

**Morabaha Marina Financing Company
(A Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2023**

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT

For the Three-Month and Nine-Month Periods ended 30 September 2023

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF
MORABAH MARINA FINANCING COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Morabaha Marina Financing Company – A Saudi Joint Stock Company ("the Company") and its subsidiary (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

For Ernst & Young Professional Services

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

Riyadh: 11 Rabi Al-Thani 1445H
(26 October 2023)



Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three-month and nine-month periods ended 30 September 2023

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2023 (Unaudited) SR	2022 (Unaudited) SR	2023 (Unaudited) SR	2022 (Unaudited) SR
Special commission income	3	42,035,469	38,569,969	125,572,884	114,747,051
Special commission expense		(12,950,721)	(8,456,457)	(33,891,154)	(19,837,620)
NET SPECIAL COMMISSION INCOME		29,084,748	30,113,512	91,681,730	94,909,431
<i>Other operating income</i>					
Other income, net	4	10,847,238	8,367,154	30,019,387	20,963,458
TOTAL OPERATING INCOME		39,931,986	38,480,666	121,701,117	115,872,889
<i>Operating expenses</i>					
General and administration expenses	5	(24,142,890)	(19,277,441)	(63,339,132)	(44,525,000)
Impairment losses on Islamic financing receivables	6	(7,168,944)	(6,895,857)	(11,795,145)	(25,745,096)
INCOME BEFORE ZAKAT		8,620,152	12,307,368	46,566,840	45,602,793
Zakat	9	(675,647)	(2,399,239)	(10,121,478)	(9,297,287)
NET INCOME FOR THE PERIOD		7,944,505	9,908,129	36,445,362	36,305,506
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		7,944,505	9,908,129	36,445,362	36,305,506
Attributable to:					
Equity holders of the Parent		9,437,843	10,663,626	40,048,316	37,142,507
Non-controlling interest		(1,493,338)	(755,497)	(3,602,954)	(837,001)
		7,944,505	9,908,129	36,445,362	36,305,506
Basic and diluted earnings per share					
Earnings per share from net income attributable to equity holders of the Parent		0.11	0.32	0.63	0.83

Chief Financial Officer

Executive Managing Director

Chairman of the Board of Directors

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2023

		30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
	Note		
ASSETS			
Cash and cash equivalents		195,686,370	69,639,011
Restricted cash deposits		16,000,000	16,000,000
Prepayments and other assets		25,233,210	36,571,091
Investment at fair value through other comprehensive income (FVTOCI)		892,850	892,850
Islamic financing receivables	6	1,050,338,553	981,883,052
Repossessed asset held for sale	6	46,420,831	53,629,422
Right-of-use assets	7	16,954,886	7,225,463
Fair value of derivatives	10	4,437,310	5,500,462
Intangible assets		48,297,037	45,379,200
Property and equipment		7,951,253	7,066,652
TOTAL ASSETS		1,412,212,300	1,223,787,203
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable, accruals and others	8	15,294,924	16,887,940
Provision for zakat	9	10,653,487	9,635,804
Borrowings	10	516,272,335	615,724,994
Lease liabilities		16,039,526	6,649,315
Employees' defined benefit liabilities		6,391,437	5,399,716
TOTAL LIABILITIES		564,651,709	654,297,769
EQUITY			
Share capital	11	714,285,720	500,000,000
Share premium	11	64,344,817	-
Statutory reserve		22,085,321	22,085,321
Treasury shares	11	(16,062,300)	(16,062,300)
Retained earnings		55,813,553	52,769,978
Equity attributable to equity holders of Parent		840,467,111	558,792,999
Non-controlling interests		7,093,480	10,696,435
TOTAL EQUITY		847,560,591	569,489,434
TOTAL LIABILITIES AND EQUITY		1,412,212,300	1,223,787,203



Chief Financial Officer



Executive Managing Director



Chairman of the Board of Directors

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

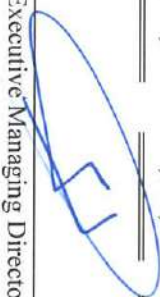
For the nine-month period ended 30 September 2023

	Attributable to equity holders of the parent							Non-controlling interests	
	Share capital SR	Share premium SR	Statutory reserve SR	Treasury shares SR	Retained earnings SR	Total SR	SR	Total SR	
<i>For the nine-month period ended 30 September 2022</i>									
Balance at 1 January 2022 (audited)	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 share purchased	-	-	-	(16,062,300)	-	(16,062,300)	-	(16,062,300)	
Net income for the period	-	-	-	-	37,142,507	37,142,507	(1,856,189)	35,286,318	
Other comprehensive income for the period	-	-	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	37,142,507	37,142,507	(1,856,189)	35,286,318	
Balance at 30 September 2022 (unaudited)	500,000,000	-	17,250,061	(16,062,300)	46,395,146	547,582,907	(1,856,189)	545,726,718	
<i>For the nine-month period ended 30 September 2023</i>									
Balance at 1 January 2023 (audited)	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 11)	214,285,720	-	-	-	-	214,285,720	-	214,285,720	
Share premium (note 11)	-	64,344,817	-	-	-	64,344,817	-	64,344,817	
Net income for the period	-	-	-	-	40,048,316	40,048,316	(3,602,955)	36,445,361	
Other comprehensive income for the period	-	-	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	40,048,316	40,048,316	(3,602,955)	36,445,361	
Dividend paid (note 12)	-	-	-	-	(37,004,741)	(37,004,741)	-	(37,004,741)	
Balance at 30 September 2023 (unaudited)	714,285,720	64,344,817	22,085,321	(16,062,300)	55,813,553	840,467,111	7,093,480	847,560,591	

Chief Financial Officer



Executive Managing Director



Chairman of the Board of Directors



The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2023

	Note	2023 (Unaudited) SR	2022 (Unaudited) SR
OPERATING ACTIVITIES			
Income before zakat		46,566,840	45,602,793
Adjustments for:			
Impairment losses on Islamic financing receivables	6	11,795,145	25,745,096
Depreciation and amortisation		4,657,070	2,648,062
Depreciation of right-of-use assets		3,086,563	1,291,743
Finance charge on lease	7	598,134	135,821
Finance cost		26,062,097	16,784,591
Finance income		4,856,042	1,491,375
Provision for employees' terminal benefits		1,354,118	1,092,950
Positive fair value of derivatives	4	1,063,152	-
Operating cash flows before working capital changes		100,039,161	94,792,431
Working capital adjustments:			
Islamic financing receivables		(73,042,055)	(101,880,827)
Prepayments and other assets		(23,306,642)	(11,896,410)
Restricted deposit		-	(16,000,000)
Accounts payable, accruals and others		(1,015,828)	(8,543,096)
Net cash from (used in) operations		2,674,636	(43,527,902)
Zakat paid	9	(9,103,797)	(6,878,941)
Employees' terminal benefits paid		(362,400)	(22,054)
Finance income received		(4,438,128)	(1,491,375)
Finance cost paid		(26,639,286)	(17,930,852)
Net cash used in operating activities		(37,868,971)	(69,851,124)
INVESTING ACTIVITIES			
Purchase of property and equipment		(2,948,773)	(1,047,450)
Purchase of intangible assets		(5,510,739)	(3,019,675)
Acquisition of a subsidiary - consideration paid		-	(7,100,000)
Dividends paid	12	(37,004,741)	-
Net cash used in investing activities		(45,464,253)	(11,167,125)
FINANCING ACTIVITIES			
Proceeds from borrowings		153,741,785	256,062,300
Repayment of borrowings		(253,194,444)	(251,618,416)
Proceeds from issue of share capital, net of treasury shares	8	-	144,560,750
Proceeds from issue of share capital through IPO	11	312,857,151	-
Lease liabilities paid	7	(4,023,909)	(1,962,000)
Net cash from financing activities		209,380,583	147,042,634



Chief Financial Officer



Executive Managing Director



Chairman of the Board of Directors

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the nine-month period ended 30 September 2023

**NET INCREASE IN CASH AND CASH EQUIVALENTS DURING
THE PERIOD**

126,047,359 66,024,385

Cash and cash equivalents at the beginning of the period

69,639,011 42,807,690

Acquisition of a subsidiary - cash acquired

- 935,340

CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

195,686,370 109,767,415

SIGNIFICANT NON-CASH TRANSACTIONS:

Additions on right-of-use assets and lease liability

12,815,986 1,869,908

Transfer of Repossessed assets held for sale

3,252,608 25,411,296



Chief Financial Officer



Executive Managing Director



Chairman of the Board of Directors

The accompanying notes 1 to 20 form an integral part of these interim condensed consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
30 September 2023

1 ACTIVITIES

Morabaha Marina Financing Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010337706 dated 14 Jumad 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:

<i>Branch Commercial Registration Number</i>	<i>Branch location</i>	<i>Date</i>
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	20 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 1442H
3350149330	Hail	8 Muharram 1442H
5950028443	Najran	25 Muharram 1435H
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 11).

<i>Shareholder</i>	<i>Pre-Offering</i>			<i>Post-Offering</i>		
	<i>No. of shares</i>	<i>Ownership (%)</i>	<i>Nominal value</i>	<i>No. of shares</i>	<i>Ownership (%)</i>	<i>Nominal value</i>
Founding shareholders	50,000,000	100%	500,000,000	50,000,000	70%	500,000,000
Public	-	-	-	21,428,572	30%	214,285,720
	<u>50,000,000</u>	<u>100%</u>	<u>500,000,000</u>	<u>71,428,572</u>	<u>100%</u>	<u>714,285,720</u>

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
30 September 2023

1 ACTIVITIES (continued)

These interim condensed 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 (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). Digital Payments Company is engaged in building the technology of payments gateway (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 interim condensed consolidated financial statements of the Group as at and for the three month and nine-month period ended 30 September 2023 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

An interim period is considered an integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

These interim condensed consolidated financial statements have been presented in Saudi Riyals, as it is the functional currency of the Group.

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.

b. Significant accounting policies judgments, estimates and assumptions

The accounting policies, judgments, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022.

c. New standards, interpretations and amendments

Following standards, interpretations or amendments are effective from the beginning of the current year and are adopted by the Group, however, these do not have any impact on the accompanying interim condensed consolidated financial statements of the year.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. 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; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
30 September 2023

2 BASIS OF PREPARATION (continued)

c. New standards, interpretations and amendments (continued)

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

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 had no impact on the Group's interim condensed consolidated financial statements but may affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

3 SPECIAL COMMISSION INCOME, NET

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

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Tawarruq	40,417,397	37,210,699	120,408,958	110,705,429
Ijara	1,618,072	1,359,270	5,163,926	4,041,622
	<u>42,035,469</u>	<u>38,569,969</u>	<u>125,572,884</u>	<u>114,747,051</u>

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

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (Continued)
30 September 2023

4 OTHER INCOME, NET

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR	SR	SR	SR
Recovery of Islamic financing receivables written off	5,494,497	4,437,544	16,204,353	12,900,306
Income from short term deposits	3,542,698	300,051	4,856,042	527,094
Income from early settlement fees	1,299,677	3,296,434	4,156,716	5,925,767
Realized gain on fair value of derivatives	1,126,034	-	3,277,866	-
Gain on sale of repossessed assets	-	-	2,218,006	1,076,527
Unrealized loss on fair value of derivatives	(731,269)	-	(1,063,152)	-
Others	115,601	333,125	369,556	533,764
	<u>10,847,238</u>	<u>8,367,154</u>	<u>30,019,387</u>	<u>20,963,458</u>

5 GENERAL AND ADMINISTRATION EXPENSES

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SR	SR	SR	SR
Salaries and employee related costs	14,252,214	10,868,597	39,656,219	27,233,088
Depreciation and amortisation	3,201,399	2,966,447	7,743,634	4,749,206
Professional fee	1,568,795	1,877,938	4,018,675	3,939,805
Repair and maintenance	1,089,734	248,891	2,184,501	757,998
Subscriptions	1,057,607	64,582	1,409,439	64,582
Utilities expense	1,543,942	735,589	1,983,279	1,737,319
Non-claimable VAT	(500,560)	472,314	1,877,737	1,161,414
Government related expenses	217,957	798,772	906,109	1,820,167
Bank charges	242,333	252,677	745,691	891,585
Rent	-	320,308	-	379,644
Other expenses	1,469,469	671,326	2,813,848	1,790,192
	<u>24,142,890</u>	<u>19,277,441</u>	<u>63,339,132</u>	<u>44,525,000</u>

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
30 September 2023

6 ISLAMIC FINANCING RECEIVABLES

	Tawarruq receivables		Ijara receivables		Total	
	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Gross Islamic financing receivables	1,359,866,599	1,298,611,632	80,614,105	56,692,413	1,440,480,704	1,355,304,045
Less: Unrealised profit	(330,629,997)	(307,372,607)	(22,980,335)	(13,234,028)	(353,610,332)	(320,606,635)
	<u>1,029,236,602</u>	<u>991,239,025</u>	<u>57,633,770</u>	<u>43,458,385</u>	<u>1,086,870,372</u>	<u>1,034,697,410</u>
Less: Allowance for impairment losses	(29,651,736)	(49,836,385)	(6,880,083)	(2,977,973)	(36,531,819)	(52,814,358)
	<u>999,584,866</u>	<u>941,402,640</u>	<u>50,753,687</u>	<u>40,480,412</u>	<u>1,050,338,553</u>	<u>981,883,052</u>

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

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

30 September 2023 (unaudited)

	Gross Carrying Amount			Allowance for ECL			ECL Coverage %				
	Stage 1 SR	Stage 2 SR	Stage 3 SR	Total SR	Stage 1 SR	Stage 2 SR	Stage 3 SR	Stage 1 %	Stage 2 %	Stage 3 %	Total %
Tawarruq	692,896,566	176,227,678	160,112,358	1,029,236,602	2,436,225	3,939,067	23,276,445	0.4%	2.2%	14.5%	2.9%
Ijara	22,076,875	12,175,584	23,381,311	57,633,770	35,201	357,620	6,487,261	0.2%	2.9%	27.7%	11.9%
Total	714,973,441	188,403,262	183,493,669	1,086,870,372	2,471,426	4,296,687	29,763,706	0.3%	2.3%	16.2%	3.4%

31 December 2022 (Audited)

	Gross carrying amount			Allowance for ECL			ECL Coverage %			Total %	
	Stage 1 SR	Stage 2 SR	Stage 3 SR	Total SR	Stage 1 SR	Stage 2 SR	Stage 3 SR	Stage 1 %	Stage 2 %		Stage 3 %
Tawarruq	610,622,836	214,462,356	166,153,834	991,239,026	9,994,091	6,625,561	33,216,733	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	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	1.6%	3.1%	20.7%	5.1%

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6 ISLAMIC FINANCING RECEIVABLES (continued)

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

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Neither past due nor impaired	721,724,161	685,057,056
Past due but not impaired	253,336,124	256,663,708
Past due and impaired	111,810,087	92,976,646
	<u>1,086,870,372</u>	<u>1,034,697,410</u>

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:

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Performing	975,060,285	941,720,764
Non-performing	111,810,087	92,976,646
	<u>1,086,870,372</u>	<u>1,034,697,410</u>

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Current	472,861,595	413,291,105
Non-current	614,008,777	621,406,305
	<u>1,086,870,372</u>	<u>1,034,697,410</u>

Movement in the allowance for impairment losses were as follows:

	For the nine- month period ended 30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR	For the nine- month period ended 30 September 2022 (Unaudited) SR
At beginning of the period / year	52,814,358	43,584,489	43,584,489
Charge for the period / year	11,795,145	46,449,918	25,745,096
Written-off during the period / year	(28,077,684)	(37,220,049)	(26,665,296)
At end of the period / year	<u>36,531,819</u>	<u>52,814,358</u>	<u>42,664,289</u>

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6 ISLAMIC FINANCING RECEIVABLES (continued)

The following table shows reconciliations from the opening to the closing balance of the impairment allowance for financings to customers at amortized cost.

	Stage 1 12 months ECL SR	Stage 2 Lifetime ECL not credit impaired SR	Stage 3 Lifetime ECL credit impaired SR	Total SR
30 September 2023 (Unaudited)				
Balance at 1 January 2023	10,008,141	7,453,771	35,352,445	52,814,357
Transfer from stage 2 & 3 to stage 1	580,669	(503,792)	(76,877)	-
Transfer from stage 1 & 3 to stage 2	(59,362)	3,549,103	(3,489,741)	-
Transfer from stage 1 & 2 to stage 3	(3,430)	(519,876)	523,306	-
Charge for the year	(8,054,594)	(5,682,517)	25,532,257	11,795,145
Write-offs	-	-	(28,077,684)	(28,077,684)
Balance as at 30 September 2023	<u>2,471,424</u>	<u>4,296,689</u>	<u>29,763,706</u>	<u>36,531,819</u>
	Stage 1	Stage 2	Stage 3	
	12 months ECL SR	Lifetime ECL not credit impaired SR	Lifetime ECL credit impaired SR	Total SR
31 December 2022 (Audited)				
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	<u>10,008,141</u>	<u>7,453,771</u>	<u>35,352,446</u>	<u>52,814,358</u>

The following table shows reconciliations from the opening to the closing balance of the gross outstanding for financings to customers at amortized cost.

	Stage 1 12 months ECL SR	Stage 2 Lifetime ECL not credit impaired SR	Stage 3 Lifetime ECL credit impaired SR	Total SR
30 September 2023 (Unaudited)				
Balance at 1 January 2023	823,466,593	311,447,212	220,390,240	1,355,304,045
Transfer from stage 1 to stage 2 & 3	(184,910,110)	150,645,387	34,264,723	-
Transfer from stage 1 & 3 to stage 2	27,184,827	(120,254,231)	93,069,404	-
Transfer from stage 2 to 3	51,915	5,701,555	(5,753,470)	-
Net movement	292,715,372	(104,613,822)	(55,738,090)	132,363,460
Write-offs	-	-	(47,186,800)	(47,186,800)
Balance as at 30 September 2023	<u>958,508,597</u>	<u>242,926,101</u>	<u>239,046,007</u>	<u>1,440,480,705</u>

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6 ISLAMIC FINANCING RECEIVABLES (continued)

	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime ECL	Lifetime ECL	Total
31 December 2022 (Audited)	ECL	not credit	credit impaired	SR
	SR	impaired	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 2 & 3 to stage 1	(173,731,066)	117,351,839	56,379,227	-
Transfer from stage 3 to stage to stage 1 & 3	(82,085,178)	(92,105,405)	174,190,583	-
Net movement	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

Repossessed assets held for sale

During prior years and current period, the Group acquired real estate properties against defaulted Tawarruq receivables. The Group engage external valuer 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:

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Balance at the beginning of the period/year	53,629,422	49,421,675
Addition during the period/year	3,252,608	25,411,296
Sale during the period/year	(10,461,199)	(21,203,549)
Balance at the end of the period/year	46,420,831	53,629,422

7 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group have lease contracts for various office spaces and data centre. 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:

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
As at 1 January	7,225,463	4,264,487
Additions during the year	12,815,986	1,869,908
Relate to business combination	-	3,869,951
Depreciation expense	(3,086,563)	(2,778,883)
	16,954,886	7,225,463

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7 RIGHT OF USE ASSETS AND LEASE LIABILITIES (continued)

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

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
At the beginning of the year	6,649,315	3,928,005
Additions during the year	12,815,986	1,869,906
Relate to business combination	-	3,953,642
Accretion of interest	598,134	552,461
Payments during the year	(4,023,909)	(3,654,699)
	16,039,526	6,649,315

8 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Accounts payable	4,828,672	4,431,175
Accrued special commission expenses	3,522,744	1,810,572
Payable to financial institution	2,661,945	5,038,692
Advance fees from customers	1,879,861	1,810,572
Accrued expenses	1,682,693	2,661,945
Others	719,009	1,134,984
	15,294,924	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 period/year end.

9 ZAKAT

Charge for the period / year

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

	For the nine- month period ended 30 September 2023 (Unaudited) SR	For the year ended 31 December 2022 (Audited) SR	For the nine- month period ended 30 September 2022 (Unaudited) SR
At beginning of the period / year	9,635,804	7,000,512	7,000,512
Charge for the period / year	10,121,478	9,514,233	9,297,287
Paid during the period / year	(9,103,797)	(6,878,941)	(6,878,941)
At end of the period / year	10,653,487	9,635,804	9,418,858

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9 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. The assessments for the years from 2018 to 2022 are still under review by the ZATCA.

Digital Payments Company for Financial Technology

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

10 BORROWINGS

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

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
A Bank borrowings	415,101,163	404,752,078
B Sukuk payable	-	8,787,285
C Borrowings from government entities	101,171,172	202,185,631
	<u>516,272,335</u>	<u>615,724,994</u>
Current portion	262,856,565	304,884,141
Non-current portion	253,415,770	310,840,853
	<u>516,272,335</u>	<u>615,724,994</u>

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

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Islamic financing (Notes (i) and (ii) below)	416,126,845	405,396,651
Less: unamortised upfront charges	(1,025,682)	(644,573)
	<u>415,101,163</u>	<u>404,752,078</u>
Current portion	192,032,487	166,794,585
Non-current portion	223,068,676	237,957,493
	<u>415,101,163</u>	<u>404,752,078</u>

Islamic financing shown above includes:

- i) The balance of sixteen (31 December 2022: fifteen) revolving Islamic facilities for a total amount of SR 369.71 million (31 December 2022: SR 368.5 million) as of 30 September 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.

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10 BORROWINGS (continued)

- ii) The balance of four (31 December 2022: two) other Islamic facilities for a total amount of SR 45.39 million (31 December 2022: SR 36.3 million) as of 30 September 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 36 installments.
- iii) During the period, 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. The facilities are secured by assignment of receivables. In line with the requirements of one of the funding facility granted by the bank, the Group is required to set aside SR 16 million as at 30 September 2023 which is disclosed as restricted deposited in the interim condensed consolidated statement of financial position.

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

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Islamic financing through Sukuk	-	8,900,000
Less: unamortised 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 carried 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 carried a fixed rate of interest at 6% per annum due for settlement on a quarterly basis. The Sukuk's principal was due to be repaid in quarterly instalments commencing from March 2020 with the final installment repaid during December 2022.

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

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

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Current portion	70,824,078	129,302,272
Non-current portion	30,347,095	72,883,359
	101,171,173	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 2020, 2021 and 2022, the Group participated in funding for lending program by SAMA and received funding from SAMA in 21 instalments amounting to SR 279 million which is interest free funding with varying maturities, starting from March 2023 to September 2025.

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10 BORROWINGS (continued)

The above loans received by the Group from the 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.

Further, during 2021 and 2022, the Group obtained loans from the Social Development Bank amounting to SR 200 million at the prevailing market rates ranging from 2.32% to 3.56% per annum. The maturities of the loans start from June 2024 to May 2026.

The Group is engaged in commission rate swap agreements with local banks for Notional amount of SR 176.3 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 30 September 2023, the fair value of the derivative instrument at FVTPL amounted to SR 4.4 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.

11 SHARE CAPITAL

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

	<i>31 September 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Founding shareholders	483,937,700	483,937,700
Public	214,285,720	-
Treasury shares	16,062,300	16,062,300
	<u>714,285,720</u>	<u>500,000,000</u>

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

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 34.20 million. The legal formalities of updating the Company's by-laws are in progress while commercial registration has been updated.

12 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.

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13 RELATED PARTIES TRANSACTIONS AND BALANCES

The Group's shareholders, 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 arise in the normal course of business.

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

<i>Related parties</i>	<i>Nature of transactions</i>	<i>Amount of transactions</i>			
		<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Shareholders	Initial Public Offering ("IPO") costs incurred on behalf of shareholders (*)	9,223,502	2,553,826	23,866,576	5,681,202
Key management personnel	Compensation – salaries and other incentive	3,388,899	561,000	8,029,899	2,757,100
	Board remuneration	3,113,559	1,010,000	4,123,559	1,010,000
	Provision for employees' defined benefit liabilities	95,185	54,192	255,343	330,087

(*) This amount represents the IPO cost which was agreed to be reimbursed by the shareholders once the IPO is completed. As during the period, the IPO process completed, the IPO cost has been adjusted against share premium (refer note 10).

Below are the balances receivables from key management personnel as at period/year end, these are included within Islamic financing receivables presented in interim condensed consolidated statement of financial position.

<i>Related parties</i>	<i>Nature of transactions</i>	<i>30 September</i>	<i>31 December</i>
		<i>2023</i>	<i>2022</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>SR</i>	<i>SR</i>
Key management personnel	Islamic financing receivables	2,232,747	5,205,993

14 FINANCIAL INSTRUMENTS AND FAIR VALUE

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, restricted cash deposits, investment, Islamic financing receivables and other receivables. Financial liabilities consist of borrowings, accrued expenses and other payables.

Fair value hierarchy

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

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

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

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

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14 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

Following table indicates fair value level hierarchy of the financial instruments of the Group. Islamic financing receivables, investment at Fair Value Through Other Comprehensive Income ("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.

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
<i>Financial assets</i>		
Cash and cash equivalents	195,686,370	69,639,011
Restricted cash deposits	16,000,000	16,000,000
Other assets (excluding special commission receivable)	8,329,630	8,369,582
<i>Financial liabilities</i>		
Accounts payables, accruals and other liabilities (excluding accrued special commission expense)	11,909,790	9,701,802

For assets and liabilities that are recognised at fair values in the interim condensed 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.

Fair value of Islamic financing receivables

	30 September 2023		31 December 2022	
	Carrying Value (Unaudited) SR	Fair Value (Unaudited) SR	Carrying Value (Audited) SR	Fair Value (Audited) SR
<i>Financial assets</i>				
Islamic financing receivables	1,050,338,553	1,118,929,901	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.

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 14.40% (2022: 14.86%), and the average effective rate for this same portfolio was 13.77% (2022: 13.97%), resulting in a lift factor of 0.96x (2022: 0.75x).

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14 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

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 14.25% to 16.2% (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 instruments as of reporting date. The table below shows the fair value of bank borrowings as at 30 September 2023 and 31 December 2022, respectively:

	30 September 2023 (Unaudited)		31 December 2022 (Audited)	
	Carrying value SR	Fair value SR	Carrying value SR	Fair value SR
<i>Financial liabilities</i>				
Bank borrowings	415,101,163	429,219,004	404,752,078	424,272,284
Sukuk payable	-	-	8,787,285	8,987,476
Borrowings from a government entity	101,171,173	119,388,351	202,185,631	208,632,199

Fair Value of Investment at FVOCI

Management believes that the fair value of investment at FVTOCI approximates its carrying value.

15 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.

	30 September 2023 (Unaudited) SR	31 December 2022 (Audited) SR
Cash and cash equivalents	195,686,370	69,639,011
Islamic financing receivables	1,050,338,553	981,883,052
Other assets	8,329,630	8,369,582
Restricted cash deposits	16,000,000	16,000,000
	1,270,354,553	1,075,891,645

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15 FINANCIAL RISK MANAGEMENT (continued)

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 interest rates. The Group is subject to special commission rate risk on its special commission bearing assets and liabilities, including bank deposits, 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.

30 September 2023 (Unaudited)		
	Change in basis points	Increase (decrease) in net income SR
Saudi Riyals	+50	1,447,725
Saudi Riyals	-50	(1,447,725)
30 September 2022 (Unaudited)		
	Change in basis points	Increase (decrease) in net income SR
Saudi Riyals	+50	816,781
Saudi Riyals	-50	(816,781)

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.

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15 FINANCIAL RISK MANAGEMENT (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.

	<i>Within 3 months SR</i>	<i>3 to 12 months SR</i>	<i>1 to 5 years SR</i>	<i>Total SR</i>
30 September 2023 (Unaudited)				
Accounts payable, accruals and other liabilities	10,136,853	1,328,447	444,490	11,909,790
Borrowings*	80,618,505	185,760,806	253,415,770	519,795,081
	<u>90,755,358</u>	<u>187,089,253</u>	<u>253,860,260</u>	<u>531,704,871</u>
	<i>Within 3 months SR</i>	<i>3 to 12 months SR</i>	<i>1 to 5 years SR</i>	<i>Total SR</i>
31 December 2022 (Audited)				
Accounts payable, accruals and other liabilities	7,899,564	6,042,821	-	13,942,385
Borrowings*	94,293,904	213,535,793	310,840,852	618,670,549
	<u>102,193,468</u>	<u>219,578,614</u>	<u>310,840,852</u>	<u>632,612,934</u>

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

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.

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16 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.

	<i>30 September 2023 (Unaudited) SR</i>	<i>31 December 2022 (Audited) SR</i>
Accounts payable, accruals and others	15,294,924	16,887,940
Provision for zakat	10,653,487	9,635,804
Borrowings	516,272,335	615,724,994
Lease liabilities	16,039,526	6,649,315
Employees' defined benefit liabilities	6,391,437	5,399,716
Less: Bank balances and cash	(195,686,370)	(69,639,011)
Net debt	368,965,339	584,658,758
Equity	847,560,591	569,489,434
Capital and net debt	1,216,525,930	1,154,148,192
Gearing ratio	30%	51%

17 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.

SME

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.

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17 SEGMENT INFORMATION (continued)

The Group's total assets and liabilities at 30 September 2023 and 31 December 2022 and its total operating income, expenses and net income for the nine month periods ended 30 September 2023 and 30 September 2022 are as follows:

	<i>Retail</i> <i>SR</i>	<i>SME`s</i> <i>SR</i>	<i>Head office</i> <i>SR</i>	<i>Digital</i> <i>payment Co</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<i>Statement of comprehensive income</i>					
<i>30 September 2023 (unaudited)</i>					
Income	97,031,033	48,902,919	9,126,278	532,041	155,592,271
Expense	(45,115,678)	(33,727,887)	-	(18,386,721)	(97,230,286)
Allowance for expected credit losses	(9,290,456)	(2,504,689)	-	-	(11,795,145)
Zakat	(5,700,083)	(4,261,307)	-	(160,088)	(10,121,478)
Segment profit / (loss)	36,924,816	8,409,036	9,126,278	(18,014,768)	36,445,362
<i>30 September 2022 (unaudited)</i>					
Income	82,997,655	50,575,469	1,995,468	141,917	135,710,509
Expense	(34,353,484)	(25,682,213)	-	(4,326,923)	(64,362,620)
Allowance for expected credit losses	(20,204,067)	(5,541,029)	-	-	(25,745,096)
Zakat	(4,908,937)	(4,388,350)	-	-	(9,297,287)
Segment profit / (loss)	23,531,167	14,963,877	1,995,468	(4,185,006)	36,305,506
				<i>Digital</i> <i>Payment</i> <i>Co</i> <i>SR</i>	<i>Total</i> <i>SR</i>
<i>Statement of financial position</i>	<i>Retail</i> <i>SR</i>	<i>SME`s</i> <i>SR</i>	<i>Head office</i> <i>SR</i>		
<i>30 September 2023 (unaudited)</i>					
Total assets	611,013,989	439,324,561	336,604,155	25,269,595	1,412,212,300
Total liabilities	295,420,131	220,852,204	30,030,130	18,349,244	564,651,709
<i>31 December 2022 (Audited)</i>					
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

18 EVENTS AFTER REPORTING DATE

No events subsequent to the reporting date that would significantly affect the amounts reported in the interim condensed consolidated financial statements as at and for the three-month and nine-months period ended 30 September 2023.

19 COMPARATIVE FIGURES

Certain prior period amounts have been reclassified to conform with the presentation in the current period.

20 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors on 9 Rabi Al-Thani 1445H (corresponding to 24 October 2023).