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

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CLOSED JOINT STOCK COMPANY

RIYADH, KINGDOM OF SAUDI ARABIA

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

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

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and asses the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

For Al-Bassam & Co.

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

Sulaiman Bin Dhafir Al Hussain
Certified Public Accountant
License No. 645
Riyadh: 23 Shaban 1445H
Corresponding to: 4 March 2024

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

		As at 31 December	
	Note	**2023**	**2022**
ASSETS			
Cash and bank balances	6	**10,060,915**	57,178,177
Prepayments and other receivables	7	**3,850,392**	2,578,169
Net investment in islamic financing	8	**441,825,719**	110,435,946
Restricted cash deposit	9	**13,003,460**	-
Property and equipment	10	**607,585**	430,347
Intangible assets	11	**7,037,600**	6,964,283
Right-of-use asset	12	**-**	32,056
TOTAL ASSETS		**476,385,671**	177,618,978
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**150,000,000**	100,000,000
Additional share capital		**-**	50,000,000
Accumulated losses		**(18,227,195)**	(11,466,414)
TOTAL EQUITY		**131,772,805**	138,533,586
LIABILITIES			
Trade payables	14	**64,637,872**	14,976,346
Other payables and accruals	15	**7,600,979**	4,732,193
Due to related parties	16	**18,681,660**	18,861,627
Financial facilities	17	**252,410,029**	-
Lease liabilities	12	**-**	68,392
Provision for zakat	18	**699,887**	145,363
Employees' post-employment benefits	19	**582,439**	301,471
TOTAL LIABILITIES		**344,612,866**	39,085,392
TOTAL EQUITY AND LIABILITIES		**476,385,671**	177,618,978

The accompanying notes from 1 to 30 form an integral part of these financial statements.

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2023	2022
INCOME FROM ISLAMIC FINANCING	20	**44,604,562**	5,339,153
OPERATING (EXPENSES) / INCOME			
General and administrative expenses	21	**(24,302,471)**	(11,738,435)
Impairment on Islamic financing		**(16,975,964)**	(2,817,968)
Finance cost	22	**(10,674,421)**	(79,095)
Selling and marketing expenses	23	**(1,370,080)**	(2,236,498)
Other income	24	**2,621,610**	1,709,978
NET OPERATING LOSS BEFORE ZAKAT		**(6,096,764)**	(9,822,865)
Zakat	18	**(699,887)**	(145,587)
NET LOSS FOR THE YEAR		**(6,796,651)**	(9,968,452)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on employees' post-employment benefits	19	**35,870**	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(6,760,781)**	(9,968,452)

The accompanying notes from 1 to 30 form an integral part of these financial statements.

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

2022	**Share capital**	**Additional share capital**	**Accumulated Losses**	**Total equity**
Balance as at 1 January 2022	100,000,000	-	(1,497,962)	98,502,038
Net loss for the year	-	-	(9,968,452)	(9,968,452)
Other comprehensive loss	-	-	-	-
Total comprehensive loss for the year	-	-	(9,968,452)	(9,968,452)
Contribution to additional capital	-	50,000,000	-	50,000,000
Balance as at 31 December 2022	100,000,000	50,000,000	(11,466,414)	138,533,586

2023	**Share capital**	**Additional share capital**	**Accumulated Losses**	**Total equity**
Balance as at 1 January 2023	**100,000,000**	**50,000,000**	**(11,466,414)**	**138,533,586**
Net loss for the year	**-**	**-**	**(6,796,651)**	**(6,796,651)**
Other comprehensive income	**-**	**-**	**35,870**	**35,870**
Total comprehensive loss for the year	**-**	**-**	**(6,760,781)**	**(6,760,781)**
Issuance of share capital	**50,000,000**	**(50,000,000)**	**-**	**-**
Balance as at 31 December 2023	**150,000,000**	**-**	**(18,227,195)**	**131,772,805**

The accompanying notes from 1 to 30 form an integral part of these financial statement

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

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating loss before zakat		**(6,096,764)**	(9,822,865)
Adjustments for:			
Impairment on islamic financing	8.4	**16,975,964**	2,817,968
Finance cost	22	**10,674,421**	5,522
Amortization of intangibles	11	**930,764**	241,896
Provision for employees' post-employment benefits	19	**325,717**	214,842
Depreciation of property and equipment	10	**251,681**	126,567
Depreciation of right-of-use asset	12	**32,056**	128,211
		23,093,839	(6,287,859)
Increase in operating assets			
Prepayments and other receivables	7	**(1,272,223)**	(7,064,438)
Net investment in Islamic financing	8	**(348,365,737)**	(111,351,481)
Restricted cash deposit	9	**(13,003,460)**	-
Increase / (decrease) in operating liabilities			
Trade payable	14	**49,661,526**	20,672,739
Other payables and accruals	15	**2,868,786**	4,654,573
Due to related parties	16	**(179,967)**	15,809,670
Cash used in operating activities		**(287,197,236)**	(83,566,796)
Employees' post-employment benefits paid		**(8,879)**	-
Zakat paid	18	**(145,363)**	(5,543)
Net cash used in operating activities		**(287,351,478)**	(83,572,339)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	11	**(1,004,081)**	(1,395,117)
Purchase of property and equipment	10	**(428,919)**	(286,564)
Net cash used in investing activities		**(1,433,000)**	(1,681,681)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		**-**	50,000,000
Proceeds from short term borrowings	17.1	**276,060,317**	-
Repayments of short-term borrowings	17.1	**(25,389,671)**	-
Finance cost paid		**(8,934,759)**	-
Lease liability paid	12	**(68,671)**	(137,342)
Net cash generated from financing activities		**241,667,216**	49,862,658
Net decrease in cash and cash equivalents		**(47,117,262)**	(35,391,362)
Cash and cash equivalents at beginning of the year		**57,178,177**	92,569,539
Cash and cash equivalents at the end of the year	6	**10,060,915**	57,178,177

The accompanying notes from 1 to 30 form an integral part of these financial statements.

1. LEGAL STATUS AND OPERATIONS

National Finance House Company (the "Company") is a Saudi closed Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial registration number 4030394711 and unified number 7008216371 dated 27 Safar 1442H (corresponding to 14 October 2020) having obtained the necessary approval from the Ministry of Commerce ("MOC") and the Notary Public.

In accordance with article 6 of the implementing regulations of the law of supervision of finance companies, the Company submitted its application to the Saudi Central Bank ("SAMA") to obtain its license as a financing company. The Company obtained the license from SAMA number 202106/SA/59 on 25 Shawwal 1442H (corresponding to 06 June), authorizing to engage in the finance lease activities. The principal activities of the Company include financial lease, financing to Small and Medium Enterprises (SMEs) and Consumer financing. The Company commenced its commercial operations in terms of investing in Islamic financing dated 28 July 2021.

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

The Company's Head Office is located at the following address:
National Finance House Company
Building number 3388, Al Amir Muhammad Bin AbdulAziz Branch,
Secondary number 6320, Ar Rawdah Dist.
P.O. Box 23432
Jeddah
Kingdom of Saudi Arabia

The Company's activities as per the commercial registration of the Company includes financial lease.

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS that are endorsed in KSA").

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

2.2. BASIS OF MEASUREMENT

These financial statements are prepared under the historical cost method except for the End of Service Indemnities recognized at the present value of future obligations using the Projected Unit Credit method.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the SOCPA which require management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

2. BASIS OF PREPARATION (CONTINUED)
2.4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

Estimates

2.4.1. Determination of discount rate for present value calculations

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

2.4.2. Actuarial valuation of post-employment benefits

The cost of the post-employment benefits ("employee benefits") under the defined benefit plan is determined using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and rate of employee turnover. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required. Further information on the carrying amounts of the Company's end of service indemnities and the sensitivity of those amounts to changes in discount rate are provided in note 19.

2.4.3. Calculation of loss allowance

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

The ECL model relies on forward-looking information. Management continually monitors changes in economic conditions and adjusts the ECL estimates as necessary. Given the inherent uncertainty in forecasting economic conditions, the Company performs sensitivity analyses to assess the potential impact of changes in key assumptions on the expected credit losses (refer note 25.3)

2.4.4. Impairment of non-financial assets

Please refer note number 5.6.

Judgements

2.4.5. Business model assessment

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

2.4.6. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Judgements (continued)

2.4.7. Going concern

The Company reported a net loss for the year ended 31 December 2023 amounting to SR 6.7 million (31 December 2022: SR 9.97 million) and its accumulated losses as of the same date amounts to SR 18.22 million (31 December 2022: SR 11.46 million) representing 12.3% (31 December 2022: 7.64%) of the share capital which indicates that a material uncertainty exists. The Company has implemented various measures to enhance its business model and address the uncertainties. Management has taken several strategic steps to increase its trade business, improve operational efficiency, and ensure the Company's sustainability. Thus, they continue to adopt the going concern basis of accounting in preparing financial statements. The Company also has sufficient liquidity in place, please refer liquidity risk note 25.

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

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

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

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of the amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

(All amounts in Saudi Riyals unless otherwise stated)

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

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

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

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

5. MATERIAL ACCOUNTING POLICIES INFORMATION

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

5.1. Cash and cash equivalents

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

5.2. Leases

Lease arrangements where the Company is a lessee

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.2. Leases (continued)

Lease arrangements where the Company is a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.2. Leases (continued)

Lease arrangements where the Company is a lessor

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

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

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

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

Ijara receivables

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

5.3. Financial instruments

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

5.3.1. Financial assets

Initial measurement

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

Murabaha receivables

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

Tawarruq receivables

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

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

Subsequent measurement

After initial recognition financial assets can be measured at amortized cost, Fair value through other comprehensive income ("FVOCI") or Fair value through profit and loss ("FVTPL").

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.3. Financial instruments (continued)

5.3.1. Financial assets (continued)

Financial asset at amortized cost

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

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

Business model assessment

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

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

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

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

Assessments whether contractual cash flows are solely payments of principal and profit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Write-off
Financial assets are written off as per the below:
(i) unsecured exposures are written-off within 360 days once they are classified as stage 3 exposures;
(ii) secured exposures are written-off within 720 days once they are classified as stage 3 exposures; or
(iii) exposures with mortgage are written-off within 1080 days once they are classified as stage 3 exposures.

Where financial assets are written off, the Company continues to engage in enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, are recognized as other income in the statement of comprehensive income.

5.3.2. Financial liabilities

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

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

Derecognition of financial liabilities
Financial liabilities are derecognized when the obligations specified in the contract is discharged, canceled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment.

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

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

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.3. Financial instruments (continued)

5.3.2. Financial liabilities (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

5.4. Property and equipment

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

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

Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

	Years
Computer hardware	3-5
Furniture and fixture	3-5
Office equipment	3-5

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

5.5. Intangible assets

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses if any. Amortization is charged applying the straight-line method over the useful lives of 5 to 8 years. Amortization is charged from the month in which the asset is available for use. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.5. Intangible assets (continued)

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

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

5.6. Impairment of non-financial assets

At each reporting date, the carrying amounts of non-financial assets are reviewed regularly to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets or cash-generating unit in prior year. The reversal of an impairment loss is recognized in the statement of profit or loss immediately.

5.7. Proposed dividend and transfer between reserves

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

5.8. Provisions

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

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

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

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.9. Onerous contracts

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

5.10. Employees' post-employment benefits

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

Defined benefit costs are categorized as follows:

Service cost

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

Interest cost

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

Re-measurement gains or losses

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

5.11. Contingent liabilities

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

5.12. Revenue recognition

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

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

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

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

5.13. Foreign currency transactions

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

5.14. General and Administrative expenses and Selling and Marketing expenses

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

(All amounts in Saudi Riyals unless otherwise stated)

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.15. Zakat

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

5.16. Financial facilities

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

6. CASH AND BANK BALANCES

		As at 31 December	
	Note	**2023**	**2022**
Financial assets carried at amortized cost			
Cash at bank – secured	6.1	**10,060,915**	57,172,113
Cash in hand		**-**	6,064
		10,060,915	57,178,177

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

7. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2023	**2022**
VAT receivable	**2,559,581**	2,340,071
Prepaid loan origination structure fees	**764,089**	-
Prepaid rent	**253,501**	71,334
Other prepaid expenses	**227,103**	165,612
Advance to employees	**-**	1,152
	3,804,274	2,578,169
Financial assets carried at amortized cost – unsecured		
Other receivables	**46,118**	-
	3,850,392	2,578,169

8. NET INVESTMENT IN ISLAMIC FINANCINGS

	As at 31 December	
	2023	**2022**
Financial assets carried at amortized cost – unsecured		
Tawarruq	**171,552,722**	26,553,881
Murabaha	**3,314,234**	2,278,211
Investment classified as a finance lease – secured		
Ijara	**284,550,330**	84,452,771
	459,417,286	113,284,863

(All amounts in Saudi Riyals unless otherwise stated)

8. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)

8.1. Details of net investment in Islamic financings:

	Tawarruq As at December 31		Murabaha As at December 31		Ijara As at December 31		Total As at December 31	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Gross investment in islamic financings	**283,075,752**	43,919,899	**4,898,209**	3,386,056	**404,921,168**	114,617,716	**692,895,129**	161,923,671
Unearned / deferred Islamic financing income	**(111,529,383)**	(17,366,017)	**(1,580,517)**	(1,107,845)	**(120,367,943)**	(30,164,946)	**(233,477,843)**	(48,638,808)
	171,546,369	26,553,882	**3,317,692**	2,278,211	**284,553,225**	84,452,770	**459,417,286**	113,284,863
Unearned origination fees							**(1,902,431)**	-
Deferred transaction costs							**3,961,991**	-
Impairment on Islamic financing							**(19,651,127)**	(2,848,917)
Net Investment in Islamic financing							**441,825,719**	110,435,946
Current portion							**30,367,072**	32,951,803
Non-current portion							**411,458,647**	77,484,143

	Tawarruq As at December 31		Murabaha As at December 31		Ijara As at December 31		Total As at December 31	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Secured	**-**	-	**-**	-	**284,553,225**	84,452,770	**284,553,225**	84,452,770
Unsecured	**171,546,369**	26,553,882	**3,317,692**	2,278,211	**-**	-	**174,864,061**	28,832,093
	171,546,369	26,553,882	**3,317,692**	2,278,211	**284,553,225**	84,452,770	**459,417,286**	113,284,863

8. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)

8.2. The Company in the ordinary course of its business holds collateral in respect of Islamic financing (being the title of assets leased out) in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.

8.3. The Company has assigned Islamic financing receivables amounting to SR 345 million (2022: NIL) to local commercial banks for obtaining financial facilities. These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk.

8.4. The movement in the provision for impairment of islamic financings during the year is as follows:

	2023	2022
Balance at the beginning of the year	**2,848,917**	30,949
Provided during the year	**16,975,964**	2,817,968
Written off during the year (Note 8.5)	**(173,754)**	-
Balance at the end of the year	**19,651,127**	2,848,917

8.5. During the year, the Credit and Risk Committee of the Company, authorized by the Board of directors, approved a write-off of gross investment in Islamic financing receivable amounting to SR 0.17 million (31 December 2022: NIL) for certain customers with an existing provision of SR 0.023 (31 December 2022: NIL). These amounts are subject to enforcement activities.

8.6. The Company's islamic financing arrangements do not include variable payments.

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

9. RESTRICTED CASH DEPOSIT

The Company has placed these funds in restricted bank account. Out of total deposit, SR 10.8 million has been deposited as margin deposit for certain financing facilities granted to the Company. The Company also earns a profit on this balance. The yield on the restricted cash deposit is 6.07%.

	As at 31 December	
	2023	**2022**
Financial assets carried at amortized cost – secured		
Restricted cash deposit	**12,903,108**	**-**
Accrued profit on restricted cash deposit	**100,352**	-
	13,003,460	-

10. PROPERTY AND EQUIPMENT

	2023			
	Computer hardware	**Furniture and fixture**	**Office equipment**	**Total**
Cost				
Balance as at 1 January	441,310	146,221	7,657	595,188
Additions during the year	245,718	175,532	7,669	428,919
Balance as at 31 December	**687,028**	**321,753**	**15,326**	**1,024,107**
Accumulated depreciation				
Balance as at 1 January	(129,116)	(34,058)	(1,667)	(164,841)
Depreciation charge for the year	(187,732)	(61,786)	(2,163)	(251,681)
Balance as at 31 December	**(316,848)**	**(95,844)**	**(3,830)**	**(416,522)**
Net book value as at 31 December	**370,180**	**225,909**	**11,496**	**607,585**

(All amounts in Saudi Riyals unless otherwise stated)

10. PROPERTY AND EQUIPMENT (CONTINUED)

	2022			
	Computer hardware	**Furniture and fixture**	**Office equipment**	**Total**
Cost				
Balance as at 1 January	210,128	93,832	4,664	308,624
Additions during the year	231,182	52,389	2,993	286,564
Balance as at 31 December	441,310	146,221	7,657	595,188
Accumulated depreciation				
Balance as at 1 January	(28,344)	(9,460)	(470)	(38,274)
Depreciation charge for the year	(100,772)	(24,598)	(1,197)	(126,567)
Balance as at 31 December	(129,116)	(34,058)	(1,667)	(164,841)
Net book value as at 31 December	312,194	112,163	5,990	430,347

11. INTANGIBLE ASSETS

	2023			
	License	**Computer software**	**Project under progress**	**Total**
Cost				
Balance as at 1 January	200,000	4,832,253	2,194,090	7,226,343
Additions during the year	-	132,424	871,657	1,004,081
Transfers during the year	-	2,194,090	(2,194,090)	-
Balance as at 31 December	**200,000**	**7,158,767**	**871,657**	**8,230,424**
Accumulated amortization				
Balance as at 1 January	(60,164)	(201,896)	-	(262,060)
Amortization charge for the year	(40,000)	(890,764)	-	(930,764)
Balance as at 31 December	**(100,164)**	**(1,092,660)**	**-**	**(1,192,824)**
Net book value as at 31 December	**99,836**	**6,066,107**	**871,657**	**7,037,600**

11.1. Project under progress include payments made to vendors for developments and upgrades in-process for computer software.

	2022			
	License	**Computer software**	**Project under progress**	**Total**
Cost				
Balance as at 1 January	200,000	-	5,631,226	5,831,226
Additions during the year	-	-	1,395,117	1,395,117
Transfers during the year	-	4,832,253	(4,832,253)	-
Balance as at 31 December	200,000	4,832,253	2,194,090	7,226,343
Accumulated amortization				
Balance as at 1 January	(20,164)	-	-	(20,164)
Amortization charge for the year	(40,000)	(201,896)	-	(241,896)
Balance as at 31 December	(60,164)	(201,896)	-	(262,060)
Net book value as at 31 December	139,836	4,630,357	2,194,090	6,964,283

(All amounts in Saudi Riyals unless otherwise stated)

12. RIGHT-OF-USE ASSET

12.1. Amounts recognized in the statement of financial position

Building	Note	2023	2022
Cost			
Balance as at 1 January		**341,924**	341,924
Derecognition of right-of-use asset		**(341,924)**	-
Balance as at 31 December		**-**	341,924
Accumulated depreciation			
Balance as at 1 January		**(309,868)**	(181,647)
Depreciation charge for the year	21	**(32,056)**	(128,221)
Derecognition of right-of-use asset	21	**341,924**	-
Balance as at 31 December		**-**	(309,868)
Net book value as at 31 December		**-**	32,056

Lease Liabilities	2023	2022
Opening balance	**68,392**	200,212
Additions during the year	**-**	-
Charge for the year	**279**	5,522
Lease payments during the year	**(68,671)**	(137,342)
Closing balance	**-**	68,392

12.2. The maturity profile of lease liabilities:

	As at 31 December	
	2023	2022
Year 1	**-**	68,671
Year 2	**-**	-
Year 3	**-**	-
Year 4	**-**	-
Year 5 and onwards	**-**	-
Total undiscounted lease liabilities	**-**	68,671
Less: Finance cost	**-**	(279)
Present value of lease liabilities	**-**	68,392
Current portion	**-**	68,671
Non-current portion	**-**	-
	-	68,671

The statement of comprehensive loss shows the following amounts relating to leases

	2023	2022
Depreciation expense of right-of-use asset	**32,056**	128,221
Lease financial cost (included in finance cost)	**279**	5,522
The expense relating to short-term leases (included in General and Administrative expenses, note 21)	**257,965**	-
The expense relating to leases of low-value assets that are not short-term leases	**-**	-
The expense relating to variable lease payments not included in lease liabilities	**-**	-
	290,300	133,743

(All amounts in Saudi Riyals unless otherwise stated)

12. RIGHT-OF-USE ASSET (CONTINUED)

12.3. The total cash outflow for leases was SR 68,671 (31 December 2022: SR 137,342).

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

13. SHARE CAPITAL

The Company's subscribed and paid-up share capital of SR. 150,000,000 is divided into 15,000,000 equity shares of SR. 10 each fully subscribed and paid, and distributed among shareholders as follows:

Shareholders	Holding %	No. of Shares	31 December 2023	31 December 2022
Balubaid Holding Company Limited (Ultimate Parent Company)	**100%**	**15,000,000**	**150,000,000**	100,000,000

14. TRADE PAYABLES

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

15. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2023	**2022**
Accrued consultancy expenses	**950,320**	50,857
Remuneration payable	**888,500**	117,000
Employees related accruals	**1,272,138**	1,349,263
Accrued software development cost	**1,081,150**	1,014,938
Accrued governmental expenses	**689,342**	222,908
Other accruals	**457,343**	1,516,571
Advance from customers	**751,486**	264,348
	6,090,279	4,535,885
Financial liabilities at amortized cost – unsecured		
Other payables	**1,510,700**	196,308
	7,600,979	4,732,193

16. RELATED PARTY TRANSACTIONS AND BALANCES

Names of Related Party	Nature of Relationship	Country of incorporation	Aggregate % of shareholding in the Company
Balubaid Holding Company Limited	Shareholder	Saudi Arabia	100%
Furniture Leaders Co.	Affiliate	Saudi Arabia	-
Balubaid Automotive Company	Affiliate	Saudi Arabia	-
Omar Abu Bakr Balubaid Co.	Affiliate	Saudi Arabia	-
Arabian Plant for Lubricants and Greases	Affiliate	Saudi Arabia	-
Awtad Co.	Affiliate	Saudi Arabia	-
Digital Excellence	Affiliate	Saudi Arabia	-
Roots Co.	Affiliate	Saudi Arabia	-
Saudi Finance House Company	Affiliate	Saudi Arabia	-
Aswaq Al-Hijaz	Affiliate	Saudi Arabia	-

(All amounts in Saudi Riyals unless otherwise stated)

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

16.1. Transactions during the year

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

Names of Related Parties	Nature of Relationship	Nature of transactions	2023	2022
Furniture Leaders Co.	Affiliate	Purchases for furniture	**54,625**	-
Balubaid Automotive Company	Affiliate	Purchases for Islamic financing	**64,777,733**	53,970,204
		Amount repaid to Affiliate	**(65,804,514)**	38,162,827
Omar Abu Bakr Balubaid Company	Affiliate	Information Technology Services	**1,808,643**	-
		Amount repaid to Affiliate	**(1,016,454)**	-
Key Management Personnel	Key executive employees	Salaries and other short-term employee benefits	**3,609,004**	2,586,466
	Key executive employees	Employees' post-employment benefits	**198,949**	132,801
	Shariah Committee	Remuneration	**115,240**	50,000
	Audit Committee	Remuneration	**167,654**	52,700
	Board of directors	Remuneration	**595,500**	300,850
	Award Committee	Remuneration	**61,000**	-
	Risk Committee	Remuneration	**92,000**	-
	Executive	Remuneration	**112,000**	-

Balance as at year-end	**As at 31 December**	
Financial liabilities at amortized cost - unsecured	**2023**	**2022**
Due to related parties		
Balubaid Automotive Company	**16,596,841**	17,623,622
Omar Abu Bakr Balubaid Company	**2,027,901**	1,235,712
Furniture Leaders Co.	**54,625**	-
Balubaid Holding Company Limited	**2,293**	2,293
	18,681,660	18,861,627

	As at 31 December	
	2023	**2022**
Key Management Personnel		
Salaries and other short-term employee benefits	**431,125**	184,841
Post-employment benefits	**358,374**	205,493
Board remuneration	**888,500**	117,000

17. FINANCIAL FACILITIES

	As at 31 December	
	2023	**2022**
Short-term financial facilities	**250,670,646**	-
Finance cost payable	**1,739,383**	-
	252,410,029	-

(All amounts in Saudi Riyals unless otherwise stated)

17. FINANCIAL FACILITIES (CONTINUED)

17.1. Movement in financial facilities

	2023	2022
Opening balance	**-**	-
Add: facilities obtained during the year	**276,060,317**	-
Less: payments made during the year	**(25,389,671)**	-
Finance cost	**9,470,591**	-
Less: finance cost paid during the year	**(7,731,208)**	-
Closing balance	**252,410,029**	-

17.2. Secured financial facilities at amortized cost

	As at 31 December	
	2023	2022
Islamic financial facilities:		
- Murabaha	**250,670,646**	-
- Finance cost payable	**1,739,383**	-
	252,410,029	-

The Company has obtained bank financial facilities from local Islamic bank for the purpose of financing working capital needs. These loans have an average maturity period of 12 months with option of rescheduling (31 December 2022: NIL) and with maximum maturity till December 2024. These bank facilities bear finance costs according to the internal lending rates of Saudi banks (SIBOR) in addition to an agreed profit margin which is 2.5% and also have restricted cash deposits. Also refer note 9.

18. PROVISION FOR ZAKAT

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

	2023	2022
Balance at the beginning of the year	**145,363**	5,319
Provision during the year	**699,887**	145,587
Payment during the year	**(145,363)**	(5,543)
Balance at the end of the year	**699,887**	145,363

18.2. STATUS OF ASSESSMENTS

The Company submitted its Zakat and income tax returns to the ZATCA until the year ended 31 December 2022 and has obtained a certificate from the ZATCA valid until 21 Shawwal 1445 H corresponding to 30 April 2024. There has been no assessment rendered to the Company by ZATCA from the year of registration through to 2022.

19. EMPLOYEES' POST-EMPLOYEMENT BENEFITS

	As at 31 December	
	2023	2022
The present value of employees' post-employment benefits	**582,439**	301,471

19.1. Principal actuarial assumptions

	2023	2022
Discount rate (% per annum)	**4.51%**	4.17%
Rate of increase in salaries (% per annum)	**4.00%**	4.00%
Mortality rates	**A1949-52**	A1949-52
Employee turnover (withdrawal) rates	**20%**	20%

(All amounts in Saudi Riyals unless otherwise stated)

19. EMPLOYEES' POST EMPLOYEMENT BENEFITS (CONTINUED)

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

	2023	2022
Service cost	**316,141**	234,141
Finance cost on employees' post-employment benefits	**9,576**	1,812
Total amount charged to the statement of comprehensive loss	**325,717**	235,953

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

	2023	2022
Actuarial gains due to change in demographic assumptions	**-**	(85,774)
Actuarial losses due to change in financial assumptions	**(10,808)**	6,500
Actuarial losses due to experience adjustments	**(25,062)**	79,274
Return on plan assets	**-**	-
Amount charged to other comprehensive income	**(35,870)**	-

19.4. Reconciliation of the present value of defined benefit obligation

	2023	2022
The present value of the defined benefit obligation at 1 January	**301,471**	86,629
Current service cost	**316,141**	234,141
Finance cost on defined benefit obligations	**9,576**	1,812
Benefits paid during the year	**(8,879)**	(21,111)
Actuarial gain	**(35,870)**	-
The present value of defined benefit obligation at 31 December	**582,439**	301,471

19.5. The sensitivity of the employees' post-employment benefits to changes in the weighted principal assumptions is:

	Change in assumption	Increase / (decrease) in present value of post-employment benefits liability	
		Amount	%
Discount rate	**+100 bps**	**552,704**	**-5.11%**
	-100 bps	**615,335**	**5.65%**
Long term salary	**+100 bps**	**615,174**	**5.62%**
	-100 bps	**552,289**	**-5.18%**

19.6. Maturity Profile

	As at 31 December	
	2023	2022
Year 1	**117,267**	57,411
Year 2	**162,067**	92,338
Year 3	**197,729**	119,685
Year 4	**224,168**	137,681
Year 5 onwards	**4,046,139**	2,778,959
Total undiscounted liabilities	**4,747,370**	3,186,074
Less: Finance cost	**(4,164,931)**	(2,884,603)
	582,439	301,471

The weighted average duration of the defined benefit obligation is 5 years.

The liability of employees' post-employment benefits related to key management amounted to SR 0.35 million (refer note 16).

(All amounts in Saudi Riyals unless otherwise stated)

20. INCOME FROM ISLAMIC FINANCING

	2023	2022
Revenue from main operations – over the period		
Income from Tawarruq	**23,620,462**	1,643,003
Income from Murabaha	**618,515**	301,895
	24,238,977	1,944,898
Income from Ijara	**20,365,585**	3,394,255
	44,604,562	5,339,153

20.1. Directly allocated transaction cost of Islamic financing is amounting to SR 5.06 million (2022: NIL).

20.2. Income includes insurance expense for Ijara financing amounting to SR 0.015 million (2022: SR NIL).

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2023	2022
Salaries and allowances		**14,522,183**	7,682,253
Professional and consultancy fees		**3,589,821**	1,352,672
Governmental expenses		**2,543,520**	1,413,870
Amortization of intangible assets	11	**930,764**	241,896
Collection commission expense		**633,746**	47,306
Utilities		**470,247**	243,737
Rent		**451,500**	76,778
Depreciation on property and equipment	10	**251,681**	126,567
Repairs and maintenance		**198,820**	26,786
Depreciation on right-of-use asset	12	**32,056**	128,221
IT related expenses		**-**	367,312
Others		**678,133**	31,037
		24,302,471	11,738,435

22. FINANCE COST

	2023	2022
Islamic financial facilities		
- Murabaha	**9,470,591**	-
Facility management fees	**778,946**	-
Bank charges	**415,308**	77,283
Employees' post-employment benefits	**9,576**	1,812
	10,674,421	79,095

23. SELLING AND MARKETING EXPENSES

	2023	2022
Marketing expenses	**905,235**	957,721
Sales commission	**464,845**	1,278,777
	1,370,080	2,236,498

24. OTHER INCOME

	Note	2023	2022
Vendors rebate		**1,402,952**	115,749
Interest on term deposits		**589,066**	464,483
Government grant	24.1	**469,752**	273,213
Revenue from admin fees		**159,840**	856,533
		2,621,610	1,709,978

(All amounts in Saudi Riyals unless otherwise stated)

24. OTHER INCOME (CONTINUED)

24.1. During 2023, government grant of SR 0.47 million (2022: SR 0.27 million) was received from Human Resource Development Fund (HRDF) as part of government's initiative to support the efforts in developing and recruiting the national workforce. There are no future related costs in respect of this grant.

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial instruments by category

	As at 31 December 2023		
	At amortized cost	At FVOCI	Total
Financial assets as per the Statement of Financial Position			
Cash and bank balances	**10,060,915**	**-**	**10,060,915**
Restricted cash deposit	**13,003,460**	**-**	**13,003,460**
Net investment in Islamic financings	**441,825,719**	**-**	**441,825,719**
Other receivables	**46,118**	**-**	**46,118**
	464,936,212	**-**	**464,936,212**

	As at 31 December 2022		
	At amortized cost	At FVOCI	Total
Financial assets as per the Statement of Financial Position			
Cash and bank balances	57,178,177	-	57,178,177
Net investment in Islamic financings	110,435,946	-	110,435,946
	167,614,123	-	167,614,123

	As at 31 December	
	2023	2022
Financial liabilities as per the Statement of Financial Position at amortized cost		
Financial facilities	**252,410,029**	-
Trade payables	**64,637,872**	14,976,346
Due to related parties	**18,681,660**	18,861,627
Other payables	**1,510,700**	196,308
	337,240,261	34,034,281

25.1. Risk management structure

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

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

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

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

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

25.1. Risk management structure (continued)

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

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

25.2. Market risk

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

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

25.2.1. Currency risk

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

25.2.2 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company is not exposed to long term obligations with floating profit rates therefore, the Company is not exposed to any significant profit rate risk

25.2.3. Other price risks

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

25.3. Credit risk

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

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

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

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

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

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

25. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES (CONTINUED)
25.3. Credit risk (continued)

Determining whether credit risk has increased significantly

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

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

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

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace year that might be available to the customer.

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

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

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

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Incorporation of forward-looking information
The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The economic scenario used includes the key indicators of Gross Domestic Product (GDP) forecast and Consumer Price Index (CPI) forecast.

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

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

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

Probability of Default (PD) measures the estimated likelihood of default over a time horizon. For the model, PD has been calculated as a probability that an exposure will moe to 91 DPD or above over next 12 months. Through the Cycle (TTC) default rates have been calculated and later they have been converted using scalar factor.

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

(All amounts in Saudi Riyals unless otherwise stated)

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

25.3. Credit risk (continued)

EAD represents the expected exposure in the event of a default. The Company derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. Outstanding Balance, Instalment Amount, and Profit Rate are used to derive an amortizing balance curve for each account.

Sensitivity of ECL allowance:

The increase or decrease of 10% change in macro-economic factor will result in SR 0.37 million increase or SR 0.37 million decrease in the ECL provision.

Stress testing of macro-economic scenarios with a weightage of 30% for upside and downside scenarios will result in SR 0.15 million increase or SR 0.15 million decrease in the ECL provision.

Out of the total assets of SR 476.7 million (2022: SR 177.6 million), the assets which were subject to credit risk amounted to SR 464.9 million (2022: SR 168.0 million). The management analyzes the credit risk in the following:

	Note	As at 31 December 2023	As at 31 December 2022
Net investment in Islamic financings	8	**441,825,719**	110,435,946
Bank balances	6	**10,060,915**	57,178,177
Restricted cash deposit	9	**13,003,460**	-
Other receivables	7	**46,118**	-
		464,936,212	167,614,123

25.3.1. Bank balances and other receivables

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

	As at 31 December 2023	As at 31 December 2022
Cash at bank:		
- A-	**10,060,915**	57,172,113
Restricted term deposit:		
- A-	**12,903,108**	-
	22,964,023	57,172,113

25.3.2. Net investment in Islamic financings

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

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

(All amounts in Saudi Riyals unless otherwise stated)

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

25.3. Credit risk (continued)

25.3.2. Net investment in Islamic financings (continued)

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

	As at 31 December	
	2023	**2022**
Neither past nor due	**352,945,702**	67,831,280
Past due 1-30 days	**57,318,674**	36,583,175
Past due 31-90 days	**12,309,794**	6,731,040
Past due 91-180 days	**15,659,005**	1,438,804
Past due 181-365 days	**17,941,163**	700,564
Past due over 1 year	**3,242,948**	-
Net Investment in Islamic financing before adjustment	**459,417,286**	113,284,863
Unearned origination fees	**(1,902,431)**	-
Deferred transaction costs	**3,961,991**	-
Net Investment in Islamic financing before provision	**461,476,846**	113,284,863
Less: Impairment for Islamic financing	**(19,651,127)**	(2,848,917)
Net of Impairment loss	**441,825,719**	110,435,946
Total portfolio coverage ratio (impairment divided by Net Investment in Islamic financing before adjustment)	**4.28%**	2.51%
Non-performing loan ratio (balance of stage 3 divided by Net Investment in Islamic financing before adjustment	**8.97%**	2.02%

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

	As at 31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount before ECL	**404,963,744**	**13,261,826**	**41,191,716**	**459,417,286**
ECL	**(2,519,133)**	**(1,916,807)**	**(15,215,187)**	**(19,651,127)**
%	**0.62%**	**14.45%**	**36.94%**	**4.28%**

	As at 31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount before ECL	104,085,858	6,915,978	2,283,027	113,284,863
ECL	(864,093)	(1,459,692)	(525,132)	(2,848,917)
%	0.83%	21.11%	23.00%	2.51%

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

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

	As at 31 December	
	2023	**2022**
Performing	**422,574,170**	111,145,497
Non-performing	**36,843,116**	2,139,366
	459,417,286	113,284,863

(All amounts in Saudi Riyals unless otherwise stated)

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)
25.3. Credit risk (continued)
25.3.2. Net investment in Islamic financings (continued)

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

	Stage 1	Stage 2	Stage 3	Total
1 January 2023	**864,093**	**1,459,691**	**525,133**	**2,848,917**
Transfer from stage 1	**(136,857)**	**35,346**	**101,511**	**-**
Transfer from stage 2	**574,683**	**(1,262,265)**	**687,582**	**-**
Transfer from stage 3	**38,896**	**23,042**	**(61,938)**	**-**
Financial assets – settled	**(49,312)**	**(64,953)**	**(14,828)**	**(129,093)**
Financial assets - originated	**1,776,579**	**1,497,578**	**11,134,993**	**14,409,150**
Net re-measurement of loss allowance	**(548,949)**	**228,368**	**3,016,488**	**2,695,907**
Write-off during the year	**-**	**-**	**(173,754)**	**(173,754)**
31 December 2023	**2,519,133**	**1,916,807**	**15,215,187**	**19,651,127**

	Stage 1	Stage 2	Stage 3	Total
1 January 2022	30,949	-	-	30,949
Transfer from stage 1	(4,400)	1,760	2,640	-
Transfer from stage 2	-	-	-	-
Transfer from stage 3	-	-	-	-
Financial assets – settled	-	-	-	-
Financial assets - originated	850,025	1,431,200	488,942	2,770,167
Net re-measurement of loss allowance	(12,481)	26,732	33,550	47,801
Write-off during the year	-	-	-	-
31 December 2022	864,093	1,459,692	525,132	2,848,917

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

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

Collateral held as security and other credit enhancements
The credit risks on gross amounts due in relation to the investment in Islamic financing is mitigated by holding collaterals which are leased assets. Further, the carrying amount of investment in Islamic Financing amounts against which collateral has been obtained amounts to SR 284.55 million (31 December 2022: 84.45 million) and the fair value of collateral amounting to SR 248 million as at 31 December 2023 (31 December 2022: SR 76 million). The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

(All amounts in Saudi Riyals unless otherwise stated)

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

25.4. Liquidity risk

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

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

As at 31 December 2023

	Carrying amount	Contractual cash flows	Up to three months	More than three months and up to one year	More than one year	One to five years	More than 5 years
Trade payables	**64,637,872**	**64,637,872**	**48,828,940**	**15,808,932**	**-**	**-**	**-**
Other payables	**1,510,700**	**1,510,700**	**1,510,700**	**-**	**-**	**-**	**-**
Due to related parties	**18,681,659**	**18,681,659**	**17,717,229**	**964,430**	**-**	**-**	**-**
	84,830,231	**84,830,231**	**68,056,869**	**16,773,362**	**-**	**-**	**-**

As at 31 December 2022

	Carrying amount	Contractual cash flows	Up to three months	More than three months and up to one year	More than one year	One to five years	More than 5 years
Trade payables	14,976,346	14,976,346	13,436,730	1,539,616	-	-	-
Other payables	196,308	196,308	196,308	-	-	-	-
Due to a related party	18,861,627	18,861,627	18,861,627	-	-	-	-
	34,034,281	34,034,281	32,494,665	1,539,616	-	-	-

(All amounts in Saudi Riyals unless otherwise stated)

25. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

25.4. Liquidity risk (continued)

Analysis of financial assets and liabilities based on contractual maturities

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

	As at 31 December 2023			
	Carrying amounts	**Up to three months**	**More than three months and up to one year**	**More than one year**
Cash and bank balances	**10,060,915**	**10,060,915**	**-**	**-**
Restricted cash deposit	**13,003,460**	**-**	**13,003,460**	**-**
Other receivables	**46,118**	**46,118**	**-**	**-**
Net investment in Islamic financing	**441,825,719**	**3,421,894**	**30,844,694**	**407,559,131**
Financial assets	**464,936,212**	**13,528,927**	**43,848,154**	**407,559,131**
Trade payables	**64,637,872**	**48,828,940**	**15,808,932**	**-**
Other payables	**1,510,700**	**1,510,700**	**-**	**-**
Due to a related party	**18,681,659**	**17,717,229**	**964,430**	**-**
Financial liabilities	**84,830,231**	**68,056,869**	**16,773,362**	**-**
Maturity gap	**380,105,981**	**(54,527,942)**	**27,074,792**	**407,559,131**
Cumulative maturity gap	**-**	**(54,527,942)**	**(27,453,150)**	**380,105,981**

	As at 31 December 2022			
	Carrying amounts	**Up to three months**	**More than three months and up to one year**	**More than one year**
Cash and cash equivalents	57,178,177	57,178,177	-	-
Other receivables	-	-	-	-
Net investment in Islamic financing	110,435,946	3,025,343	17,321,643	93,361,610
Financial assets	167,614,123	68,594,411	17,321,643	93,361,610
Trade payables	14,976,346	13,436,730	1,539,616	-
Other payables	196,308	196,308	-	-
Due to a related party	18,861,627	18,861,627	-	-
Financial liabilities	34,034,281	32,494,665	1,539,616	-
Maturity gap	133,579,842	36,099,746	15,782,027	93,361,610
Cumulative maturity gap	-	36,099,746	20,248,411	(73,113,199)

The Company has access to unused financial facilities amounting to SR 139.9 million at the reporting date. These facilities may be drawn at any time subject to the continuance of satisfactory credit rating. These facilities have an average maturity of 1 year

(All amounts in Saudi Riyals unless otherwise stated)

25. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES (CONTINUED)

25.5. Capital risk management

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

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

The Company monitors the aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA.

	2023	**2022**
Leverage ratio (Net investment in Islamic financing before provision and adjustments divided by total equity)	3.49 Times	0.28 Times

As per SAMA regulations, the leverage ratio of the Company must not exceed 3 times of equity, however, the Company has got exemption from SAMA to exceed the leverage ratio by 4 times of equity.

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

26.1. Fair value measurement of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

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

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

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

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

26.2. Fair values of financial assets and liabilities

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

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate to their fair values.

27. CONTINGENCIES AND COMMITMENTS

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

28. RECLASSIFICATION OF PRIOR YEAR FIGURES

Certain comparative information has been reclassified to confirm the current year's presentation.

29. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end that require disclosure or adjustment in these financial statements except for the decision of the board of directors to increase share capital by SR 75 million, whose impact will be recognized in the results of first quarter of 2024.

30. DATE OF AUTHORIZATION FOR ISSUE

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