for assessing significant increase in credit risk, segmentation of receivables if any, development of ECL models, including the various formulas and inputs, determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposures at Default ("EAD") and Loss Given Default ("LGD"), selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Employees' defined benefits plans

The cost of end of service benefit plans and the present value of end of service benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Future salary increases are based on the expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available local mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employees' end of service benefits are provided in note 20.

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Useful lives of property and equipment and intangible assets

The Group 's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

The Group determines the fair value of Repossessed asset held for sale which required certain estimates and assumptions. The Group engage independent external valuer to determine the fair value.

5 SPECIAL COMMISSION INCOME

Special commission income comprises of income from the following financing products:

	2023 ***SR***	*2022* *SR*
Tawarruq	**162,120,280**	152,750,456
Ijara	**7,296,886**	5,364,527
	169,417,166	158,114,983

All the special commission income are from financing products which are Shariah compliant.

6 OTHER INCOME, NET

	2023 SR	2022 SR
Income from early settlement fees	**6,088,416**	8,098,819
Realized gain on interest rate swap	**4,395,621**	362,400
Gain on sale of repossessed assets	**2,886,903**	1,211,768
Unrealised (loss) gain on interest rate swap (note 19)	**(2,657,769)**	5,500,462
Bargain purchase (note 14)	-	3,400,000
Others	**2,300**	1,316,065
	10,715,471	19,889,514

7 GENERAL AND ADMINSTRATION EXPENSES

	2023 SR	2022 SR
Salaries and employees' related costs	**55,234,560**	40,513,428
Depreciation (notes 13 and 16)	**7,007,007**	4,870,075
Professional and legal fees	**6,660,492**	5,486,173
Information technology expenses	**5,052,755**	2,239,781
Amortisation (note 15)	**4,986,345**	881,707
Board of directors remuneration (note 18)	**3,323,000**	1,499,000
Non-claimable VAT	**3,304,274**	3,156,891
Subscriptions	**2,704,170**	195,698
Utilities expense	**2,276,977**	1,731,678
Repairs and maintenance	**585,979**	604,474
Government related expenses	**499,395**	559,675
Other expenses	**5,592,916**	5,155,611
	97,227,870	66,894,191

8 CASH AND CASH EQUIVALENTS

	2023 SR	2022 SR
Bank balances	**91,890,579**	45,605,519
Short term deposits (note "a")	-	24,000,000
Cash in hand	**47,399**	33,492
	91,937,978	69,639,011

a) Short term deposits represent time deposits with local banks with maturities of less than 3 months and have an average rate of return of 5.62% (2022: 2.78%) per annum. The Group earned income of SR 6.86 million (2022: SR 1.49 million) (refer note 6) on these short term deposits. These deposits are unconventional in natures.

b) In line with the requirements of funding facilities granted by the bank, the Group had set aside with a bank SR 16 million as restricted cash deposit.

All bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic banking institutions and there has been no history of default with any of the Group bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

9 PREPAYMENTS AND OTHER ASSETS

	2023 *SR*	*2022* *SR*
Prepaid expenses	**8,842,817**	3,930,512
Receivable from sale of repossessed asset*	**4,966,803**	6,243,757
VAT receivable	**4,089,829**	1,715,176
Advances to employees/suppliers	**3,088,585**	15,278,117
Initial Public Offering (IPO) cost (note 18)	-	8,068,170
Others	**1,075,733**	1,335,359
	22,063,767	36,571,091

*The Group had a Tawarruq receivable from one of the customer who defaulted during 2019 and the Group repossessed the collateral which was a real estate property. During 2019, Group sold the repossessed property for SR 11.3 million on 60 months instalments. The balance represents the instalments receivable (net of unearned income) at the year end. There has been no default on the installment since the sale of the real estate property.

10 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group owns unquoted investment of 2.33% shareholding in Saudi Finance Leasing Contract Registry Company. Saudi Finance Leasing Contract Registry Company has been formed by the Group and other finance and leasing companies registered in the Kingdom of Saudi Arabia for registration of contracts relating to financial leases and amendments and registration and transfer of title deeds of the assets under the finance leases arrangements. The investment is recorded at cost as management believes that fair value is not materially different from cost, as the investment is not material and the Group's management is confident that their not material impact between its initial cost and its FV.

11 REPOSSESSED ASSETS HELD FOR SALE

During current and prior years, the Group acquired a real estate properties against defaulted Tawarruq receivables. The Group engage independent valuers which are accredited by Saudi Authority for Accredited Valuers (TAQEEM) to determine the fair value, during the year the Group engaged Olat Properties Management (OPM) and Moheet Al-Jazirah Company to determine the fair value.

Below is the movement in repossessed assets held for sale:

	2023 *SR*	*2022* *SR*
Balance at the beginning of the period	**53,629,422**	49,421,675
Addition during the year	**3,252,608**	25,411,296
Sale during the period*	**(10,901,749)**	(21,203,549)
Balance at the end of the year	**45,980,281**	53,629,422

*The sale of repossessed assets held for sale resulted in realised gain of SR 2.9 million (2022: SR 1.2 million) presented in other income (note 6).

12 ISLAMIC FINANCING RECEIVABLES

	Tawarruq receivables 2023 SR	Tawarruq receivables 2022 SR	Ijara receivables 2023 SR	Ijara receivables 2022 SR	Total 2023 SR	Total 2022 SR
Gross Islamic financing receivables	**1,400,150,082**	1,298,611,632	**88,937,544**	56,692,413	**1,489,087,626**	1,355,304,045
Less: Unrealised profit	**(336,845,044)**	(307,372,607)	**(24,394,914)**	(13,234,028)	**(361,239,958)**	(320,606,635)
	1,063,305,038	991,239,025	**64,542,630**	43,458,385	**1,127,847,668**	1,034,697,410
Less: Allowance for impairment losses	**(31,910,123)**	(49,836,385)	**(6,591,935)**	(2,977,973)	**(38,502,058)**	(52,814,358)
Islamic financing receivables, net	**1,031,394,915**	941,402,640	**57,950,695**	40,480,412	**1,089,345,610**	981,883,052

All the financing facilities provided by Group are Shariah compliant, accordingly they are unconventional in nature.

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type is presented below:

31 December 2023

	Gross carrying amount Stage 1	Gross carrying amount Stage 2	Gross carrying amount Stage 3	Gross carrying amount Total	Allowance for ECL Stage 1	Allowance for ECL Stage 2	Allowance for ECL Stage 3	Allowance for ECL Total	ECL Coverage % Stage 1	ECL Coverage % Stage 2	ECL Coverage % Stage 3	ECL Coverage % Total
Tawarruq	652,169,348	247,099,896	164,035,794	1,063,305,038	1,333,635	6,727,607	23,848,881	31,910,123	0.2%	2.7%	14.5%	3.0%
Ijara	22,748,907	20,737,009	21,056,714	64,542,630	45,133	551,630	5,995,172	6,591,935	0.2%	2.6%	28.5%	10.2%
Total	674,918,255	267,836,905	185,092,508	1,127,847,668	1,378,768	7,279,237	29,844,053	38,502,058	0.2%	2.7%	16.1%	3.4%

31 December 2022

	Gross carrying amount Stage 1	Gross carrying amount Stage 2	Gross carrying amount Stage 3	Gross carrying amount Total	Allowance for ECL Stage 1	Allowance for ECL Stage 2	Allowance for ECL Stage 3	Allowance for ECL Total	ECL Coverage % Stage 1	ECL Coverage % Stage 2	ECL Coverage % Stage 3	ECL Coverage % Total
Tawarruq	610,622,836	214,462,356	166,153,834	991,239,026	9,994,091	6,625,561	33,216,733	49,836,385	1.6%	3.1%	20.0%	5.0%
Ijara	11,086,408	27,423,295	4,948,681	43,458,384	14,049	828,210	2,135,714	2,977,973	0.1%	3.0%	43.2%	6.9%
Total	621,709,244	241,885,651	171,102,515	1,034,697,410	10,008,140	7,453,771	35,352,447	52,814,358	1.6%	3.1%	20.7%	5.1%

12 ISLAMIC FINANCING RECEIVABLES (continued)

Analysis of credit quality of Islamic financing receivables is as follows:

	2023 *SR*	*2022* *SR*
Neither past due nor impaired	**746,832,495**	685,057,056
Past due but not impaired	**281,503,439**	256,663,708
Past due and impaired	**99,511,734**	92,976,646
	1,127,847,668	1,034,697,410

Management classifies Islamic financing receivables 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 receivables:

	2023 *SR*	*2022* *SR*
Performing	**1,028,335,934**	941,720,764
Non-performing	**99,511,734**	92,976,646
	1,127,847,668	1,034,697,410

	2023 *SR*	*2022* *SR*
Current	**483,528,197**	413,291,105
Non-current	**644,319,471**	621,406,305
	1,127,847,668	1,034,697,410

Movement in the allowance for impairment losses were as follows:

	2023 *SR*	*2022* *SR*
At the beginning of the year	**52,814,358**	43,584,489
Charge for the year	**25,395,437**	46,449,918
Written-off during the year	**(39,707,737)**	(37,220,049)
At the end of the year	**38,502,058**	52,814,358

The following table shows reconciliations from the opening to the closing balance of the impairment allowance for Islamic financing receivables.

31 December 2023	*12 month ECL* *SR*	*Lifetime ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
Balance at 1 January 2023	**10,008,141**	**7,453,771**	**35,352,446**	**52,814,358**
Transfer from stage 2 & 3 to stage 1	**628,737**	**(538,392)**	**(90,345)**	**-**
Transfer from stage 1 & 3 to stage 2	**(1,165,186)**	**4,493,972**	**(3,328,786)**	**-**
Transfer from stage 1 & 2 to stage 3	**(17,253,741)**	**(369,548)**	**17,623,289**	**-**
Charge for the year	**9,160,816**	**(3,760,563)**	**19,995,184**	**25,395,437**
Write-offs	**-**	**-**	**(39,707,737)**	**(39,707,737)**
Balance as at 31 December 2023	**1,378,767**	**7,279,240**	**29,844,051**	**38,502,058**

12 ISLAMIC FINANCING RECEIVABLES (continued)

31 December 2022	*12 month ECL SR*	*Lifetime ECL not credit impaired SR*	*Lifetime ECL credit impaired SR*	*Total SR*
Balance at 1 January 2022	1,078,378	26,409,508	16,096,603	43,584,489
Transfer from stage 2 & 3 to stage 1	346,937	(142,330)	(204,607)	-
Transfer from stage 1 & 3 to stage 2	(11,941,654)	18,095,573	(6,153,919)	-
Transfer from stage 1 & 2 to stage 3	(13,571,864)	(6,767)	13,578,631	-
Charge for the year	34,096,344	(36,902,213)	49,255,787	46,449,918
Write-offs	-	-	(37,220,049)	(37,220,049)
Balance as at 31 December 2022	10,008,141	7,453,771	35,352,446	52,814,358

The terms and conditions, and credit risks associated with the Islamic financing receivables are disclosed in note 29. The following table shows reconciliations from the opening to the closing balance of the gross outstanding for financings to customers at amortized cost.

31 December 2023	***12 month ECL SR***	***Lifetime ECL not credit impaired SR***	***Lifetime ECL credit impaired SR***	***Total SR***
Balance at 1 January 2023	**823,466,593**	**311,447,212**	**220,390,240**	**1,355,304,045**
Transfer from stage 2 & 3 to stage 1	**(211,710,744)**	**167,857,960**	**43,852,784**	-
Transfer from stage 1 & 3 to stage 2	**31,988,005**	**(121,024,852)**	**89,036,847**	-
Transfer from stage 1 & 2 to stage 3	**117,186**	**4,155,460**	**(4,272,646)**	-
Charge for the year	**260,700,211**	**(21,000,919)**	**82,222,370**	**321,921,662**
Write-offs	-	-	**(188,138,081)**	**(188,138,081)**
Balance as at 31 December 2023	**904,561,252**	**341,434,861**	**243,091,514**	**1,489,087,626**

31 December 2022	*12 month ECL SR*	*Lifetime ECL not credit impaired SR*	*Lifetime ECL credit impaired SR*	*Total SR*
Balance at 1 January 2022	921,518,593	221,051,167	133,084,645	1,275,654,405
Transfer from stage 2 & 3 to stage 1	(157,748,357)	105,827,680	51,920,677	-
Transfer from stage 1 & 3 to stage 2	(173,731,066)	117,351,839	56,379,227	-
Transfer from stage 1 & 2 to stage 3	(82,085,178)	(92,105,405)	174,190,583	-
Charge for the year	315,512,601	(40,678,069)	(136,316,165)	138,518,367
Write-offs	-	-	(58,868,727)	(58,868,727)
Balance as at 31 December 2022	823,466,593	311,447,212	220,390,240	1,355,304,045

Assignment of Islamic financing receivables

The Group assigned Islamic financing receivables as a collateral amounting to SR 508.61 million (31 December 2022: SR 666.51 million) to local commercial banks for obtaining borrowings.

Impairment losses on Islamic financing receivables

	2023 SR	*2022 SR*
Provision for expected credit loss allowance (net of reversal)	**(25,395,437)**	(46,449,918)
Recoveries against receivables previously written off	**21,858,426**	17,755,597
Net impairment losses on Islamic financing receivables	**(3,537,011)**	(28,694,321)

13 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Furniture, equipment and computers	4 years
Leasehold improvement	Shorter of lease term and useful life

	2023		
	Furniture, equipment and computers SR	*Leasehold improvement SR*	*Total SR*
Cost:			
At the beginning of the year	12,058,596	6,649,886	18,708,482
Additions during the year	1,622,550	1,322,578	2,945,128
At the end of the year	13,681,146	7,972,464	21,653,610
Accumulated depreciation:			
At the beginning of the year	7,805,800	3,836,030	11,641,830
Charge for the year	2,116,766	652,578	2,769,344
At the end of the year	9,922,566	4,488,608	14,411,174
Net book amounts:			
At 31 December 2023	3,758,580	3,483,856	7,242,436

	2022		
	Furniture, equipment and computers SR	*Leasehold improvement SR*	*Total SR*
Cost:			
At the beginning of the year	5,908,128	6,080,858	11,988,986
Additions during the year	1,069,101	569,028	1,638,129
Relate to acquisition of a subsidiary (Note 14)	5,081,367	-	5,081,367
At the end of the year	12,058,596	6,649,886	18,708,482
Accumulated depreciation:			
At the beginning of the year	4,286,026	3,211,213	7,497,239
Charge for the year	1,466,375	624,817	2,091,192
Relate to acquisition of a subsidiary (Note 14)	2,053,399	-	2,053,399
At the end of the year	7,805,800	3,836,030	11,641,830
Net book amounts:			
At 31 December 2022	4,252,796	2,813,856	7,066,652

14 BUSINESS COMBINATION

On 16 June 2022, the Company acquired 80% shares of Digital Payments Company for Financial Technology, a limited liability company registered and based in the Kingdom of Saudi Arabia and engaged in building the technology of payments getaway (aggregation model) and providing electronic wallet services (Bayan wallet) in the Kingdom of Saudi Arabia. The Company acquired Digital Payments Company for Financial Technology as it adds new products to the Group business in the Fintech market.

Assets acquired and liabilities assumed

The fair values of identifiable assets and liabilities of Digital Payments Company for Financial Technology based on the Purchase Price Allocation as at the date of acquisition were:

	16 June 2022 *SR*
Assets	
Current and non-current assets	
Property and equipment	3,000,000
Total asset acquired	47,900,000
Fair value of identified intangible assets	
Brand and trademark (note 15)	15,00,000
Technology (note 15)	11,00,000
License (note 15)	35,500,000
Total identified intangibles	38,100,000
Total assets	86,000,000
Less: Liabilities assumed	
Current and non-current liabilities	(11,200,000)
Net assets	74,800,000
Non-controlling interest @ 20% shareholding measured at fair value	(14,300,000)
Fair value of identifiable net assets acquired	60,500,000

The bargain purchase arising from the acquisition has been recognized as follows:

Purchase consideration	57,100,000
Less: Fair value of identifiable net assets acquired	(60,500,000)
Bargain purchase (note 6)	(3,400,000)
Net cash acquired with the subsidiary	935,340
Consideration paid	(57,100,000)
Net cash flow on acquisition	(56,164,660)

Initially at the acquisition date, the Company recognized provisional Goodwill of SR 11.1 million which was subject to finalizing the Purchase Price Allocation. During December 2022, the Purchase Price Allocation exercise was completed and as a result, Brand & Trademark and License have been identified and fair valued at SR 1.5 million and SR 35.5 million, respectively. Technology has been fair valued at SR 1.1 million and the carrying value (Net book value) of Technology was SR 8.2 million. Consideration paid of SR 57.1 million represents the consideration of SR 7.1 million paid to former shareholder and SR 50 million cash injected in subsidiary to increase the capital of subsidiary which resulted in equity stake of Morabaha Marina Financing Company to increase to 80%.

15 INTANGIBLE ASSETS

The estimated useful lives of the assets for the calculation of amortisation are as follows:

Software	6 years (2022: 10 years)
License	20 years (2022: indefinite)
Brand and trademark	20 years (2022: indefinite)

	2023				
	Software SR	***License SR***	***Brand & Trademark SR***	***Capital work in progress SR***	***Total SR***
Cost:					
At the beginning of the year	**11,881,795**	**35,500,000**	**1,500,000**	**1,017,509**	**49,899,304**
Additions during the year	**858,231**	-	-	**6,829,421**	**7,687,652**
Transfers during the year	**3,075,622**	-	-	**(3,075,622)**	-
At the end of the year	**15,815,648**	**35,500,000**	**1,500,000**	**4,771,308**	**57,586,956**
Accumulated amortization:					
At the beginning of the year	**4,520,104**	-	-	-	**4,520,104**
Charge for the year	**3,136,345**	**1,775,000**	**75,000**	-	**4,986,345**
At the end of the year	**7,656,449**	**1,775,000**	**75,000**	-	**9,506,449**
Net book amounts:					
At 31 December 2023	**8,159,199**	**33,725,000**	**1,425,000**	**4,771,308**	**48,080,507**

	2022				
	Software SR	*License SR*	*Brand & Trademark SR*	*Capital work in progress SR*	*Total SR*
Cost:					
At the beginning of the year	7,461,153	-	-	819,304	8,280,457
Additions during the year	724,445	-	-	2,794,402	3,518,847
Transfers during the year	2,596,197	-	-	(2,596,197)	-
Relate to business combination (note 14)	1,100,000	35,500,000	1,500,000	-	38,100,000
At the end of the year	11,881,795	35,500,000	1,500,000	1,017,509	49,899,304
Accumulated amortization:					
At the beginning of the year	3,638,397	-	-	-	3,638,397
Charge for the year	881,707	-	-	-	881,707
At the end of the year	4,520,104	-	-	-	4,520,104
Net book amounts:					
At 31 December 2022	7,361,691	35,500,000	1,500,000	1,017,509	45,379,200

Capital work in progress as at year represents software upgrade.

During the year, the Group reassessed the useful life of software and changed the useful life from 10 years to 6 years which resulted in increase in amortization in current year by SR 1.97 million.

During the year, the Group has reassessed the useful life of License and Brand & Trademark and determined the life of 20 years.

16 RIGHT OF USE ASSET AND LEASE LIABIITIES

The Group have lease contracts for various office spaces. These leases generally have lease terms between 2 and 5 years. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2023 ***SR***	*2022* *SR*
As at 1 January	**7,225,463**	4,264,487
Additions during the year	**15,211,696**	1,869,908
Relate to business combination (note 14)	**-**	3,869,951
Depreciation expense	**(4,237,663)**	(2,778,883)
At 31 December	**18,199,496**	7,225,463

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023 ***SR***	*2022* *SR*
At the beginning of the year	**6,649,315**	3,928,005
Additions during the year	**15,211,696**	1,869,906
Relate to business combination (note 14)	**-**	3,953,642
Accretion of interest	**1,237,506**	552,461
Payments during the year	**(5,575,175)**	(3,654,699)
At the end of the year	**17,523,342**	6,649,315

Set our below is the break-up between current and non-current portion of lease liabilities:

	2023 ***SR***	*2022* *SR*
Current	**5,843,864**	2,279,140
Non-current	**12,355,632**	4,946,323
	18,199,496	7,225,463

The following are the amounts recognised in statement of comprehensive income:

	2023 ***SR***	*2022* *SR*
Depreciation expense of right-of-use assets	**4,237,663**	2,778,883
Interest expense on lease liabilities	**1,237,506**	552,460
	5,475,169	3,331,343

17 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	2023 *SR*	*2022* *SR*
Accounts payable	**7,241,299**	4,431,175
Employees' bonus Payable	**5,170,000**	2,729,003
Accrued special commission expense	**4,300,324**	2,945,556
Payable to financial institution	**2,773,266**	2,661,945
Accrued expenses	**1,856,722**	1,743,253
Others	**2,246,412**	2,377,008
	23,588,023	16,887,940

Terms and conditions of the above financial liabilities:

- Accounts payables are non-interest bearing and are normally settled on 60-day terms.
- Accrued special commission expenses are normally settled as and when the instalment is paid

Accrued special commission expense relates to the special commission expense against borrowings accrued until the year end.

18 RELATED PARTY TRANSACTIONS AND BALANCES

The Group's shareholders, their affiliates and key management personnel are considered as related parties of the Group. Key management personnel of the Group comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Group. In the ordinary course of business, the Group enters into transactions with the related parties, which are based on mutually agreed prices and contract terms approved by the Group's management. Related party balances at year-end arise in the normal course of business.

Following are the major related party transactions with key management personnel during the year:

Related party	***Nature of transaction***	*2023* *SR*	*2022* *SR*
Key management personnel	Short term benefits	**9,043,899**	4,308,100
	Long term benefits	**1,492,473**	1,519,643
	Loans provided using Islamic financing	-	2,9,40,000
Shareholders	Initial Public Offering ("IPO") costs incurred on behalf of shareholders (*)	**25,272,427**	8,984,186
Board of Directors	Board of Directors' remuneration	**3,323,000**	1,499,000

Below are the balances receivables from related parties as at year end:

BODs' members and other committees member	Islamic financing receivables	**4,732,508**	5,205,993

(*) This amount represents the IPO cost which was agreed to be reimbursed by the shareholders once the IPO is completed, as during the year the IPO was completed the amount was recovered.

19 BORROWINGS

The table below shows the details of the borrowings obtained by the Group:

		2023 SR	2022 SR
A	Bank borrowings	**363,868,700**	404,752,078
B	Sukuks payable	-	8,787,285
C	Borrowings from a government entity	**79,673,247**	202,185,631
		443,541,947	615,724,994
	Current portion	**231,932,014**	304,884,141
	Non-current portion	**211,609,933**	310,840,853
		443,541,947	615,724,994

A) The table below shows the details of the bank borrowings obtained by the Group:

	2023 SR	2022 SR
Islamic financing (see notes 'a' and 'b' below)	**364,708,459**	405,396,651
Less: unamortized upfront charges	**(839,759)**	(644,573)
	363,868,700	404,752,078
Current portion	**177,258,767**	166,794,585
Non-current portion	**186,609,933**	237,957,493
	363,868,700	404,752,078

Islamic financing shown above includes:

a) The balance of thirteen (31 December 2022: fifteen) revolving Islamic facilities for a total amount of SR 326.13 million (31 December 2022: SR 368.5 million) as of 31 December 2023 between 3.0% to 3.5% + SIBOR. Each of these facilities is for an original term of quarterly and renewable for additional periods of another quarter each at the lender's option up to a total of 4 years and carry special commission at floating commercial rates. The facilities are secured by assignment of receivables. The option to refinance or roll over the facilities is at the lender's discretion.

b) The balance of three (31 December 2022: two) other Islamic facilities for a total amount of SR 37.74 million (31 December 2022: SR 36.3 million) as of 31 December 2023 obtained from commercial banks to finance the Islamic financing assets of the Group at a rate of interest from 3.0% to 3.5%. The facilities are secured by assignment of receivables and are repayable on a monthly and quarterly basis over 48 installments.

c) During the year, the Group obtained new borrowings amounting to SR 153.7 million (31 December 2022: SR 276.1 million) from a local bank, the loan carries commission average rate of 4.62% and is to be repayable by April 2027.

19 BORROWINGS (continued)

B) The table below shows the details of the sukuks payable issued by the Group:

	2023 *SR*	*2022* *SR*
Islamic financing through Sukuks	-	8,900,000
Less: unamortized upfront charges	-	(112,715)
	-	8,787,285
Current portion	-	8,787,285

In February 2018, the Group issued Sukuk with an aggregate principal of SR 178 million. The Sukuk carry a fixed rate of interest at 8% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from May 2018, with the final instalment due in February 2023.

In December 2019, the Group issued a new Sukuk with an aggregate principal of SR 80 million. The Sukuk carry a fixed rate of interest at 6% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from March 2020, with the final instalment due in December 2022.

Both the Sukuks are secured by assignment of Islamic financing receivables.

C) The table below shows the details of the loans obtained by the Group from a government entity:

	2023 *SR*	*2022* *SR*
Current portion	**54,673,247**	129,302,272
Non-current portion	**25,000,000**	72,883,359
	79,673,247	202,185,631

During October 2021 the Group received loan from the Social Development Bank (government entity) amounting to SR 20 million. The loans are repayable in monthly instalments commencing from January 2022, with the final instalment due in December 2024.

During 2021 and 2022, the Group participated in funding for lending program by SAMA and received funding in 21 instalments total of SR 290 million funding from SAMA which is interest free funding with varying maturities, starting from March 2023 to September 2025.

The above loans received by the Group from a Social Development Bank carries special commission at rates significantly lower than the currently prevailing market rates while the loan received from SAMA is interest free. These loans provided to the Group carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of the "lower than market value" or "interest free" loans obtained by the Group had been identified and accounted for as "government grant" and has initially been recorded as deferred income and classified within "accounts payables, accruals and others". Such benefit is being recognised in statement of comprehensive income of the Group on a systematic basis as the expense, for which such grant is intended to compensate.

19 BORROWINGS (continued)

Further, during 2021 and 2022, the Group obtained loans from Social Development Bank amounting to SR 200 million at the prevailing market rates at 2.32% to 3.56% per annum. The maturity of the loans starting from June 2023 to May 2026.

Fair value of derivative

The Company is engaged in profit rate swap agreements with a local banks for notional amount of SR 142 million (31 December 2022: SR 211 million). The change in fair value of those commission rates that are not designed in hedge relationships, but are, nevertheless, intended to reduce the level of commission rate risk. As at 31 December 2023, the fair value of the derivative instrument at FVTPL amounted to SR 2.8 million (31 December 2022: SR 5.5 million).

The fair value hierarchy for derivatives not designated as hedging instruments for disclosure purpose is in level 2, with significant inputs being directly or indirectly observable.

20 EMPLOYEES' DEFINED BENEFIT LIABILITIES

The Group operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

The following tables summaries the components of employees' defined benefit liabilities recognised in the statement of comprehensive income and statement of financial position:

a) Amount recognised in the statement of financial position:

	2023 SR	2022 SR
Present value of employees' defined benefit liabilities	**6,256,561**	5,399,716

b) Benefit expense (recognised in statement of comprehensive income):

	2023 SR	2022 SR
Current service cost	**1,148,418**	2,475,354
Interest expense	**243,060**	147,446
Benefit expense	**1,391,478**	2,622,800

c) Movement in the present value of employees' defined benefit liabilities:

	2023 SR	2022 SR
Present value of employees' defined benefit liabilities at beginning of the year	**5,399,716**	4,245,231
Charge recognised in statement of comprehensive income		
Current service cost	**1,148,418**	2,475,354
Interest expense	**243,060**	147,446
Actuarial gain recognised in the statement of other comprehensive income	**(179,488)**	(1,331,643)
Benefits paid	**(355,145)**	(136,672)
Present value of employees' defined benefit liabilities at end of the year	**6,256,561**	5,399,716

20 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

d) Principal actuarial assumptions:

Key assumptions used in the actuarial valuation:

	2023 *SR*	*2022* *SR*
Discount rate	**5.50%**	4.57%
Salary growth rate	**5.50%**	4.07%
Retirement age (years)	**60**	60
Plan duration (years)	**11**	12
Mortality rate	**A1967-70**	SA16 – 75%

e) Sensitivity analysis

A qualitative sensitivity analysis for significant assumptions is as shown:

31 December 2023	***Impact on defined benefit obligation – increase / (decrease)***		
Base Scenario	***Change in assumption***	***Increase in assumption***	***Decrease in assumption***
Discount rate	**+/- 50 basis points**	**617,335**	**(730,090)**
Expected rate of salary increase	**+/- 50 basis points**	**623,163**	**(723,209)**
Withdrawal rate	**+/- 100 basis points**	**147,628**	**(162,138)**
Life expectancy	**+/- 1 year**	**11,432**	**(11,384)**

31 December 2022	*Impact on defined benefit obligation – increase / (decrease)*		
Base Scenario	*Change in assumption*	*Increase in assumption*	*Decrease in assumption*
Discount rate	+/- 50 basis points	187,118	(204,355)
Expected rate of salary increase	+/- 50 basis points	203,345	(187,984)
Withdrawal rate	+/- 100 basis points	(69,861)	70,512
Life expectancy	+/- 1 year	238	(2,174)

The most recent actuarial valuation was performed by an independent, qualified actuary "Global Advisory" using the projected unit credit method. The Actuary is licensed from the "Fellow of Society of Actuaries, USA".

The expected maturity analysis of undiscounted employees' defined benefit liabilities is as follows (time in years)

	2023 *SR*	*2022* *SR*
Within the next 12 months (next annual reporting period)	**2,516,842**	1,384,718
Between 1 and 2 years	**2,722,652**	2,345,831
Between 2 and 5 years	**1,960,716**	1,842,901
Beyond 5 years	**8,176,341**	7,567,798
Total expected payments	**15,376,551**	13,141,248

21 SHARE CAPITAL

Share capital is divided into 71.4 million shares (31 December 2022: 50 million shares) of SR 10 each.

	31 December 2023 SR	*31 December 2022 SR*
Founding shareholders	**483,937,700**	483,937,700
Public	**214,285,720**	-
Treasury shares	**16,062,300**	16,062,300
	714,285,720	500,000,000

The treasury shares are held by the Group for the purpose of Employees retention program which will be launched in the coming period.

As a result of IPO (note 1), the Company issued 21,428,572 new shares at an offer price of SR 14.6. The differential price over the nominal value recorded as share premium amounting to SR 64.34 million, after offsetting the issuance cost amounting to SR 34.26 million. The legal formalities of updating the Company's commercial registration and Company's by-laws are completed.

22 STATUTORY RESERVE

In accordance with Companies' By-Laws, the Company must set aside 10% of its income after zakat in each year to statutory reserve until it has built up a reserve equal to 30% of the share capital. The reserve is not available for distribution.

23 EARNINGS PER SHARE

The basic and diluted earnings per share (EPS) have been computed by dividing net income for the year by the weighted average number of shares outstanding during the year.

	31 December 2023 SR	*31 December 2022 SR*
Net income for the year	**36,827,914**	48,352,599
Weighted average number of shares for basic and diluted EPS	**61,330,724**	45,348,479
Basic and diluted earnings per share	**0.60**	1.07

24 ZAKAT

Charge for the year

The movement in the zakat provision for the year was as follows:

	2023 SR	*2022 SR*
At the beginning of the year	**9,635,804**	7,000,512
Charge for the year	**8,910,933**	9,514,233
Paid during the year	**(9,103,797)**	(6,878,941)
At the end of the year	**9,442,940**	9,635,804

24 ZAKAT (continued)

Status of assessments

Morabaha Marina Financing Company

The Company has filed its zakat returns with the Zakat, Tax and Customs Authority ("ZATCA") for all previous years up to 2022. The Company had obtained its final zakat assessments for all the years until 2017, while the assessments for the years from 2018 to 2022 are still under review by ZATCA.

Digital Payments Company for Financial Technology

The Company has filed its zakat returns with ZATCA for all previous years up to 2022, which is yet to be reviewed by ZATCA.

25 DIVIDENDS

The Company's extraordinary general assembly in their meeting held on 27 august 2023, approved distribution of interim cash dividends of SR 0.53 per share totaling to SR 37,004,741.

26 PARTLY-OWNED SUBSIDIARY

Financial Information of subsidiary that have material non-controlling interest is provided below:

Proportion of equity interest held by non-controlling interest:

Name	*Country of incorporation and operation*	***2023***	*2022*
Digital Payments Company for Financial Technology (Loop)	Kingdom of Saudi Arabia	**20%**	20%

	2023 ***SR***	*2022* *SR*
Net loss allocated to non-controlling interest	**(5,658,500)**	(2,028,442)
Net comprehensive loss allocated to non-controlling interest	**(5,680,339)**	(2,040,329)

The summarized financial information of subsidiary is provided below. This information is based on accounts before inter-company eliminations.

Summarised statement of comprehensive loss for 2022 and 2023:

	2023 ***SR***	*2022* *SR*
Revenue	**128**	-
Bank charges	**(827,710)**	(636,597)
General & Administrative expenses	**(28,037,608)**	(10,112,568)
Loss from operations	**(28,865,318)**	(10,749,166)
Other income	**786,141**	764,202
Loss before zakat	**(28,079,049)**	(9,984,963)
Zakat	**(213,451)**	(157,248)
Net loss for the year	**(28,292,500)**	(10,142,211)
Actuarial loss on remeasurement of employees' defined benefit liabilities	**(109,196)**	(59,433)
Net comprehensive loss	**(28,401,696)**	(10,201,644)
Net loss attributable to NCI	**(5,658,500)**	(2,028,442)
Net Comprehensive loss attributable to NCI	**(5,680,339)**	(2,040,329)

26 PARTLY-OWNED SUBSIDIARY (continued)

Summarised statement of financial position as at 31 December:

	2023 *SR*	*2022* *SR*
Cash and cash equivalents	**3,195,963**	26,665,440
Prepayments and other assets	**6,990,624**	2,279,838
Right of use asset	**11,959,749**	2,780,034
Intangible assets	**10,476,382**	9,511,862
Property and equipment	**2,139,031**	2,558,466
Accounts payable and accrued expenses	**(15,807,684)**	(6,027,031)
Provision for zakat	**(213,405)**	(157,248)
Lease liability	**(12,301,670)**	(2,892,822)
Employees' terminal benefits	**(393,704)**	(271,558)
Total Equity	**(6,045,286)**	34,446,983
Attributable to:		
Equity holders of parent	**(4,836,230)**	27,557,586
Non-controlling interest	**(1,209,056)**	6,889,397

Summarised cash flow information for year ended 31 December:

	2023	*2022*
Operating activities	**(28,516,081)**	(21,451,039)
Investing activities	**(4,064,718)**	(3,249,076)
Financing activities	**9,111,320**	50,430,217
Net increase in cash and cash equivalents	**(23,469,479)**	25,730,102

27 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group's objectives for managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing the services commensurately with the level of risk.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, short term loans, trade and other payables, less cash and bank balances.

	2023 *SR*	*2022* *SR*
Accounts payable, accruals and others	**23,588,023**	16,887,940
Provision for zakat	**9,442,940**	9,635,804
Borrowings	**443,541,947**	615,724,994
Lease liabilities	**17,523,342**	6,649,315
Employees' defined benefit liabilities	**6,256,561**	5,399,716
Less: Bank balances and cash	**(91,937,978)**	(69,639,011)
Net debt	**408,414,835**	584,658,758
Equity	**842,232,805**	569,489,437
Capital and net debt	**1,250,647,640**	1,154,148,195
Gearing ratio	**33%**	51%

28 FINANCIAL INSTRUMENTS AND FAIR VALUE

Financial instruments comprise financial asset and financial liabilities.

Financial assets consist of cash and cash equivalents, restricted cash deposits, Islamic financing receivables, Investment at fair value investment through OCI and other receivables. Financial liabilities consist of borrowings, accounts payable and others.

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

28 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

Fair value hierarchy (continued)

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Following table indicates fair value level hierarchy of the financial instruments of the Group. Islamic financing receivables, investment at FVOCI and borrowings are classified within level 3 of the fair value hierarchy while the rest of the financial assets and financial liabilities included in the below table are classified within level 2 of the fair value hierarchy. Management believes that the fair value of the financial assets and liabilities included in the table below at the reporting date, approximate their carrying values mainly due to the short maturities of most of these financial assets and liabilities.

	2023 ***SR***	*2022* *SR*
Financial assets		
Cash and cash equivalents	**91,937,978**	69,639,011
Restricted cash deposits	**16,000,000**	16,000,000
Other assets (excluding special commission receivable)	**7,456,912**	8,369,582
Financial liabilities		
Accounts payables, accruals and others (excluding accrued special commission expense)	**19,287,696**	9,701,802

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

There have been no transfers to and from Level 2 and 3 during the current and prior year.

Fair value of the Islamic financing receivables (including special commission receivable)

	2023 Carrying value SR	***2023 Fair value SR***	*2022 Carrying value SR*	*2022 Fair value SR*
Financial assets				
Islamic financing receivables	**1,089,345,610**	**1,138,228,127**	981,883,052	1,030,054,524

For determination of the fair value of Islamic financing receivables, management assesses the market under the current conditions, and assesses the profit rates that the Group could obtain against its current portfolio. The portfolio is segregated into various categories. The profit rates over the last 5 years have been assessed and used as a base for the discount rate relating to the valuation of the portfolio. Premiums have then been added to each category based on the prevailing economic conditions in the country. The premiums move from 50 basis points to 250 basis points.

28 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

The initial base rate, before premiums, were calculated using the average quoted rate against contracts for the last 5 years. This quoted rate was compared to the average effective yield that the contracts generate to derive the factor to translate the quoted rate to an effective rate in order to lift the base rate from a quoted rate to an effective rate. The average of the quoted rate for the Group's portfolio over this period was 14.38% (2022: 14.86%), and the average effective rate for this same portfolio was 14.30 % (2022: 13.97%), resulting in a lift factor of 0.99 (2022 0.75x).

Deemed premium for each category has been added to the base quoted rate, and the lift factor was applied to arrive at the effective yield which was used as a proxy discount rate to fair value the portfolio.

The cash flows of each category were discounted using the proxy discount rate applicable to each category to arrive at the fair value of the portfolio. Provision carried against the portfolio was then deducted to compare the carrying value to the deemed fair value.

The discount rates used range from 14.80% to 16.80% (2022: 14.35% to 15.8%).

Fair value of Borrowings (including accrued special commission expense):
The fair value of bank borrowings, sukuk payable and government loans is based on discounted value of expected future cash flows using the applicable market rates for similar types of instrument as of reporting date. The table below shows the fair value of bank borrowings as at 2022 and 2021, respectively.

	2023 Carrying value SR	*2023 Fair value SR*	*2022 Carrying value SR*	*2022 Fair value SR*
Financial liabilities				
Bank borrowings	363,868,700	376,794,557	404,752,078	424,272,284
Sukuk payable	-	-	8,787,285	8,987,476
Loans from a government entity	79,673,247	80,330,323	202,185,631	208,632,199

Fair Value of Investment at FVOCI
Management believes that the fair value of investment at FVOCI approximates its carrying value.

29 SEGMENT INFORMATION

The Group objective is to provide financing for Retails & SME's. The Group has only one geographical segment and it operates in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the statement of financial position and statement of comprehensive income belongs to the Retail & SME's segment. For management purposes, the Group is organised into the following primary business segments:

Retail
These represents financing products granted to individuals' customers.

SMEs
These represents finance products granted to small and medium sized businesses (SMEs).

Digital payments
These represents electronic commerce payments (Bayan) and providing electronic wallet services.

Head office
Head office is responsible for managing the surplus liquidity of the Group through short term market placements. It also provides support services to the business functions.

29 SEGMENT INFORMATION (continued)

	Retail SR	*SMEs SR*	*Head office SR*	*Digital Payment SR*	*Total SR*
Statement of comprehensive income					
31 December 2023					
Income	**111,466,209**	**63,973,667**	**10,767,404**	**786,141**	**186,993,421**
Expense	**(65,862,102)**	**(49,041,066)**	**-**	**(28,494,734)**	**(143,397,902)**
Allowance for expected credit losses	**(22,981,402)**	**19,444,391**	**-**	**-**	**(3,537,011)**
Zakat	**(4,985,367)**	**(3,712,115)**	**-**	**(213,451)**	**(8,910,933)**
Segment profit	**17,637,338**	**30,664,875**	**10,767,404**	**(27,922,044)**	**31,147,575**
31 December 2022					
Income	97,190,130	69,023,671	12,517,867	764,204	179,495,872
Expense	(48,243,919)	(35,922,530)	-	(10,808,599)	(94,975,048)
Allowance for expected credit losses	(25,087,889)	(3,606,432)	-	-	(28,694,321)
Zakat	(4,940,457)	(4,416,528)	-	(157,248)	(9,514,233)
Segment profit	18,917,865	25,078,181	12,517,867	(10,201,643)	46,312,270
Statement of financial position					
31 December 2023					
Total assets	**635,017,083**	**454,328,523**	**225,660,343**	**27,579,669**	**1,342,585,618**
Total liabilities	**254,236,720**	**189,305,226**	**37,094,402**	**19,716,465**	**500,352,813**
31 December 2022					
Total assets	543,644,316	438,238,735	207,620,376	34,283,776	1,223,787,203
Total Liabilities	332,903,625	282,821,368	29,224,117	9,348,659	654,297,769

30 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including special commission rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by management. The most important types of risk are summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The Group's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the table below.

	2023 SR	*2022 SR*
Cash and cash equivalents	**91,937,978**	69,639,011
Restricted cash deposit	**16,000,000**	16,000,000
Islamic financing receivables, net	**1,089,345,610**	981,883,052
Other assets	**7,456,912**	8,369,582
	1,204,740,500	1,075,891,645

30 FINANCIAL RISK MANAGEMENT (continued)

Credit quality analysis

The following table sets out information about the credit quality of Islamic financing receivables measured at amortised cost:

	2023 *SR*	*2022* *SR*
Neither past due nor impaired	**746,832,495**	685,057,056
Past due but not impaired:		
From 1 day to 30 days	**171,602,768**	96,594,114
From 31 day to 90 days	**109,900,671**	160,069,593
Past due and impaired	**99,511,734**	92,976,647
	1,127,847,668	1,034,697,410

a) ***Gross carrying value of Islamic financing receivable before ECL***

	12 month ECL *SR*	*Life time ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
31 December 2023	**674,918,255**	**267,836,905**	**185,092,508**	**1,127,847,668**
31 December 2022	621,709,243	241,885,651	171,102,516	1,034,697,410

b) ***Allowance for ECL***

	12 month ECL *SR*	*Life time ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
31 December 2023	**1,378,768**	**7,279,237**	**29,844,053**	**38,502,058**
31 December 2022	10,008,141	7,453,771	35,352,446	52,814,358

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 Group 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 Group'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 an exposure based on approved stages of criteria.

30 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades
The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

a) Generating the term structure of PD
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

The Group 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 macro-economic factors include GDP growth, benchmark interest rates, unemployment etc.

Based on external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

b) Determining whether credit risk has increased significantly
The criteria for determining whether credit risk has increased significantly 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, which is determined under basis of Group's staging criteria.

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

As a backstop, the Group 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 period that might be available to the borrower.

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

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

30 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

b) Determining whether credit risk has increased significantly (continued)

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1.
Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected behavioral maturity profile including restructuring or rescheduling of facilities.
Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL. Default identification process i.e. DPD of 121 or more is assumed to be stage 3.

c) Modified financial assets

The contractual terms of financing receivables may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing receivable whose terms have been modified may be derecognised and the renegotiated amount recognised as a new financing receivable at fair value in accordance with the Group's 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 Group may renegotiate financing receivables to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's policy, Financing receivables' 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 interest payments and amending other terms of financing.

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 12 months before the exposure is no longer considered to be credit-impaired/ in default.

d) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any credit obligations to the Group including principal instalments and interest payments.
- The Group considers that the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any).

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

e) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information from published sources, the Group formulates a forward looking adjustment to PD term structures to arrive at forward looking PD estimates across the lifetime using macroeconomic models.

30 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

e) Incorporation of forward looking information (continued)

The Group considers scenarios in range of 3-5 years horizon (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios, adjustments are made to base case forecasts based on expert judgement.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

f) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the variables set out below. 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 models and assessed using tools tailored to various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the recoveries and costs incurred in the process to arrive at the estimates.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

The Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options), depending on exposure's rating classification over which it is exposed to credit risk.

Collateral

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

The amount of collateral held as security for loans that are credit impaired as at 31 December 2023 is SR 398 million (31 December 2022: 357 million)

g) Governance and controls

In addition to the existing risk management framework, the Group has established a Management Committee for oversight of IFRS 9 impairment process that includes representation from Finance, as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available.

30 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date.

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*Total SR*
31 December 2023				
Accounts payable, accruals and others*	**14,936,244**	**3,096,593**	**1,254,860**	**19,287,697**
Borrowings*	**67,814,354**	**165,816,659**	**221,836,853**	**455,467,866**
	82,750,598	**168,913,252**	**223,091,713**	**474,755,563**
31 December 2022				
Accounts payable, accruals and others*	7,899,564	6,042,821	-	13,942,385
Borrowings*	94,293,904	213,535,793	310,840,852	618,670,549
	102,193,468	219,578,614	310,840,852	632,612,934

* Accrued special commission expense as at the reporting date has been included as part of borrowings for the purpose of above disclosure.

Analysis of financial assets and liabilities according to when they are expected to be recovered or settled

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

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
31 December 2023					
Cash and cash equivalents	**91,937,978**	-	-	-	**91,937,978**
Investment at fair value through OCI	-	-	-	**892,850**	**892,850**
Islamic financing receivables	**127,911,653**	**355,616,545**	**605,817,412**	-	**1,089,345,610**
Other assets	**15,880,395**	**83,883,545**	**60,645,240**	-	**160,409,180**
Financial assets	**235,730,026**	**439,500,090**	**666,462,652**	**892,850**	**1,342,585,618**
Accounts payable, accruals and others	**19,236,566**	**3,096,593**	**1,254,864**	-	**23,588,023**
Borrowings	**65,389,653**	**166,542,361**	**211,609,933**	-	**443,541,947**
Lease liabilities	**1,527,091**	**4,085,108**	**11,911,143**	-	**17,523,342**
Other liabilities	-	**9,442,940**	-	**6,256,561**	**15,699,501**
Financial liabilities	**86,153,310**	**183,167,002**	**224,775,940**	**6,256,561**	**500,352,813**
Maturity gap	**149,576,716**	**256,333,088**	**441,686,712**	**(5,363,711)**	**842,232,805**
Cumulative maturity gap	**149,576,716**	**405,909,804**	**847,596,516**	**842,232,805**	

30 FINANCIAL RISK MANAGEMENT (continued)

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
31 December 2022					
Cash and cash equivalents	69,639,011	-	-	-	69,639,011
Investment at fair value through OCI	-	-	-	892,850	892,850
Islamic financing receivables	112,485,215	299,303,467	570,094,369	-	981,883,051
Other assets	49,568,750	68,560,500	53,243,040		171,372,290
Financial assets	231,692,976	367,863,967	623,337,410	892,850	1,223,787,203
Accounts payable, accruals and others	10,200,399	6,687,541			16,887,940
Borrowings	91,348,348	213,535,793	310,840,853	-	615,724,994
Lease liabilities	923,472	1,736,912	3,988,931	-	6,649,315
Other liabilities	-	9,635,804	-	5,399,716	15,035,520
Financial liabilities	102,472,219	231,596,050	314,829,784	5,399,716	654,297,769
Maturity gap	129,220,757	136,267,917	308,507,626	(4,506,866)	569,489,434
Cumulative maturity gap	129,220,757	265,488,674	573,996,300	569,489,434	

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Group is subject to special commission rate risk on its special commission bearing assets and liabilities, including Islamic financing receivables and borrowings.

All of the Group's special commission bearing assets, sukuk payable and loans from a government entity carry special commission at fixed rates and therefore, management believes that the Group is not exposed to any special commission rate risk in respect of these assets.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's profit or loss relating to the floating rate borrowings for which the Group does not use derivatives for hedging. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net commission income for one year, based on such floating rate borrowings held as at the reporting date.

	Change in basis points	***Impact on net income 2023 SR***	*Impact on net income 2022 SR*
Saudi Riyals	+50	**1,931,999**	839,230
Saudi Riyals	-50	**(1,931,999)**	(839,230)

30 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

The Group is exposed to risks associated with the fluctuations in the levels of market special commission rates. The table below summarizes the Group's exposure to special commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that reprice or mature in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

	2023				
	Within 3 months SR	*3-12 months SR*	*1 to 5 years SR*	*Non commission bearing SR*	*Total SR*
Assets					
Cash and cash equivalents	91,937,978	-	-	-	91,937,978
Restricted cash deposits	16,000,000	-	-	-	16,000,000
Prepayments and other assets	9,242,032	9,898,641	2,923,094	-	22,063,767
Investment at FVOCI	-	-	-	892,850	892,850
Islamic financing receivables	127,911,653	355,616,545	605,817,412	-	1,089,345,610
Intangible assets	-	-	-	48,080,507	48,080,507
Fair value derivatives	-	-	-	2,842,693	2,842,693
Repossessed asset held for sale	-	-	-	45,980,281	45,980,281
Right to use assets	-	-	-	18,199,496	18,199,496
Property and equipment	-	-	-	7,242,436	7,242,436
Total assets	245,091,663	365,515,186	608,740,506	123,238,263	1,342,585,618
Liabilities					
Accounts payable, accruals and others	-	-	-	23,588,023	23,588,023
Provision for zakat	-	-	-	9,442,940	9,442,940
Lease liabilities	1,527,091	4,085,108	11,911,143	-	17,523,342
Borrowings	65,389,653	166,542,361	211,609,933	-	443,541,947
Employees' terminal benefits	-	-	-	6,256,561	6,256,561
Total liabilities	66,916,744	170,627,469	223,521,076	39,287,524	500,352,813
Total special commission rate sensitivity gap	178,174,919	194,887,717	385,219,430	83,950,739	842,232,805
Cumulative special commission rate sensitivity gap	178,174,919	373,062,636	758,282,066	842,232,805	

30 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	2022				
	Within 3 months SR	*3 -12 months SR*	*1 to 5 years SR*	*Non commission bearing SR*	*Total SR*
Assets					
Cash and cash equivalents	69,639,011	-	-	-	69,639,011
Restricted cash deposits	16,000,000	-	-	-	16,000,000
Prepayments and other assets	23,823,488	7,485,163	5,262,440	-	36,571,091
Investment at FVOCI	-	-	-	892,850	892,850
Islamic financing receivables	112,485,215	299,303,467	570,094,370	-	981,883,052
Intangible assets	-	-	-	45,379,200	45,379,200
Fair value derivatives	-	-	-	5,500,462	5,500,462
Repossessed asset held for sale	-	-	-	53,629,422	53,629,422
Right to use assets	-	-	-	7,225,463	7,225,463
Property and equipment	-	-	-	7,066,652	7,066,652
Total assets	221,947,714	306,788,630	575,356,810	119,694,049	1,223,787,203
Liabilities					
Accounts payable, accruals and others	-	-	-	16,887,940	16,887,940
Provision for zakat	-	-	-	9,635,804	9,635,804
Lease liabilities	923,472	1,736,912	3,988,931	-	6,649,315
Borrowings	91,348,348	213,535,793	310,840,853	-	615,724,994
Employees' terminal benefits	-	-	-	5,399,716	5,399,716
Total liabilities	92,271,820	215,272,705	314,829,784	31,923,460	654,297,769
Total special commission rate sensitivity gap	129,675,894	91,515,925	260,527,026	87,770,589	569,489,434
Cumulative special commission rate sensitivity gap	129,675,894	221,191,819	481,718,845	569,489,434	

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is not subject to fluctuations in foreign exchange rates in the normal course of its business as it does not have any significant financial assets and liabilities denominated in foreign currency.

31 COMMITMENTS AND CONTIGENCIES

As at 31 December 2023 and 31 December 2022, the Group do not have any significant commitments and contingent liabilities.

32 OFF BALANCE SHEET TRANSACTION

During 2022, Group entered into a Musharakah agreement amounting to SR 50 million with one of the capital market institution. As per the agreement, the Group act as managing agent in fiduciary capacity for the Musharakah amount, and accordingly the amount is not included in the consolidated financial statements and are treated as off-balance sheet transaction.

33 EVENTS AFTER THE REPORTING PERIOD

No events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure, in these consolidated financial statements.

34 RECLASSIFICAITON IN COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year, below are the major reclassifications:

Account		*Amount*
From	*To*	*SR*
Consolidated statement of comprehensive income		
General and administration expenses (i)	Special commission income	2,722,211
Other income (ii)	Impairment losses on Islamic financing receivables, net	17,393,197

i) Amortisation of prepaid vehicle insurance related to Ijara loans has been netted off with the insurance income from Iajara customers.

ii) Recoveries against receivables previously written off has been netted off with the Impairment losses on Islamic financing receivables.

35 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 27 February 2024 (corresponding to 17 Sha'ban 1445H).