QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
AND INDEPENDENT AUDITOR'S REPORT

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Financial statements
For the year ended December 31, 2022

Independent auditor's report to the shareholders of Quara Finance Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Quara Finance Company (the "Company") as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of comprehensive income for the year ended December 31, 2022;
- the statement of financial position as at December 31, 2022;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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 International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the 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 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 Quara Finance Company (continued)

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

- Identify and assess the risks 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 made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Khalid A. Mahdhar
License Number 368

27 February 2023

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محاسبون قانونيون
ترخيص رقم ٢٥
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PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTS
LICENSE NO.25
C.R.1010371622

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Statement of comprehensive income
For the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Murabaha income		**168,165,160**	171,002,330
Management fee, income		**1,708,025**	2,967,915
Modification gain / (loss) on restructuring of financings net of grant income	26	**678,596**	(6,923,497)
Financial charges		**(14,429,314)**	(18,985,155)
		156,122,467	148,061,593
Other general and administrative expenses	4	**(53,163,996)**	(42,943,041)
Provision for Murabaha losses	6	**(28,024,919)**	(30,644,038)
Salaries and other benefits		**(41,690,729)**	(38,950,704)
Other Income, net		**27,164,549**	8,177,178
Net income for the year before zakat		**60,407,372**	43,700,988
Zakat charge	15	**(9,569,408)**	(11,905,741)
Net income for the year after zakat		**50,837,964**	31,795,247
Other comprehensive income		**-**	-
Total comprehensive income		**50,837,964**	31,795,247
Earnings per share		**1.69**	1.06
Weighted average number of shares	17	**30,000,000**	30,000,000

The notes on pages 7 to 44 form an integral part of these financial statements.

Abdullah Alshilash	Faisal Al Alshaikh	Amrish Shah
Chairman	Chief Executive Officer	Chief Financial Officer

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position
As at December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	December 31, 2022	December 31, 2021 *(Restated)*
Assets			
Cash and cash equivalents	5	**181,441,739**	196,549,402
Murabaha receivables, net	6	**710,295,126**	871,433,046
Due from related party	7	**2,732,147**	4,866,444
Prepayments and other receivables	8	**23,328,155**	16,338,742
Repossessed assets held for sale	9	**1,642,785**	2,545,800
Property and equipment, net	10	**10,768,426**	10,456,418
Total assets		**930,208,378**	1,102,189,852
Liabilities and shareholders' equity			
Liabilities			
Debt securities - Sukuk	11	**4,090,909**	20,454,546
Long term loans	13	**461,132,355**	593,169,254
Loan from a related party	12	**93,397,500**	168,307,266
Accrued and other liabilities	14	**18,588,002**	18,238,990
Provision for zakat	15	**13,192,887**	12,635,265
Employees' termination benefits	16	**1,071,100**	1,486,870
Total liabilities		**591,472,753**	814,292,191
Shareholders' equity			
Share capital	17	**300,000,000**	300,000,000
Statutory reserve	18	**7,163,842**	2,080,046
Equity contribution on related party loan		**10,862,676**	10,862,676
Accumulated profit/ (deficit)		**20,709,107**	(25,045,061)
Net shareholders' equity		**338,735,625**	287,897,661
Total liabilities and shareholders' equity		**930,208,378**	1,102,189,852

The notes on pages 7 to 44 form an integral part of these financial statements.

Abdullah Shilash Chairman	Faisal Al Alshaikh Chief Executive Officer	Amrish Shah Chief Financial Officer

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholders' equity
For the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Accumulated profit / (deficit)	Equity contribution on related party loan	Total
January 1, 2021		300,000,000	2,080,046	(56,840,308)	-	245,239,738
Comprehensive income:						
Net income for the year after zakat		-	-	31,795,247	-	31,795,247
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	31,795,247	-	31,795,247
December 31, 2021 (as previously reported)		300,000,000	2,080,046	(25,045,061)	-	277,034,985
Reclassification of benefit on interest free related party loans		-	-	-	10,862,676	10,862,676
December 31, 2021 (as restated)		300,000,000	2,080,046	(25,045,061)	10,862,676	287,897,661
January 1, 2022		**300,000,000**	**2,080,046**	**(25,045,061)**	**10,862,676**	**287,897,661**
Comprehensive income:						
Net income for the year after zakat		-	-	**50,837,964**	-	**50,837,964**
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		-	-	**50,837,964**	-	**50,837,964**
Transfer to statutory reserve		-	**5,083,796**	**(5,083,796)**	-	-
December 31, 2022		**300,000,000**	**7,163,842**	**20,709,107**	**10,862,676**	**338,735,625**

The notes on pages 7 to 44 form an integral part of these financial statements.

Abdullah Shilash Chairman	Faisal Al Alshaikh Chief Executive Officer	Amrish Shah Chief Financial Officer

QUARA FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
For the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Cash flows from operating activities			
Net income for the year before zakat		**60,407,372**	43,700,988
Adjustments for non-cash items:			
Depreciation	10	**3,812,587**	3,115,057
Modification loss on restructuring of financings and borrowings net of grant income	22	**(678,596)**	6,923,497
Accrued income on investment deposit		**(3,663,655)**	(76,503)
Financial charges		**14,429,314**	18,985,155
Provision for doubtful debts	6,7	**28,024,919**	30,644,038
Provision for employees' termination benefits	16	**(141,283)**	1,521,927
Loss on sale of repossessed assets		**193,503**	-
Changes in working capital			
Murabaha receivables		**129,893,816**	(6,885,873)
Prepayments and other assets		**(6,989,413)**	(2,368,755)
Due from related party		**2,134,297**	987,748
Accrued and other liabilities		**349,012**	(19,104,145)
Zakat Paid	15	**(9,011,786)**	(780,719)
Employees' termination benefits paid	16	**(274,487)**	(813,657)
Financial charges paid		**(14,990,135)**	(36,100,107)
Net cash generated from operating activities		**203,495,465**	39,748,651
Cash flows from investing activities			
Purchase of property and equipment	10	**(4,124,595)**	(4,959,637)
Proceeds from sale of repossessed assets		**709,512**	-
Net cash utilized in investing activities		**(3,415,083)**	(4,959,637)
Cash flows from financing activities			
Proceeds from related party loan	12	**-**	100,000,000
Repayment of related party loan		**(75,000,000)**	-
Proceeds from long term loans	13	**189,926,820**	183,382,431
Payment of long term loans	13	**(313,751,228)**	(215,446,313)
Sukuk repayment		**(16,363,637)**	(24,530,303)
Net cash (utilized in) / generated from financing activities		**(215,188,045)**	43,405,815
Net change in cash and cash equivalents		**(15,107,663)**	78,194,829
Cash and cash equivalents at the beginning of the year	5	**196,549,402**	118,354,573
Cash and cash equivalents at the end of the year	5	**181,441,739**	196,549,402

The notes on pages 7 to 44 form an integral part of these financial statements.

1 General information

Quara Finance Company (the "Company") is a closed joint stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010262141, Unified national number 7001592562 issued in Riyadh on Safar 9, 1430H (corresponding to February 4, 2009).

As per Saudi Central Bank ("SAMA") license number 45/TI/201605 dated 2 Sha'ban 1437H (corresponding to May 9, 2016), the Company is authorized to provide finance lease, consumer finance and small and medium enterprise finance in the Kingdom of Saudi Arabia.

With effect from Jumada al-Thani 1, 1442H (corresponding to January 14, 2021), the name of the Company was changed from Maalem Financing Company to Quara Finance Company.

The Company's registered office is located in Riyadh at the following address:

Quara Finance Company
8246, King Abdulaziz Road,
Al – Wizarat District,
Unit Number 15,
Riyadh 12622 – 3797

The Board of Directors approved issuing of these financial statements on February 21, 2023.

2 Significant accounting policies

The accounting and risk management policies adopted in the preparation of these financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2021, except for the adoption of the amendments to existing standards which has had no material impact on the financial statements of the Company as follows.

2.1 Basis of preparation

The financial statements of the Company as at and for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the The Saudi Organization for Chartered and Professional Accountants("SOCPA").

The financial statements have been prepared on a historical cost basis following the accrual basis of accounting, except as disclosed in the notes to these financial statements.

The statement of financial position is stated broadly in order of liquidity.

2.2 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('Saudi Riyals'). The financial statements are presented in Saudi Riyals, which is the Company's functional and presentation currency.

(All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Adoption of new standards and amendments:

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB), have been effective from 1 January 2022 and accordingly adopted by the Company has assessed that the amendments have no significant impact on the Company's financial statements., as applicable:

a) New IFRS Standards, IFRIC interpretations and amendments thereof, adopted by the Company:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	*Amendments to IFRS 3, 'Business combinations'* update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. *Amendments to IAS 16, 'Property, plant and equipment'* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. *Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'* specify which costs a company includes when assessing whether a contract will be loss-making. *Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.*	Annual periods beginning on or after 1 January 2022.

(All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.3 Adoption of new standards and amendments:

b) Standards issued but not yet effective:

Standards issued but not yet effective up to the date of issuance of the Company's annual financial statements are listed below. The Company intends to adopt these standards when they become effective.

Standard/ Interpretation	**Description**	**Effective from periods beginning on or after the following date**
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing change to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

2 Significant accounting policies (continued)

2.4 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts (if any).

2.5 Murabaha receivables

Murabaha originated by the Company, are initially recognized at fair value including transaction costs when cash is advanced to customers. Subsequently, these financial assets are measured at amortized cost. For presentation purposes, the unearned finance income and provision for impairment are deducted from gross receivables.

2.6 Repossessed assets held for sale

The Company, in the ordinary course of business, acquires real estate or other assets against settlement of finances due. Such assets are considered as assets held for sale and are initially recorded at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Company's policy, at the time of possession. No depreciation is charged on such assets.

Subsequent to initial recognition, any subsequent write down to fair value, less cost to sell, are charged to the statement of comprehensive income. Any subsequent gain in the fair value less cost to sell of these assets to the extent this does not exceed the cumulative write down is recognized as income together with any gain/loss on disposal.

2.7 Property and equipment

Property and equipment is stated at historical cost less depreciation. 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 statement of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful life. The estimated useful life of the assets are as follows:

	Number of years
Vehicles	5 years
Furniture and fixtures	5 years
Information technology equipment	5 years
Leasehold improvements	4 - 5 years or over the lease term whichever is shorter

2.8 Provisions, accrued and other liabilities

Provisions are recognized when the Company has an obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognized for future operating losses. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2 Significant accounting policies (continued)

2.9 Employees' termination benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in statement of comprehensive income.

2.10 Short-term employee benefits

Short-term employee benefits, include leave pay and airfare, are current liabilities included in accrued expenses, measured at the undiscounted amount that the entity expects to pay as a result of the unused entitlement.

2.11 Zakat

In accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"), the Company is subject to zakat attributable to the Saudi shareholders. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis and charged directly to statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

2.12 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. 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 the increased carrying amount should 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 years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

2.13 Revenue recognition

Income from murabaha receivables is recognized in the statement of comprehensive income using the effective yield method, on the outstanding balance over the term of the contract.

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

Other income are recognized on accrual basis as the services are rendered. Other income is recorded in accordance with the requirement of IFRS 15 “Revenue from Contracts with Customers”. Revenue from providing services is recognised in the accounting period in which the services are rendered.

2 Significant accounting policies (continued)

2.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of financial charges and other costs that the Company incurs in connection with the borrowing of funds.

2.15 General and administrative expenses

General and administrative expenses are those arising from Company's efforts underlying the administrative activities.

2.16 Financial instruments

The Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

IFRS 9 contains three principal classification categories for financial assets. The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (FVOCI)
- those to be measured subsequently at fair value through profit or loss (FVTPL) and
- those to be measured at amortized cost.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss (FVTPL) are expensed in statement of comprehensive income.

Subsequent measurement of debt instrument depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Company classifies its debt instruments:

i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit (SPPP) are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognized in statement of comprehensive income when the asset is derecognized or impaired. Profit from these financial assets is calculated the effective yield method. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement, including the impact of prepayment and early termination features of the contract. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, profit on financial instrument (revenue) and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of comprehensive income and recognised in other gains / (losses). Profit from these financial assets is included in finance income using the effective yield method.

iii) Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of comprehensive income and presented net in the statement of comprehensive income within other gains / (losses) in the period in which it arises. Profit from these financial assets is included in the finance income.

Currently, the Company does not hold any equity instruments; therefore, the related accounting policies have not been presented.

(All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.17 Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortized cost. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Incorporation of forward-looking information

Macroeconomic information (such as GDP growth rate, oil prices and inflation rate) is incorporated as part of the internal rating model.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from economic experts and consideration of a variety of forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by the International Monetary Fund and the Saudi Central Bank.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

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 macro-economic variables and credit risk and credit losses. The economic scenarios used as at the year-end included the following ranges of key indicator:

Economic Indicators	**31 December 2022**
Oil prices	Upside 30% Base case 70% Downside 30%
Gross domestic product	Upside 30% Base case 70% Downside 30%
KSA inflation rate	Upside 30% Base case 70% Downside 30%

(All amounts in Saudi Riyals unless otherwise stated)

2 Significant accounting policies (continued)

2.17 Impairment of financial assets (continued)

Probability weightings

The Company considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Company's credit portfolios in determining them.

Probability weighting of each scenario is determined by the management considering the risks and uncertainties surrounding the base case economic scenario. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data.

Economic indicators	**Forecast calendar years used in 2022 ECL model**			**Forecast calendar years used in 2021 ECL model**		
	2022	**2023**	**2024**	**2021**	**2022**	**2023**
Gross domestic product	**4.8%**	**2.8%**	**2.8%**	2.5%	3.4%	2.5%
Oil price	**$89.8**	**$89.8**	**$89.8**	$54.9	$54.9	$54.9
KSA inflation rate	**2.2%**	**2%**	**2%**	3.7%	2%	2%

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full;
- the borrower is classified in default category as per internal credit grade (applicable for corporate and high net worth individuals); or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative e.g. breaches of covenant
- quantitative e.g. overdue status and non-payment on another obligation of the same issuer to Company

Financial assets shall be written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be recovery of amounts due.

2 Significant accounting policies (continued)

2.17 Impairment of financial assets (continued)

The Company uses three categories for murabaha receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Financial asset(s) that have not significantly deteriorated in credit quality since origination. Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are from 30 past due.	Lifetime expected losses
Non-performing	Interest and/or principal repayments above 90 days past due	Lifetime expected losses

Credit-impaired Murabaha receivables
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 detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or lease by the Company on terms that the Company would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

A Murabaha receivable that has been renegotiated due to deterioration in the borrower'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, a Murabaha receivable that is overdue for 90 days or more is considered impaired.

Curing period
An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period time. A customer needs to demonstrate consistently good payment behavior over a period of time before the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to a 12-month ECL (Stage 1) for measurement at an amount equal to Lifetime ECL (Stage 2 and 3)

2.18 Financial liabilities

Financial liabilities are classified and subsequently measured at amortized cost using the effective yield method. The related cost of borrowing is charged to statement of comprehensive income. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of balance sheet when, and only when, the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in statement of comprehensive income.

2.19 Derecognition of financial instruments

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of comprehensive income.

2 Significant accounting policies (continued)

2.20 Modifications of financial assets and financial liabilities

a. Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of comprehensive income.

b. Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of comprehensive income.

2.21 Leases

Leases are recognized as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities
Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortized cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of comprehensive income if the carrying amount of right-of-use asset is reduced to zero.

- any initial direct costs, and
- restoration costs.

2 Significant accounting policies (continued)

2.21 Leases (continued)

Right-of-use assets
Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability; and
- any lease payments made at or before the commencement date less any lease incentives received.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represents, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of comprehensive income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of lease liabilities.

Lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

Short-term and low value leases
Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

2.22 Government grant

The Company recognizes a government grant related income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant related income. The below-market rate grant is recognized and measured in accordance with IFRS 9 - Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the grant determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognized in the statement of comprehensive income on a systematic basis over the periods in which, the Company recognizes as expenses, the related costs which the grants is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Company. Where the customer is the ultimate beneficiary, the Company only records the respective receivable and payable amounts.

3 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. Significant area where management has used estimates, assumptions or exercised judgements is provision for doubtful debts (note 2.17 and note 6).

Critical accounting judgement

i. SPPP Test:

Management has assessed the prepayment and early termination features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, management believes that such additional amounts represent 'reasonable compensation' for the reinvestment costs.

Furthermore, the contractual provisions also stipulate that in the event of default the Company pursues legal action to recover its outstanding dues only upon meeting certain additional requirements as set out in the applicable SAMA regulations and the amounts to be recovered from the customer, representing the outstanding principal and profit is determined by the outcome of the legal action. Accordingly, management believes that the contractual cashflows of investment in Islamic financing contracts meet the SPPP test.

(All amounts in Saudi Riyals unless otherwise stated)

4 Other general and administrative expenses

	Note	2022	2021
Enquiry and subscriptions		**9,283,015**	4,667,279
Information technology		**6,754,933**	2,793,066
Marketing expenses		**6,727,537**	2,836,548
Taxes		**5,704,030**	5,597,387
Bank charges		**4,462,228**	2,819,749
Depreciation	10	**3,812,587**	3,115,057
Sales and Collection Incentives		**3,436,429**	3,328,659
Medical insurance		**3,106,959**	1,726,478
Professional fees		**3,021,006**	5,008,902
Utilities		**1,429,787**	1,611,604
Office stationery and post office		**1,041,341**	971,882
End of service benefits and vacation		**659,615**	2,416,873
Rentals		**648,633**	1,658,622
Committee allowances		**-**	504,000
Other expenses		**3,075,896**	3,886,935
		53,163,996	42,943,041

5 Cash and cash equivalents

	As at December 31	
	2022	**2021**
Short term deposit	**120,451,322**	80,078,069
Current accounts with banks	**60,990,417**	116,471,333
	181,441,739	196,549,402

Bank balances and deposits are placed with counterparties with sound credit ratings under Standard and Poor's and Moody's ratings methodology

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivables, net

	As at December 31	
	2022	**2021**
Murabaha receivables	**912,151,681**	1,142,295,586
Less: Unearned revenue	**(179,869,540)**	(223,325,858)
Less: Modification loss on restructuring of financing	**(6,769,569)**	(21,781,586)
Murabaha receivables, net	**725,512,572**	897,188,142
Less: Provision for doubtful debts	**(15,217,446)**	(25,755,096)
	710,295,126	871,433,046
Current portion of Murabaha receivables	**448,355,941**	641,948,499
Non-current portion of Murabaha receivables	**277,156,631**	255,239,643
	725,512,572	897,188,142
Less: Provision for Murabaha losses	**(15,217,446)**	(25,755,096)
	710,295,126	871,433,046

The movement in provision for doubtful debts was as follows:

	2022	**2021**
Opening balance	**25,755,096**	17,723,812
Charge for the year	**28,016,885**	30,789,846
Written off during the year	**(38,554,535)**	(22,758,562)
Closing balance at end of the year	**15,217,446**	25,755,096

6.1 Stage wise analysis of Murabaha receivables is as follows:

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
December 31, 2022				
Receivables	**707,602,670**	**134,063,516**	**70,485,496**	**912,151,682**
Modification loss on restructuring of financing	**(6,769,569)**	**-**	**-**	**(6,769,569)**
Unearned revenue	**(147,602,811)**	**(23,249,520)**	**(9,017,210)**	**(179,869,541)**
Provision for Murabaha losses	**(673,827)**	**(1,590,463)**	**(12,953,156)**	**(15,217,446)**
Net receivables	**552,556,463**	**109,223,533**	**48,515,130**	**710,295,126**
December 31, 2021				
Receivables	855,994,789	206,926,424	79,374,373	1,142,295,586
Modification loss on restructuring of financing	(21,781,586)	-	-	(21,781,586)
Unearned revenue	(169,362,054)	(37,315,564)	(16,648,240)	(223,325,858)
Provision for Murabaha losses	(3,813,217)	(4,444,722)	(17,497,157)	(25,755,096)
Net receivables	661,037,932	165,166,138	45,228,976	871,433,046

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivables, net (continued)

6.2 The movement in provision for murabaha receivables is as follows:

	2022				2021
	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**	**Total**
January 1,	**3,813,217**	**9,721,569**	**12,220,310**	**25,755,096**	17,723,812
Charge for the year	**(3,139,390)**	**(2,854,260)**	**34,010,535**	**28,016,885**	30,789,846
Written off during the year	**-**	**-**	**(38,554,535)**	**(38,554,535)**	(22,758,562)
December 31, 2022	**673,827**	**6,867,309**	**7,676,310**	**15,217,446**	25,755,096

As of December 31, 2022, the receivables amount written off still subject to enforcement activity amounts to SR 38 million (2021: SR 22 million).

6.3 Reconciliation between gross to net receivables

		December 31,2022		
	Note	**Retail**	**SME financing**	**Total**
Murabaha receivable		**601,165,207**	**310,986,475**	**912,151,682**
Less: Unearned revenue		**(159,347,473)**	**(20,522,068)**	**(179,869,541)**
Less: Modification loss on restructuring of financings	13	**-**	**(6,769,569)**	**(6,769,569)**
Gross carrying value of Murabaha receivable		**441,817,734**	**283,694,838**	**725,512,572**
Less: Provision for Murabaha losses		**(11,136,014)**	**(4,081,432)**	**(15,217,446)**
		430,681,720	**279,613,406**	**710,295,126**
Current portion of Murabaha receivable		**252,227,862**	**196,128,079**	**448,355,941**
Non-current portion of Murabaha receivable		**189,589,872**	**87,566,759**	**277,156,631**
		441,817,734	**283,694,838**	**725,512,572**
Less: Provision for Murabaha losses		**(11,136,014)**	**(4,081,432)**	**(15,217,446)**
		430,681,720	**279,613,406**	**710,295,126**

		December 31, 2021		
	Note	**Retail**	**SME financing**	**Total**
Murabaha receivable		569,399,270	572,896,316	1,142,295,586
Less: Unearned revenue		(149,324,992)	(74,000,866)	(223,325,858)
Less: Modification loss on restructuring of financings	13	-	(21,781,586)	(21,781,586)
Gross carrying value of Murabaha receivable		420,074,278	477,113,864	897,188,142
Less: Provision for Murabaha losses		(23,071,614)	(2,683,482)	(25,755,096)
		397,002,664	474,430,382	871,433,046
Current portion of Murabaha receivable		243,831,959	398,116,540	641,948,499
Non-current portion of Murabaha receivable		176,242,319	78,997,324	255,239,643
		420,074,278	477,113,864	897,188,142
Less: Provision for Murabaha losses		(23,071,614)	(2,683,482)	(25,755,096)
		397,002,664	474,430,382	871,433,046

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivable, net (continued)

6.4 (i) The movement in Provision for Murabaha losses of retail segment is as follows:

	For the year ended December 31, 2022			
	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Opening balance at beginning of the year	**3,741,576**	**3,004,185**	**16,325,853**	**23,071,614**
Charge for the year	**(3,143,401)**	**(1,925,753)**	**20,817,237**	**15,748,083**
Written off during the year*	**-**	**-**	**(27,683,684)**	**(27,683,684)**
Closing balance at end of the year	**598,175**	**1,078,432**	**9,459,406**	**11,136,013**

	For the year ended December 31, 2021			
	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Opening balance at beginning of the year	995,571	4,511,266	10,169,269	15,676,106
Charge for the year	2,746,005	(1,507,081)	20,398,960	21,637,884
Written off during the year*	-	-	(14,242,376)	(14,242,376)
Closing balance at end of the year	3,741,576	3,004,185	16,325,853	23,071,614

6.4 (ii) The movement in Provision for Murabaha losses of SME financing segment is as follows:

	For the year ended December 31, 2022			
	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Opening balance at beginning of the year	**71,641**	**1,440,538**	**1,171,303**	**2,683,482**
Charge for the year	**4,011**	**(928,507)**	**13,193,298**	**12,268,802**
Written off during the year*	**-**	**-**	**(10,870,851)**	**(10,870,851)**
Closing balance at end of the year	**75,652**	**512,031**	**3,493,750**	**4,081,433**

	For the year ended December 31, 2021			
	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Opening balance at beginning of the year	339,042	264,253	1,444,411	2,047,706
Charge for the year	(267,401)	1,176,285	8,243,078	9,151,962
Written off during the year*	-	-	(8,516,186)	(8,516,186)
Closing balance at end of the year	71,641	1,440,538	1,171,303	2,683,482

*The write-offs during the year are in accordance with Company's write-off policy which is more conservative than SAMA's rules and regulations for write-offs.

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivable, net (continued)

6.5 The analysis of movement in provision for impairment of Murabaha receivable is as follows:

Retail	**For the year ended December 31, 2022**			
	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Loss allowance as at January 1, 2022	**3,741,576**	**3,004,184**	**16,325,854**	**23,071,614**
Transfer from performing	**(490,130)**	**368,054**	**122,076**	**-**
Transfer from under-performing	**751,666**	**(1,217,967)**	**466,301**	**-**
Transfer from non-performing	**1,001,466**	**476,720**	**(1,478,186)**	**-**
Remeasurement of loss allowance*	**(3,088,920)**	**(307,847)**	**26,612,239**	**23,215,472**
Financial assets – settled	**(1,766,598)**	**(1,244,712)**	**(4,913,719)**	**(7,925,029)**
Financial assets originated	**449,115**	**-**	**-**	**449,115**
Write-off during the year	**-**	**-**	**(27,675,159)**	**(27,675,159)**
Loss allowance as at December 31, 2022	**598,175**	**1,078,432**	**9,459,406**	**11,136,013**

SME financing	**For the year ended December 31, 2022**			
	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Loss allowance as at January 1, 2022	**71,641**	**1,440,538**	**1,171,303**	**2,683,482**
Transfer from performing	**(14,357)**	**10,996**	**3,361**	**-**
Transfer from under-performing	**300,042**	**(564,181)**	**264,139**	**-**
Transfer from non-performing	**-**	**58,182**	**(58,182)**	**-**
Remeasurement of loss allowance*	**(261,102)**	**(2,030)**	**13,117,572**	**12,854,440**
Financial assets – settled	**(24,643)**	**(431,474)**	**(125,067)**	**(581,184)**
Financial assets originated	**12,105**	**-**	**-**	**12,105**
Write-off during the year	**-**	**-**	**(10,879,376)**	**(10,879,376)**
Loss allowance as at December 31, 2022	**83,686**	**512,031**	**3,493,750**	**4,089,467**

* This includes provision for Murabaha receivables from a related party. Please refer note 6.

Retail	**For the year ended December 31, 2021**			
	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Loss allowance as at January 1, 2021	995,571	4,511,266	10,169,269	15,676,106
Transfer from performing	(244,069)	156,938	87,131	-
-Transfer from under-performing	1,592,615	(2,556,696)	964,081	-
Transfer from non-performing	1,097,224	199,968	(1,297,192)	-
Remeasurement of loss allowance	(2,354,740)	2,195,729	23,805,694	23,646,683
Financial assets – settled	(224,514)	(1,503,022)	(3,158,910)	(4,886,446)
Financial assets originated	2,879,491	-	-	2,879,491
Write-off during the year	-	-	(14,242,376)	(14,242,376)
Loss allowance as at December 31, 2021	3,741,578	3,004,183	16,327,697	23,073,458

SME financing	**For the year ended December 31, 2021**			
	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Loss allowance as at January 1, 2021	484,850	264,254	1,444,410	2,193,514
Transfer from performing	(95,652)	83,077	12,575	-
Transfer from under-performing	86,541	(103,618)	17,077	-
Transfer from non-performing	2,191	7,725	(9,916)	-
Remeasurement of loss allowance	(318,676)	1,285,410	9,053,322	10,020,056
Financial assets – settled	(94,790)	(96,309)	(831,822)	(1,022,921)
Financial assets originated	7,175	-	-	7,175
Write-off during the year	-	-	(8,516,186)	(8,516,186)
Loss allowance as at December 31, 2021	71,639	1,440,539	1,169,460	2,681,638

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivable, net (continued)

6.6 The net carrying amount of loan receivables, and thus the maximum exposure to loss, is as follows:

	December 31, 2022		
	Retail	**SME financing**	**Total**
Performing (Stage 1)	**360,526,598**	**195,443,873**	**555,970,471**
Underperforming (Stage 2)	**62,616,756**	**48,197,240**	**110,813,996**
Non-performing (Stage 3)	**18,674,380**	**42,793,906**	**61,468,286**
Total net loan receivables	**441,817,734**	**286,435,019**	**728,252,753**
Less: Provision for Murabaha losses	**(11,136,014)**	**(4,089,466)**	**(15,225,480)**
Loan receivables net of expected credit losses	**430,681,720**	**282,345,553**	**713,027,273**

	December 31, 2021		
	Retail	**SME financing**	**Total**
Performing	316,548,216	354,889,974	671,438,190
Underperforming	70,443,444	99,167,416	169,610,860
Non-performing	33,082,617	27,922,919	61,005,536
Total net loan receivables	420,074,277	481,980,309	902,054,586
Less: Provision for Murabaha losses	(23,071,614)	(2,683,482)	(25,755,096)
Loan receivables net of expected credit losses	397,002,663	479,296,827	876,299,490

6.7 Portfolio / murabaha receivables classification mentioned above is based on curing period criteria as per SAMA guideline however considering DPD as base below is the classification.

	December 31, 2022	**December 31, 2021**
Performing	**576,178,197**	666,571,746
Underperforming	**112,128,715**	169,610,860
Non-performing	**37,205,660**	61,005,536
Total net loan receivables	**725,512,572**	897,188,142
Less: Provision for Murabaha losses	**(15,217,446)**	(25,755,096)
Loan receivables net of expected credit losses	**710,295,126**	871,433,046

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivable, net (continued)

6.8 (i) The movements in Murabaha receivables of retail and SME segments are as follows:

Retail	**For the year ended December 31, 2022**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2022	**316,548,216**	**70,443,444**	**33,082,617**	**420,074,277**
Transferred from Stage 1	**(52,129,756)**	**30,809,809**	**21,319,947**	**-**
Transferred from Stage 2	**19,764,095**	**(24,322,378)**	**4,558,283**	**-**
Transferred from Stage 3	**2,127,483**	**1,023,441**	**(3,150,924)**	**-**
Repayments and settlements	**(308,848,009)**	**(15,337,560)**	**(9,460,384)**	**(333,645,953)**
New financial assets originated	**383,064,569**	**-**	**-**	**383,064,569**
Write-offs (From stage 3)	**-**	**-**	**(27,675,159)**	**(27,675,159)**
Gross carrying amount as December 31, 2022	**360,526,598**	**62,616,756**	**18,674,380**	**441,817,734**

Retail	**For the year ended December 31, 2021**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	178,133,326	41,938,993	16,116,217	236,188,536
Transferred from Stage 1	(107,642,910)	65,519,663	42,123,247	-
Transferred from Stage 2	13,564,204	(17,304,680)	3,740,476	-
Transferred from Stage 3	1,490,609	557,122	(2,047,731)	-
Repayments and settlements	(104,740,762)	(20,267,654)	(12,607,216)	(137,615,632)
New financial assets originated	335,743,749	-	-	335,743,749
Write-offs (From stage 3)	-	-	(14,242,376)	(14,242,376)
Gross carrying amount as December 31, 2021	316,548,216	70,443,444	33,082,617	420,074,277

SME financing	**For the year ended December 31, 2022**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2022	**354,889,974**	**99,167,416**	**27,922,919**	**481,980,309**
Transferred from Stage 1	**(75,681,671)**	**55,165,689**	**20,515,982**	**-**
Transferred from Stage 2	**27,712,007**	**(44,419,908)**	**16,707,901**	**-**
Transferred from Stage 3	**-**	**734,817**	**(734,817)**	**-**
Repayments and settlements	**(263,099,052)**	**(62,450,774)**	**(10,738,703)**	**(336,288,529)**
New financial assets originated	**151,622,615**	**-**	**-**	**151,622,615**
Write-offs (From stage 3)	**-**	**-**	**(10,879,376)**	**(10,879,376)**
Gross carrying amount as December 31, 2022	**195,443,873**	**48,197,240**	**42,793,906**	**286,435,019**

SME financing	**For the year ended December 31, 2021**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at January 1, 2021	624,003,544	16,461,853	25,193,969	665,659,366
Transferred from Stage 1	(136,993,091)	114,690,867	22,302,224	-
Transferred from Stage 2	3,249,711	(3,757,433)	507,722	-
Transferred from Stage 3	1,361,992	8,271,275	(9,633,267)	-
Repayments and settlements	(230,502,414)	(36,499,146)	(1,931,543)	(268,933,103)
New financial assets originated	93,770,232	-	-	93,770,232
Write-offs (From stage 3)	-	-	(8,516,186)	(8,516,186)
Gross carrying amount as December 31, 2021	354,889,974	99,167,416	27,922,919	481,980,309

(All amounts in Saudi Riyals unless otherwise stated)

6 Murabaha receivable, net (continued)

Management receives collaterals in form of real estate property and Kafalah. Management policy for valuation of real estate collaterals is in accordance with SAMA guidelines.

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has used GDP growth rate, oil prices and inflation as their key macroeconomic factors. The macro-economic factors has been updated based on the latest available information (for GDP forecast as issued by International Monetary Fund, and for inflation rate as available on the www.stats.gov.sa).

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Company deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Programs	Instalment deferred (SAR' million)	Modification loss (SAR' million)
April 2020 – September 2020	115,309,090	26,590,734
October 2020 – December 2020	22,367,943	4,836,500
January 2021 – March 2021	28,784,563	5,842,050
April 2021 – June 2021	28,339,442	5,102,786
July 2021 – September 2021	28,115,651	5,021,814
October 2021 – December 2021	22,534,230	3,781,845
December 2021 – March 2022	20,758,954	3,219,185

7 Due from related party

Due from related parties represents due amounts from the Company's Associate obtaining finance in form of murabaha contracts. Terms of those contracts were approved by the Company's Board of Directors.

	Relationship	As at December 31 2022	As at December 31 2021
Talad Investment Company	Associate	**2,732,147**	4,866,444
		2,732,147	4,866,444

	As at December 31 2022	As at December 31 2021
Gross receivable from a related party	**2,904,000**	5,808,000
Less: Unearned revenue	**(163,819)**	(941,556)
Less: Provision for murabaha losses	**(8,034)**	-
	2,732,147	4,866,444
Current portion of murabaha receivables	**2,740,181**	2,459,449
Non-current portion of murabaha receivables	**-**	2,406,995
	2,740,181	4,866,444
Less: Provision for Murabaha losses	**(8,034)**	-
	2,732,147	4,866,444

The above murabaha receivable to related party is an unsecured financing issued to the related party on normal business terms.

(All amounts in Saudi Riyals unless otherwise stated)

7 Due from related party (continued)

	Performing	Under-performing	Non-performing	Total
December 31, 2022				
Receivables	**2,904,000**	-	-	**2,904,000**
Unearned revenue	**(163,819)**	-	-	**(163,819)**
Provision for Murabaha losses	**(8,034)**	-	-	**(8,034)**
Net receivables	**2,732,147**	-	-	**2,732,147**
December 31, 2021				
Receivables	5,808,000	-	-	5,808,000
Unearned revenue	(941,556)	-	-	(941,556)
Provision for Murabaha losses	-	-	-	-
Net receivables	4,866,444	-	-	4,866,444

8 Prepayments and other receivables

	As at December 31	
	2022	**2021**
Advance financial interest	**1,482,676**	1,010,983
Prepayments and other receivables	**21,845,479**	15,327,759
	23,328,155	16,338,742

The ECL on other receivables is insignificant. All receivable balances are due within a period of less than 90 days.

9 Repossessed assets held for sale

This represents real estate received from a Company's customer during 2019 to settle part of his outstanding balance. The legal procedures needed to transfer the ownership of real estate to the Company has been completed during 2020. The Company liquidated 2 assets out of 3 at a total loss of SR 193,503 during this year.

10 Property and equipment, net

2022	Vehicles	Furniture and fixtures	Information technology equipment*	Leasehold improvements	Total
Cost					
January 1, 2022	**265,300**	**2,801,822**	**11,188,188**	**5,929,985**	**20,185,295**
Additions during the year	**-**	**155,195**	**3,969,400**	**-**	**4,124,595**
December 31, 2022	**265,300**	**2,957,017**	**15,157,588**	**5,929,985**	**24,309,890**
Accumulated depreciation					
January 1, 2022	**265,296**	**1,924,127**	**4,091,649**	**3,447,805**	**9,728,877**
Charge for the year	**-**	**455,634**	**2,406,199**	**950,754**	**3,812,587**
December 31, 2022	**265,296**	**2,379,761**	**6,497,848**	**4,398,559**	**13,541,464**
Net book value at December 31, 2022	**4**	**577,256**	**8,659,740**	**1,531,426**	**10,768,426**

(All amounts in Saudi Riyals unless otherwise stated)

10 Property and equipment, net (continued)

2021	**Vehicles**	**Furniture and fixtures**	**Information technology equipment***	**Leasehold improvements**	**Total**
Cost					
January 1, 2021	265,300	2,757,195	6,302,303	5,900,860	15,225,658
Additions during the year	-	44,627	4,885,885	29,125	4,959,637
December 31, 2021	265,300	2,801,822	11,188,188	5,929,985	20,185,295
Accumulated depreciation					
January 1, 2021	265,296	1,546,623	2,327,011	2,474,890	6,613,820
Charge for the year	-	377,504	1,764,638	972,915	3,115,057
December 31, 2021	265,296	1,924,127	4,091,649	3,447,805	9,728,877
Net book value at December 31, 2021	4	877,695	7,096,539	2,482,180	10,456,418

* This includes computer equipment and related information technology solutions.

11 Debt securities - Sukuk

During the year 2018, the Company obtained SAMA approval to issue private Sukuk Certificates (Sukuk) with total amount of Saudi Riyals 500 million. The first phase of Sukuk issuance amounted to Saudi Riyals 100 million was issued in 2018. In March 2020, the Company issued the second phase of Sukuk amounting to Saudi Riyals 100 million. Further during the year 2020, the Company redeemed Sukuk amounting to Saudi Riyal 80.5 million and paid additional interest of 3 months plus SAIBOR amounting to Saudi Riyal 2.1 million on redemption.

The total tenure of the both phases of Sukuk is three years with payments (principal and profits) payable quarterly in advance. The profit distribution on the first phase and second phase Sukuk is based on three-month SIBOR plus a spread of 10% and 5.5%, respectively. The Company has not defaulted on any of payments (profit / principal) due during the year and the Company has complied with terms of the covenants pertaining to the Sukuk. Further, there are no conversion options to equity relating to the Sukuk

	As at December 31	
	2022	**2021**
Current portion	**4,090,909**	16,363,636
Non-current portion	**-**	4,090,910
	4,090,909	20,454,546

(All amounts in Saudi Riyals unless otherwise stated)

12 Loan from a related party

	As at December 31	
	2022	**2021**
Opening balance	**168,307,266**	79,327,397
Add: Loan obtained during the year	**-**	100,000,000
Add: Loan management fee accrued during the year	**4,590,234**	6,995,044
Less: Deferred income on initial recognition of interest free loans	**-**	(13,509,164)
Less: Principal paid during the year	**(75,000,000)**	-
Less: Management fee paid during the year	**(4,500,000)**	(4,506,011)
Closing balance	**93,397,500**	168,307,266

During 2016, the Company signed an agreement with a related party to obtain a long term loan to finance the growth of its lending portfolio in order to provide a wide range of financing products to both individual and corporate clients in the Kingdom of Saudi Arabia, with products being tailored to meet a wider base of clients. During 2019, the Company obtained the loan amounting Saudi Riyals 75 million, the loan is subject to 6% annual Murabaha rate. During the three-month period ended March 31, 2022, the Company paid off principal for this loan amounting to Saudi Riyals 75 million. The loan was secured by pledging the Company's shares to the financer.

During 2021, the Company received approval from SAMA to obtain a loan from a related party to the extent of Saudi Riyals 150 million. During the year ended December 31, 2021, the Company obtained a loan amounting to Saudi Riyals 100 million in 4 equal tranches for a period of 3 years. The loan was recognized at fair value and due to the interest free nature of the loan. For further details please refer note 25.

13 Long term loans

		As at December 31	
	Note	**2022**	**2021**
Long term loan – Monsha'at	13.1	**89,038,059**	139,064,887
Long term loan – SAMA	13.2	**372,094,296**	454,104,367
		461,132,355	593,169,254

(All amounts in Saudi Riyals unless otherwise stated)

13 Long term loans (continued)

13.1 Long term loan – Monsha'at

	Note	As at December 31 2022	2021
Opening balance		**130,943,104**	159,111,334
Add: Loans obtained during the year		**25,000,000**	20,000,000
Add: Loan management fee accrued during the year		**5,782,378**	7,566,117
Less: Principal repayment during the year		**(70,712,117)**	(48,440,447)
Less: Loan management fee paid during the year		**(5,236,024)**	(5,708,159)
Less: Deferred income on initial recognition of interest free loans		**(2,157,281)**	(1,297,725)
Less: Modification gain on restructuring of borrowings		**(473,930)**	(288,016)
Closing balance		**83,146,130**	130,943,104
Add: Deferred income on interest free loans	13.1.1	**5,891,929**	8,121,783
		89,038,059	139,064,887
Current portion		**62,896,835**	73,095,077
Non-current portion		**26,141,224**	65,969,810
		89,038,059	139,064,887

13.1.1 Deferred income on interest free loans

	As at December 31 2022	2021
Opening balance	**8,121,783**	9,902,829
Add: Deferred income on initial recognition of interest free loan	**2,157,281**	1,297,725
Less: Amortization of deferred income on interest free loans	**(4,387,135)**	(3,078,771)
Closing balance	**5,891,929**	8,121,783

Since 2018, the Company has received eight interest free loans from Monsha'at Loans from Social Development Bank to finance small and medium entities in the Kingdom of Saudi Arabia amounting Saudi Riyals 245 million for three years. These loans carry a fixed special commission rate that is significantly lower than currently prevailing market rate. These loans provided to the Company carries a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of "lower than market value" loan obtained by the Company has been identified and accounted for in accordance with IFRS 9. Such benefit is being recognised in the statement of income and other comprehensive income of the Company on a systematic basis as the expense for which such loan is intended to compensate, is recognised.

(All amounts in Saudi Riyals unless otherwise stated)

13 Long term loans (continued)

13.2 Long term loan – SAMA

	Note	As at December 31 2022	2021
Long term loan – SAMA funding for lending	13.2.1	**265,966,055**	332,206,449
Deposit received from SAMA against repayments deferment	13.2.2	**106,128,241**	121,897,918
		372,094,296	454,104,367

13.2.1 Loan from SAMA - funding for lending	As at December 31 2022	2021
Opening balance	**332,206,449**	357,333,333
Add: Loans obtained during the year	**121,633,636**	100,784,943
Less: Principal repayment during the year	**(187,874,030)**	(125,911,827)
Closing balance	**265,966,055**	332,206,449
Current portion	**182,400,750**	183,313,978
Non-current portion	**83,565,305**	148,892,471
	265,966,055	332,206,449

During the year 2020 the Company has entered into SAMA's funding for lending program, whereby Kafala (SME financing guarantee program) has guaranteed 95% of the financing amount to the SME customers. As at December 31, 2022 the Company has received SR 121.63 million of profit free deposit from SAMA against this program. The financing tenure is thirty-six months including six-month repayments grace period. As on December 31, 2022, 109 customers were classified under stage 1, 20 customers under Stage 2 and 36 customers under Stage 3. The net impact of the interest free deposit from SAMA and interest charged on financing to SME customers with a low interest rate is not significant to the statement of comprehensive income.

13.2.2 Deposit received from SAMA against repayments deferment

	Note	As at December 31 2022	2021
Opening balance		**121,897,918**	84,125,613
Add: Loans obtained during the year		**43,293,184**	62,597,488
Add: Unwinding of modification grant income		**7,252,554**	5,024,183
Less: Principal repayment during the year		**(62,417,634)**	(20,834,958)
Less: Loan management fee paid during the year		**-**	(2,031,461)
Less: Grant income recognized on subsidized funding	26	**(3,897,781)**	(3,352,319)
Less: Modification gain on restructuring of borrowings		**-**	(3,630,628)
Closing balance as per Balance Sheet		**106,128,241**	121,897,918
Current portion		**106,128,241**	84,878,320
Non-current portion		**-**	37,019,598
		106,128,241	121,897,918

(All amounts in Saudi Riyals unless otherwise stated)

14 Accrued and other liabilities

	As at December 31	
	2022	**2021**
Murabaha contract related payables	**9,160,796**	10,610,798
Accrued expenses and others	**9,427,206**	7,628,192
	18,588,002	18,238,990

15 Provision for zakat

15.1 The movement in the zakat provision is as follows:

	2022	**2021**
January 1 (note 15.2)	**12,635,265**	1,510,243
Charge during the year	**9,569,408**	11,905,741
Payments made during the year	**(9,011,786)**	(780,719)
December 31	**13,192,887**	12,635,265

15.2 Status of assessments

The Company has filed its zakat returns with the Zakat, Tax and Customs Authority (ZATCA) for the years until 2021.
During 2021, the Company received an assessment for assessment year 2015 with additional Zakat liability amounting to Saudi Riyal 2,204,775. The Company filed an objection with ZATCA against the assessment which was rejected by ZATCA dated January 31, 2022. Therefore, on June 12, 2022, the Company filed an appeal with General Secretariat of Tax Committees (GSTC) Level 1 to contest the ruling of ZATCA. The GSTC had pronounced a ruling judgement in the favour of the defendant (i.e. ZATCA). Based on the above and in accordance with the GSTC Rules and Regulations the Company has filed an appeal with GSTC Level 2 on September 20, 2022 and is currently waiting for the outcome. The Company believes that the outcome will be favorable, however, the Company has already provided the amount in the financial statements.

Further, zakat liability for the financial year from 2009 to 2014 is settled as per applicable zakat regulations.

(All amounts in Saudi Riyals unless otherwise stated)

16 Employees' termination benefits

	2022	**2021**
Opening balance	**1,486,870**	778,600
Current service cost	**239,600**	1,521,927
Reversal of past service cost	**(380,883)**	-
End of service payments during the year	**(274,487)**	(813,657)
Ending balance	**1,071,100**	1,486,870

The following tables summaries the components of net benefits expenses recognised in the statement of comprehensive income:

	December 31, 2022	**December 31, 2021**
Opening balance at beginning of year	**1,486,870**	778,600
Statement of comprehensive income		
Service cost attributable to the current and past periods	**(141,283)**	1,521,927
End of service paid during the year	**(274,487)**	(813,657)
Ending balance at end of year	**1,071,100**	1,486,870

The provision of this defined benefit plan is based on projected unit credit method. The key assumptions used in current and prior year include 2.5% (2021: 2.5%) salaries increment and 2.5% (2021: 2.31%) discount rate. The change in assumptions will not have significant effect on the provision as at December 31, 2022.

17 Share capital

Share capital consists of **30,000,000** million shares as of December 31, 2022 (December 31, 2021: 30 million shares). Each share has a book value of Saudi Riyals **10.00** as of December 31, 2022 (December 31, 2021: Saudi Riyals 10).

Shareholders	**Holding**	**No. of shares**	**Amount**
2022			
Al Mawared Al Oula Company for Real Estate	**33.33%**	**10,000,000**	**100,000,000**
Awayed Financial Company	**33.33%**	**10,000,000**	**100,000,000**
Nawaqis Company for Commerce	**33.33%**	**10,000,000**	**100,000,000**
	100.00%	**30,000,000**	**300,000,000**
2021			
Al Mawared Al Oula Company for Real Estate	33.33%	10,000,000	100,000,000
Awayed Financial Company	33.33%	10,000,000	100,000,000
Nawaqis Company for Commerce	33.33%	10,000,000	100,000,000
	100.00%	30,000,000	300,000,000

18 Statutory reserve

In accordance with Regulations for Companies in Saudi Arabia and the By-laws of the Company, the Company is required to set aside a statutory reserve, after absorption of accumulated losses, if any, by the appropriation of 10% of net income until the reserve equals at least 30% of the share capital. This reserve is not available for distribution.

(All amounts in Saudi Riyals unless otherwise stated)

19 Commitments

Capital commitments

There are no significant capital commitments at financial position date.

20 Operating segments

Operating segments are identified based on internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to segments and to assess their performance. Performance is measured based on segment financing portfolio, as management believes that this indicator is the most relevant in evaluating the results of segments relative to other entities that operate within these sectors.

The Company's operations are in the Kingdom of Saudi Arabia and the Company currently provides financing to Saudi and resident individuals from government and private sectors and to SMEs. Accordingly, the Company's operations represent the following operating segments. None of a single customer of the Company generates more than 10% of the revenue.

The Company's reportable segments are as follows:

1) Retail (Personal financing): These personal financing is provided to retail segment.
2) SME financing: These financing to provided to small and medium enterprises.

For the year ended December 31, 2022	**Retail**	**SME financing**	**Total**
Revenue			
Murabaha income	**131,652,415**	**36,512,745**	**168,165,160**
Management fee	**685,790**	**1,022,235**	**1,708,025**
Modification gain on restructuring of financings and borrowings net of grant income	**-**	**678,596**	**678,596**
Finance charges	**(7,945,008)**	**(6,484,306)**	**(14,429,314)**
Expenses			
Other general and administrative	**(24,305,632)**	**(1,528,969)**	**(25,834,601)**
Provision for murabaha losses	**(15,756,076)**	**(12,268,843)**	**(28,024,919)**
Salaries and other benefits	**(13,965,832)**	**(2,733,071)**	**(16,698,903)**
Other income	**17,819,824**	**449,609**	**18,269,433**
	88,185,481	**15,647,996**	**103,833,477**
Unallocated income			**8,895,116**
Unallocated expenses*			**(52,321,221)**
Net income before zakat			**60,407,371**

(All amounts in Saudi Riyals unless otherwise stated)

20 Operating segments (continued)

For the year ended December 31, 2021	Retail	SME financing	Total
Revenue			
Murabaha income	106,313,731	64,688,599	171,002,330
Management fee	949,059	2,018,856	2,967,915
Modification gain on restructuring of financings and borrowings net of grant income	-	(6,923,497)	(6,923,497)
Finance charges	(4,348,556)	(14,636,599)	(18,985,155)
Expenses			
Other general and administrative	(14,194,133)	(1,492,266)	(15,686,399)
Provision for murabaha losses	(21,637,844)	(9,006,194)	(30,644,038)
Salaries and other benefits	(13,047,961)	(2,553,446)	(15,601,407)
Other income	6,694,677	396,358	7,091,035
	60,728,973	32,491,811	93,220,784
Unallocated income			1,086,143
Unallocated expenses*			(50,605,939)
Net income before zakat			43,700,988

* Unallocated other general and administrative expenses are common expenses which mainly include bank charges, depreciation, taxes and other common expenses which are not relevant to a particular segment.

For the year ended December 31, 2022	Retail	SME financing	Total
Murabaha receivables, net	**430,681,720**	**279,613,406**	**710,295,126**
Due from a related party	**-**	**2,732,147**	**2,732,147**
Unallocated assets	**-**	**-**	**217,181,105**
Total assets	**430,681,720**	**282,345,553**	**930,208,378**
Loans	**199,525,741**	**359,095,023**	**558,620,764**
Unallocated liabilities	**-**	**-**	**32,851,989**
Total liabilities	**199,525,741**	**359,095,023**	**591,472,753**

For the year ended December 31, 2021	Retail	SME financing	Total
Murabaha receivables, net	397,002,663	474,430,383	871,433,046
Due from a related party	-	4,866,444	4,866,444
Unallocated assets	-	-	225,890,362
Total assets	397,002,663	479,296,827	1,102,189,852
Loans	168,307,266	613,623,800	781,931,066
Unallocated liabilities	-	-	32,361,125
Total liabilities	168,307,266	613,623,800	814,292,191

21 Fair values 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Financial assets consist of Murabaha receivables, due from related party, cash and cash equivalents and other receivables. Financial liabilities consist of Sukuk, loan from a related party, long term loans. Fair value of all financial assets except Murabaha receivables and all financial liabilities that are measured at amortized cost approximate their fair value.

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(All amounts in Saudi Riyals unless otherwise stated)

21 Fair values of financial assets and liabilities (continued)

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

	Carrying Value	Fair value			
		Level 1	Level 2	Level 3	Total
31 December 2022					
Financial assets as amortised cost:					
Murabaha receivable	**725,512,572**	-	-	**729,430,720**	**729,430,720**
Due from related parties	**2,740,181**	-	-	**2,740,181**	**2,740,181**
Cash and cash equivalents	**181,441,739**	**181,441,739**	-	-	**181,441,739**
Other receivables	**3,394,099**	**3,394,099**	-	-	**3,394,099**
Financial liabilities at amortised cost:					
Sukuk	**4,090,909**	-	-	**4,090,909**	**4,090,909**
Loan from a related party	**93,397,500**	-	-	**93,397,500**	**93,397,500**
Long term loan	**461,132,355**	-	-	**461,132,355**	**461,132,355**

	Carrying Value	Fair value			
		Level 1	Level 2	Level 3	Total
31 December 2021					
Financial assets as amortised cost:					
Murabaha receivable	897,188,142	-	-	901,695,446	901,695,446
Due from related parties	4,866,444	-	-	4,866,444	4,866,444
Cash and cash equivalents	196,549,402	196,549,402	-	-	196,549,402
Other receivables	1,589,573	1,589,573	-	-	1,589,573
Financial liabilities at amortised cost:					
Sukuk	20,454,546	-	-	20,454,546	20,454,546
Loan from a related party	179,169,942	-	-	179,169,942	179,169,942
Long term loans	593,169,254	-	-	593,169,254	593,169,254

22 Financial risk management

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and supervising the Company's risk management framework. The Board of Directors has established the Risk Management Committee, to oversee the development and maintenance of risk management processes, policies, strategies, risk methodologies and reporting them to the Board.

In addition, the Audit Committee of the Company also reviews the internal audit risk assessment, discusses the Company's policy with respect to risk assessment and risk management. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Management Committee oversees the Company risks and reports to the Board of Directors.

22 Financial risk management (continued)

(i) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to murabaha receivables customers, including outstanding receivables and due from related parties. For details of credit risk in Murabaha receivables and due from related party please refer note 6.

Cash and cash equivalents are maintained with local banks approved by management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength. Where Murabaha receivable customers are independently rated, such ratings are used. Where there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The compliance with credit limits by Murabaha receivables customers is regularly monitored by line management.

The overall decision to lend to a particular customer is based on the following key parameters:

- Dual credit score i.e. Saudi Credit Bureau (SIMAH) and internal risk acceptance criteria;
- Minimum income level and maximum debt burden of the borrower; and
- Loan repayment history with other financial institutions sourced from SIMAH.

At the inception of the contract, internal credit risk ratings are allocated to each exposure. These credit risk grades are defined using a variety of qualitative and quantitative factors including income levels, employment segment, nationality etc.

A significant number of customers are Government sector employees. The Company generally receives repayments through variable channels such as SADAD and bank transfers. The Company has approved collection policies and procedures establishing a collection strategy to follow up with the delinquent customers. In order to monitor exposure to credit risk, reports are reviewed by the risk committee on a quarterly basis. Furthermore, the Company has also strengthened its legal department in order to be actively involved in the collection process of delinquent customers. An allowance for ECL is maintained at a level which, in the judgment of management, is adequate to provide for potential losses that can be reasonably anticipated.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. For certain Murabaha receivables the Company may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

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.

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

- the 12 month probability of default (PD) as at the reporting date; with
- the 12 month probability of default (PD) at the time of initial recognition of the exposure

Stage 1: When receivables are first recognised, the Company recognises an allowance based on 12months ECLs. Stage 1 receivables also include facilities where the credit risk has improved and the receivables has been reclassified from Stage 2.

Stage 2: When a receivable has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECL. Stage 2 receivables also include facilities, where the credit risk has improved and the receivables has been reclassified from Stage 3.

Stage 3: Receivables considered credit-impaired. The Company records an allowance for the Lifetime ECL.

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

(i) Credit risk (continued)

POCI: Purchased or originated credit impaired (POCI) assets are receivables that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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 modelling, the remaining lifetime PD is determined to have increased significantly.

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

For SME and retail portfolio, apart from the customers whose receivables are restructured due to deterioration in credit worthiness, 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.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- the criteria do not align with the point in time when an asset becomes 30 days past due.

Collateral

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

The amount of collateral held as security for SME Murabaha receivables that are credit impaired as at 31 December are as follows

	2022	**2021**
Less than 50% collateral	**1,797,582**	220,392
51-80% collateral	**7,251,210**	-
More than 80% collateral	**33,745,113**	35,325,891
Total	**42,793,905**	35,546,283

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

(i) Credit risk (continued)

Concentration of Murabaha receivables according to segment

As at December 31, 2022	**Net receivable**	**ECL**	**Total**
Retail – Governmental	**305,049,543**	**(6,321,553)**	**298,727,990**
Retail - Private	**136,768,191**	**(4,814,461)**	**131,953,730**
SME - Construction	**82,550,616**	**(244,116)**	**82,306,500**
SME - Non-Construction	**203,884,403**	**(3,845,350)**	**200,039,053**
Total	**728,252,753**	**(15,225,480)**	**713,027,273**

As at December 31, 2021	**Net receivable**	**ECL**	**Total**
Retail - Governmental	345,052,175	(17,778,673)	327,273,502
Retail - Private	75,022,102	(5,292,941)	69,729,161
SME - Construction	129,579,198	(413,309)	129,165,889
SME - Non-Construction	352,401,111	(2,270,173)	350,130,938
Total	902,054,586	(25,755,096)	876,299,490

Credit quality of Murabaha receivables based on past due days is as follows:

Retail 2022	**Net Receivable**	**ECL**	**Total**
0 - 30	**364,287,287**	**(1,653,250)**	**362,634,037**
31 - 60	**37,435,830**	**(746,807)**	**36,689,023**
61 - 90	**24,455,870**	**(799,799)**	**23,656,071**
91 - 180	**7,872,366**	**(3,906,184)**	**3,966,182**
181 - 270	**4,059,730**	**(2,087,339)**	**1,972,391**
271 - 360	**3,706,650**	**(1,942,634)**	**1,764,016**
361 - 720	-	-	-
Above 720	-	-	-
	441,817,733	**(11,136,013)**	**430,681,720**

Retail 2021	**Net Receivable**	**ECL**	**Total**
0 - 30	316,548,216	(3,741,576)	312,806,640
31 - 60	41,282,983	(967,071)	40,315,912
61 - 90	29,160,461	(2,037,113)	27,123,348
91 - 180	10,710,249	(5,130,719)	5,579,530
181 - 270	12,428,214	(6,274,122)	6,154,092
271 - 360	9,185,035	(4,894,228)	4,290,807
361 - 720	374,121	(16,052)	358,069
Above 720	384,999	(10,732)	374,267
	420,074,278	(23,071,613)	397,002,665

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

(i) Credit risk (continued)

SME 2022	Net Receivable	ECL	Total
0 - 30	**214,631,091**	**(1,079,840)**	**213,551,251**
31 - 60	**21,253,966**	**(327,553)**	**20,926,413**
61 - 90	**28,983,048**	**(827,585)**	**28,155,463**
91 - 180	**2,141,182**	**(112,342)**	**2,028,840**
181 - 270	**2,348,837**	**(269,984)**	**2,078,853**
271 - 360	**8,314,343**	**(714,291)**	**7,600,052**
361 - 720	**7,615,375**	**(711,983)**	**6,903,392**
Above 720	**1,147,177**	**(45,887)**	**1,101,290**
	286,435,019	**(4,089,465)**	**282,345,554**

SME 2021	Net Receivable	ECL	Total
0 - 30	353,169,377	(71,641)	353,097,736
31 - 60	63,198,093	(559,662)	62,638,431
61 - 90	35,969,323	(880,877)	35,088,446
91 - 180	4,679,291	(181,679)	4,497,612
181 - 270	15,142,498	(451,923)	14,690,575
271 - 360	4,452,636	(221,737)	4,230,899
361 - 720	113,330	(10,831)	102,499
Above 720	5,255,761	(305,133)	4,950,628
	481,980,309	(2,683,483)	479,296,826

Measurement of ECL

The Company applies the IFRS 9 general approach to measuring expected credit losses which uses a 12-month or lifetime expected loss allowance as applicable for investment in Murabaha receivable contracts. The Company's ECL model is sensitive to macroeconomic variables such as expected movements of oil prices, inflation and GDP scenario weightings. Management evaluates changes in such macroeconomic factors on a periodic basis and has recognised the corresponding impact on the calculation of ECL as at 31 December 2022. The assessment of credit risk in the net investment in Murabaha receivables requires further estimations of credit risk using ECL which is derived by Probability of default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The Company measures an ECL at a contract level considering the EAD, PD and LGD. PD estimates are estimates at a certain date, based on the term structures as provided below. For LGD estimates, the Company uses present value of recoveries for loss accounts adjusted by the forward-looking information and further adjusts it in accordance with the Basel guidelines for investment in financing contracts. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract i.e. contractual repayments. For discounting, the Company has used each contract's effective profit rate. The Company's management believes that adequate ECL allowance has been made, where required to address the credit risk. Also see Note 6.

Generating the term structure of PD

PD is determined based on the historical loss experience of an entity. This historic PD is then adjusted by a factor, determined by reviewing the historic relationship between key economic parameters and PD. Forward looking macro-economic information is then considered and the calculated historical PD is adjusted.

22 Financial risk management (continued)

(iv) Credit risk (continued)

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, management considers the 'days past due' analysis of each exposure and certain other qualitative factors such as monitoring the forward looking information about financial difficulties faced by private sector employers of the customers and nationalization targets for specific industry groups etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on an extensive exercise carried out by the management, it had concluded that the GDP was the macroeconomic factor with the highest correlation to the historical collection and default trends. The Company measures the ECL as either a probability-weighted 12-month ECL (Stage 1) or a probability-weighted lifetime ECL (Stage 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weightings of 30%, 40% and 30% for "upturn", "baseline" and "downturn" scenarios respectively. Management updates the inputs with respect to macroeconomic factors to their ECL model on an periodic basis based on the latest available information. For details of macroeconomic factors used please refer note 2.17. As at 31 December 2022, the GDP incorporated in the upturn, baseline and downturn scenarios was 5.3%, 4.8% and 4.3% respectively.

Sensitivity analysis

An increase or decrease of USD 10 per barrel in the oil prices scenario weightings with all other variables held constant will result in an increase/decrease of Saudi Riyals 3,950 in the ECL allowance.

An increase or decrease of 1% in the GDP growth rate weightings with all other variables held constant will result in an increase of Saudi Riyals 44,175 in the ECL allowance.

An increase or decrease of 1% in the inflation rate weightings with all other variables held constant will result in an increase of Saudi Riyals 14,747 in the ECL allowance.

Cash and bank balances and other receivables

The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with a bank which has been assigned investment grade rating "A-2" as per Standard and Poor's (S&P). Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

ii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis.

The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Company's liabilities based on contractual undiscounted cash flows. Maturity profile of financial assets and liabilities are as follows:

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

ii) Liquidity risk (continued)

2022	**Less than 3 months**	**3 to12 months**	**1 to 10 years**	**Total 2022**
Financial assets - commission bearing				
Murabaha receivables, net	**199,175,976**	**369,948,628**	**336,257,508**	**905,382,112**
Due from a related party	**726,000**	**2,178,000**	**-**	**2,904,000**
Financial assets - non commission bearing				
Cash and cash equivalents	**181,441,739**	**-**	**-**	**181,441,739**
Other receivables	**23,328,155**	**-**	**-**	**23,328,155**
	404,671,870	**372,126,628**	**336,257,508**	**1,113,056,006**
Financial liabilities - commission bearing				
Sukuk	**4,090,909**	**-**	**-**	**4,090,909**
Loan from a related party	**-**	**-**	**100,000,000**	**100,000,000**
Long term loan	**97,937,696**	**252,310,626**	**110,884,033**	**461,132,355**
Financial liabilities - non commission bearing				
Accrued and other liabilities	**16,204,814**	**1,442,487**	**940,701**	**18,588,002**
	118,233,419	**253,753,113**	**211,824,734**	**583,811,266**
Liquidity gap	**286,438,451**	**118,373,515**	**124,432,774**	**529,244,740**

2021	**Less than 3 months**	**3 to12 months**	**1 to 10 years**	**Total 2021**
Financial assets - commission bearing				
Murabaha receivables, net	282,128,575	509,780,299	302,850,030	1,094,758,904
Due from a related party	915,214	2,321,972	2,570,814	5,808,000
Financial assets - non commission bearing				
Cash and cash equivalents	196,549,402	-	-	196,549,402
Other receivables	16,338,742	-	-	16,338,742
	495,931,933	512,102,271	305,420,844	1,313,455,048
Financial liabilities - commission bearing				
Sukuk	4,090,909	12,272,728	4,090,909	20,454,546
Loan from a related party	79,321,385	-	100,000,000	179,321,385
Long term loan	85,118,460	256,168,915	251,881,879	593,169,254
Financial liabilities - non commission bearing				
Accrued and other liabilities	17,028,824	891,602	318,564	18,238,990
	185,559,578	269,333,245	356,291,352	811,184,175
Liquidity gap	310,372,355	242,769,026	(50,870,508)	502,270,873

iii) Commission rate risk

Commission rate risk is the impact on future earnings of the Company resulting from increase in the market interest rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to interest rate adjustment within a specified period. The most important source of such risk is the Company's murabaha receivables and borrowings. The commission rate is fixed for the murabaha receivables and for the loan borrowings. The Company manages such risk by ensuring that there is no significant mismatch between commission bearing assets and liabilities and therefore such risk is not considered to have a significant impact on the financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

22 Financial risk management (continued)

iv) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates.

23 Capital management

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital**.** For the purpose of the Company's capital management, capital includes share capital and all other equity reserves attributable to the shareholders.

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital. The Company is required to maintain an equity to net receivable (excluding expected credit losses) ratio as approved by SAMA. The Company is in compliance with the SAMA requirements in relation to equity to net receivables ratio.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Murabaha financing, and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and debt covenants. As at the statement of financial position date the Company was in compliance with the prescribe requirements. At financial position date, the management analysis of gearing ratio was as follows:

	2022	**2021**
Debt	**558,620,764**	792,793,742
Shareholders' equity	**338,735,625**	277,034,985
Debt to equity Ratio	**1.65**	2.86

Net receivables to equity ratio	**2022**	**2021**
Net receivables (excluding ECL and related party)	**725,512,572**	897,188,142
Shareholders' equity	**338,735,625**	287,897,661
Net receivables to equity ratio	**2.1**	3.1

24 Related party transactions

In the ordinary course of its activities, the Company transacts business with related parties, which are related to its shareholders.

Transactions with related parties during the year:	**For the year ended December 31, 2022**	**For the year ended December 31, 2021**
Murabaha income (Talad Investment Company – Associate)	**777,737**	651,620
Repayment of Murabaha receivable (Talad Investment Company – Associate)	**2,904,000**	1,452,000
Loan obtained (Al Mawared Al Oula – shareholder)	**-**	100,000,000
Interest expense (Atheer Al Tharwa – Associate)	**-**	4,500,000
Interest income on Short term deposit (Al Khair Capital - Associate)	**3,663,655**	-
Balances:	**As at December 31, 2021**	**As at December 31, 2020**
Murabaha receivable, net (Talad Investment Company – Associate)	**2,732,147**	4,866,444
Al Mawared Al Oula – shareholder	**100,000,000**	100,000,000
Atheer Al Tharwa – Associate	**-**	79,321,385
Short term deposit (Al Khair Capital - Associate)	**120,451,322**	

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions (continued)

Key Management Personnel	2022	2021
Salaries and other short-term employee benefits	**10,075,062**	6,149,632
End of service benefits – Paid	**13,674**	533,574
End of service benefits – Accrued	**160,874**	
Directors' meeting attendance fee	**121,000**	504,000
Loans to key management of the Company	**292,546**	150,200

Key management personnel include Chief Executive Officer and other department heads.

25 Restatement

During the year ended December 31, 2022, management reassessed the treatment of accounting for the benefit of interest free loan from related party and restated the difference between the fair value and the cash received which had previously been recognized under a loan from related party to equity in order to reflect the substance of the transaction, which is an equity contribution from a related party.

The restatement in the financial statements as at December 31, 2021 has no material effect on the Company's financial performance and cash flows. The effect of this restatement on the financial statement line items is summarized below.

	As previously reported as at December 31, 2021	Restatement	As restated as at December 31, 2021
Liabilities			
Loan from a related party	179,169,942	(10,862,676)	168,307,266
Shareholders' equity			
Equity contribution on related party loan	-	10,862,676	10,862,676

26 SAMA support programs and initiatives

In order to compensate the related cost that the Company has incurred under the SAMA and other public authorities deferment programs, during the years 2021 and 2020, the Company has received multiple profit free deposits from SAMA amounting to SAR 62.5 million and SAR 92.4 million respectively with varying maturities, which qualify as government grants. Further, during the year ended December 31, 2022, the Company received profit free deposits amounting to SAR 43.29 million.

Management determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. By the end of the year 2021, total income recognised in years 2020 and 2021 amounts to SAR 14.6 million that had been recognised in the statement of income. Grant income amounting to SAR 3.89 million arose on the profit free deposit amounting to SAR 43.29 million received during the year ended December 31, 2022.

The net impact on the statement of income and other comprehensive income of the grant income, restructuring impact of financings and borrowings is as follows:

	For six-month period ended June 30 (Unaudited)	
	2022	**2021**
Modification loss on financing	**(3,219,185)**	(5,102,786)
Grant income	**3,897,781**	1,455,741
	678,596	(3,647,045)