UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
AND INDEPENDENT AUDITOR'S REPORT

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Independent auditor's report to the shareholder of United Company for Financial Services

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 United Company for Financial Services (the "Company") as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independent auditor's report to the shareholder of United Company for Financial Services (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.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

12 February 2024

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص رقم ٢٥
PRICE WATER HOUSE COOPERS
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2023	2022
Assets			
Cash and cash equivalents	4	**22,122,497**	21,132,397
Prepayments and other receivables	5	**14,459,616**	14,875,130
Investment in Islamic financing contracts	6	**1,867,385,357**	1,554,622,774
Property and equipment	7	**4,005,781**	4,668,650
Intangible assets	8	**18,135,066**	17,361,941
Total assets		**1,926,108,317**	1,612,660,892
Equity and liabilities			
Equity			
Share capital	9	**350,000,000**	350,000,000
Statutory reserve	10	**53,730,044**	32,494,661
Retained earnings		**483,570,401**	292,451,955
Actuarial reserve	14	**(101,862)**	(379,476)
Net equity		**887,198,583**	674,567,140
Liabilities			
Trade and other payables	11,15	**62,513,210**	72,931,317
Zakat payable	12	**24,423,377**	22,183,669
Borrowings	13	**945,351,417**	837,473,437
Employee benefit obligations	14	**6,621,730**	5,505,329
Total liabilities		**1,038,909,734**	938,093,752
Total equity and liabilities		**1,926,108,317**	1,612,660,892

The accompanying notes are an integral part of these financial statements.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	**2022**
Income from Islamic financing contracts	16	**523,854,144**	416,957,234
Finance cost	13	**(63,243,271)**	(27,778,499)
Net income from Islamic financing contracts		**460,610,873**	389,178,735
General and administrative expenses	17	**(58,216,169)**	(49,595,184)
Selling and marketing expenses	18	**(106,823,740)**	(87,826,026)
Net impairment losses on financial assets	6	**(60,591,068)**	(40,753,588)
Other income - net		**1,797,309**	4,131,239
Profit before zakat		**236,777,205**	215,135,176
Zakat expense	12	**(24,423,376)**	(21,512,882)
Profit for the year		**212,353,829**	193,622,294
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of employee benefit obligations	14	**277,614**	203,233
Total comprehensive income for the year		**212,631,443**	193,825,527
Earnings per share			
Basic and diluted	19	**6.07**	5.53

The accompanying notes are an integral part of these financial statements.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Actuarial reserve	Total
At 1 January 2022		350,000,000	13,132,432	118,191,890	(582,709)	480,741,613
Profit for the year		-	-	193,622,294	-	193,622,294
Other comprehensive income for the year		-	-	-	203,233	203,233
Total comprehensive income for the year		-	-	193,622,294	203,233	193,825,527
Transfer to statutory reserve	10	-	19,362,229	(19,362,229)	-	-
At 31 December 2022		350,000,000	32,494,661	292,451,955	(379,476)	674,567,140
Profit for the year		-	-	212,353,829	-	**212,353,829**
Other comprehensive income for the year		-	-	-	277,614	**277,614**
Total comprehensive income for the year		-	-	212,353,829	277,614	**212,631,443**
Transfer to statutory reserve	10	-	21,235,383	(21,235,383)	-	-
At 31 December 2023		**350,000,000**	**53,730,044**	**483,570,401**	**(101,862)**	**887,198,583**

The accompanying notes are an integral part of these financial statements.

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2023	**2022**
Cash flows from operating activities			
Profit before zakat		**236,777,205**	215,135,176
Adjustments for:			
Depreciation and amortization	7,8	**4,813,157**	3,997,263
Finance costs		**63,243,271**	27,778,499
Property and equipment written off	7	**-**	36,429
Net impairment losses on financial assets	6	**60,591,068**	40,753,588
Employee benefit obligations	14	**1,698,181**	1,645,544
Changes in working capital:			
Increase in investment in Islamic financing contracts		**(373,353,651)**	(409,316,221)
Decrease (increase) in prepayments and other receivables		**415,514**	(27,604)
Decrease in trade and other payables		**(10,418,106)**	(7,373,753)
Cash utilized in operations		**(16,233,361)**	(127,371,079)
Finance costs paid		**(62,968,208)**	(23,003,135)
Zakat paid	12	**(22,183,669)**	(14,752,876)
Employee benefit obligations paid	14	**(304,166)**	(1,307,739)
Net cash outflow from operating activities		**(101,689,404)**	(166,434,829)
Cash flows from investing activities			
Payments for purchases of property and equipment	7	**(1,165,596)**	(853,190)
Payments for additions to intangible assets	8	**(3,757,817)**	(2,812,601)
Net cash outflow from investing activities		**(4,923,413)**	(3,665,791)
Cash flows from financing activities			
Proceeds from long-term borrowings	13	**774,500,000**	396,000,000
Proceeds from short-term borrowings	13	**5,000,000**	250,000,000
Repayment of long-term borrowings	13	**(416,897,083)**	(489,045,831)
Repayment of short-term borrowings	13	**(255,000,000)**	-
Net cash inflow from financing activities		**107,602,917**	156,954,169
Net change in cash and cash equivalents		**990,100**	(13,146,451)
Cash and cash equivalents at beginning of year		**21,132,397**	34,278,848
Cash and cash equivalents at end of year	4	**22,122,497**	21,132,397

The accompanying notes are an integral part of these financial statements.

1 Legal status and operations

United Company for Financial Services ("the Company") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration ("CR") number 2051224103 issued in Al-Khobar on 15 Jumada Al Awwal 1440 H (21 January 2019).

The Company's head office is located in Al-Khobar, Kingdom of Saudi Arabia. The Company is a subsidiary of United International Holding Company ("UIHC'), a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia which is controlled by United Electronics Company ("UEC"), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia and principally engaged in the retail of electric appliances and electronic gadgets etc.

The principal business activities of the Company include various types of Islamic consumer finance services under license number 201905/Ash/52 and 42075295, obtained from Saudi Central Bank ("SAMA") issued on 26 Shaban 1440 H (1 May 2019) and 8 Shawwal 1442 H (20 May 2021) respectively. The Company offers Murabaha (product finance), Tawarruq (personal finance) and credit card finance services to individual customers in the Kingdom of Saudi Arabia. Such financing arrangements are unsecured and the profit rates for Murabaha and Tawarruq financing services are agreed at the inception of the contract with the customers. Collections are thereafter made in the form of monthly installments generally received from the customers through variable channels such as SADAD and bank transfers. The Company's investment in Islamic financing contracts comprises individually immaterial balances due from a large customer base and accordingly, the Company does not have any significant concentration of credit risk. Also see Note 6 and 20.

Murabaha financing arrangements are principally entered into with the customers of UEC but also include transactions with other retailers.

During the year ended 31 December 2023, there were no significant changes in the terms of the financing arrangements offered by the Company such as profit rates, tenures of the financing contracts, criterion for finance amounts disbursed etc. However, during the year ended 31 December 2023, certain changes were made to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) used by management in developing the model of computation of Expected Credit Loss ("ECL") on investment in Islamic financing contracts. A detailed analysis of such change in estimate has been included in Note 20. Also see Note 6.

2 Material accounting policies

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Historical cost convention

These financial statements are prepared under the historical cost convention except as otherwise disclosed in the relevant accounting policies below.

c) Basis of presentation

The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances are classified as current: cash and cash equivalents, trade and other payables and zakat payable. The following balances are classified as non-current: property and equipment, intangible assets, and employee benefit obligations. As at 31 December 2023 and 2022, the balances which are of mixed nature i.e. include both current and non-current portions include prepayment and other receivables, investment in Islamic financing contracts and borrowings. See Notes 5, 6 and 13 for breakdown for the current/non-current classification for such balances.

d) New standards and amendment to standards and interpretations

A number of new and amended standards became applicable for the current reporting period.

- Narrow scope amendments to IAS 1 'Presentation of financial statements' ("IAS 1"), Practice statement 2 and IAS 8 'Accounting policies, accounting estimates and errors' ("IAS 8");
- Amendment to IAS 12 'Taxation' ("IAS 12") – deferred tax related to assets and liabilities arising from a single transaction;
- Amendment to IAS 12 - International tax reform; and
- IFRS 17 – Insurance contracts ("IFRS 17")

The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

With respect to IFRS 17, pursuant to the regulations in Kingdom of Saudi Arabia, the Company is required to write-off exposures for deceased customers and accordingly there is an insurance risk under the Islamic financing contracts. Upon adoption of IFRS 17 effective from 1 January 2023, the Company continues to account for such exposures under IFRS 9 'Financial Instruments' instead of IFRS 17, given it meets the scope exemption under IFRS 17. Accordingly, based on management's assessment, there was no impact upon adoption of IFRS 17 and the impact of such exposure under IFRS 9 is immaterial considering limited history of deceased customers.

e) Standards issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 31 December 2023 reporting period and have not been early adopted by the Company.

- Amendment to IFRS 16 'Leases' ("IFRS 16") – Leases on sale and leaseback;
- Amendments to IAS 1, Presentation of financial statements' - Non-current liabilities with covenants;
- Amendment to IAS 7 'Cash flow statements' ("IAS 7") and IFRS 7 'Financial instruments: Disclosures ("IFRS 7") – Supplier finance; and
- Amendments to IAS 21 'Foreign currencies' ("IAS 21") - Lack of Exchangeability.

Management is in the process of assessing the impact of such new standards and interpretations on its financial statements.

2.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.3 Property and equipment

Property and equipment principally includes furniture, fixtures, office equipment and computers etc. which are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which are carried at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight-line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets under development are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Subsequent expenditures are capitalised only if future economic benefits that are attributable to the asset are expected to flow to the entity and the costs can be measured reliably.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the profit or loss when the asset is derecognised.

2.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.6 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective profit rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective profit rate method.

Borrowings are derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

2.7 Employee benefit obligations

The level of benefit is based on the terms and conditions of the labor laws applicable to the Company on termination of their employment contracts.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consists of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to actuarial reserve in the statement of changes in equity in the period in which they occur. Changes in the present value of defined benefit obligations resulting from the plan amendments or curtailments are recognized immediately in profit or loss as past service costs. The Company has no further payment obligations once the contributions have been paid.

2.8 Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and airfare allowance etc., that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within accrued employees' costs under trade and other payables in the statement of financial position.

2.9 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

2.10 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Income from Islamic financing contracts is recognized in profit or loss using the effective yield method, by applying the Effective Profit Rate ("EPR"), on the outstanding balance over the term of the contract.

The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the investment in Islamic financing contracts to their gross carrying amounts.

The calculation of EPR includes transaction costs and processing fees income received that represent an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets, such as costs pertaining to evaluation of customers' credit worthiness, sales commission etc. Processing fees is charged in respect of processing of Islamic financing contracts.

2.11 Expenses

Expenses, excluding finance costs, are presented in the statement of profit or loss and other comprehensive income by function, as permitted under the applicable financial reporting framework. All personnel costs of the sales department, costs required to enter into a financing contract and other associated expenses, advertising etc. are classified under "Selling and marketing expenses" whereas remaining expenses of administrative nature are classified under "General and administrative expenses".

2.12 Financial Instruments

2.12.1 Financial Assets

a) Classification

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at Fair Value Through Profit or Loss ("FVTPL").

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). 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.

This classification is based on the business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

The Company's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP").

b) Recognition and measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement of Company's financial assets are at amortised cost. Financial income from these financial assets is included in finance income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Instances of modifications to the terms of the Company's financial assets are rare, considering that the acceptance of modification request from the customers is at the discretion of the Company, except for cases as mandated by SAMA regulations. Modifications to the investment in Islamic financing contracts have an immaterial impact on the accompanying financial statements. Also see Note 20.

c) De-recognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

d) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the three-stage model for impairment of Investment in Islamic financing contracts, based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these financial assets, 12-month expected credit losses ("ECL") are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results from default events that are possible within 12-months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12-months.

Stage 2 ("Under-performing") includes financial assets that have had a significant increase in credit risk since initial recognition, but do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is 30 or more days past due. For these financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due, which is fully aligned with the definition of credit-impaired under IFRS 9. For these financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial asset has increased significantly since the initial recognition of the financial asset, 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, as it enters into Islamic Financing Contracts with individual customers only.

Financial assets are written-off only when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include amongst others, customers' failure to make contractual payments for a period of greater than 365 days past default, in accordance with SAMA's rules and regulations, and or engage with the Company's collection team. In any case, the Company ensures that all write-offs are only made upon exhaustion of reasonable collection efforts by management. Furthermore, all outstanding exposures from deceased customers are written off immediately.

Where financial assets are written-off, the Company continues to engage enforcement activities to attempt to recover the receivable due, except for balances written off for deceased customers, which are immaterial. Recoveries made, after write-off, are recognized in 'Net impairment losses on financial assets' in profit or loss.

Impairment losses on financial assets are presented separately on the statement of profit or loss and other comprehensive income. For details regarding credit risk management, refer Note 20.

2.12.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

2.12.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right, which is not contingent on anything, to set off the recognised amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.13 Investment in Islamic financing contracts

2.13.1 Tawarruq financing contracts

Tawarruq is an agreement wherein the Company sells a product to its customer which the Company has purchased and subsequently to such sale, arranges to sell the underlying asset and pay out the sale proceeds to the customer. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale payments on the Tawarruq agreement ("Tawarruq financing contracts"). The difference between the Tawarruq financing contracts and the cost of the product sold, is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under Tawarruq financing contracts.

2.13.2 Murabaha financing contracts

Murabaha is an Islamic form of financing wherein, the Company based on request from its customers, purchases specific commodities and sells them to the customers at a price equal to the Company's cost-plus profit, payable on deferred basis in installments. The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under the Murabaha financing contracts.

2.14 Islamic credit card receivables

Islamic credit card receivables are initially measured at the fair value-which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortized cost.

2.15 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on liquidity. However, an asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

2.16 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Additional amounts, if any, are accounted for when determined to be required for payment. The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

a) Critical accounting estimate

(i) Measurement of ECL allowance on investment in Islamic financing contracts

Measurement of ECL allowance on investment in Islamic financing contracts is an estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year. During the year ended 31 December 2023, there were certain changes made to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) in developing the model for computation of ECL on investment in Islamic financing contracts. A detailed analysis of such change in estimate and the underlying judgements has been included in Note 20. Also see Note 6.

b) Critical accounting judgements

(i) 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. Management has exercised judgement in determining that its lease agreements for office space and other kiosks etc. are short term in nature considering expected expansion of workforce, insignificant leasehold improvements, analysis of utility of the kiosks and expectation of no significant business disruption. Accordingly, all rental expenses for such short-term leases have been charged to statement of profit or loss and other comprehensive income.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(ii) 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 of payment of two consecutive installments by the customer, the entire contract amount becomes payable upon demand by the Company at its discretion. However, 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.

4 Cash and cash equivalents

	2023	2022
Cash in hand	**9,360**	5,000
Cash at bank	**22,113,137**	21,127,397
	22,122,497	21,132,397

(All amounts in Saudi Riyals unless otherwise stated)

5 Prepayments and other receivables

	Note	2023	2022
Prepaid expenses		**10,996,193**	12,900,034
Advances to employees		**763,489**	678,699
Advances to suppliers		**917,178**	193,067
Due from related parties	15	**290,886**	-
Other receivables		**1,491,870**	1,103,330
		14,459,616	14,875,130

Classification of prepayments and other receivables is presented below:

	2023	2022
Due within 12 months	**12,965,243**	13,544,639
Due after 12 months	**1,494,373**	1,330,491
	14,459,616	14,875,130

Also see Note 15.1 and Note 20.

6 Investment in Islamic financing contracts

	2023	2022
Investment in Tawarruq financing contracts, net	**1,531,316,342**	1,149,837,518
Investment in Murabaha financing contracts, net	**272,873,307**	398,318,567
Investment in Islamic credit cards, net	**63,195,708**	6,466,689
	1,867,385,357	1,554,622,774
Less: Due after 12 months	**(1,028,152,040)**	(894,027,755)
Due within 12 months	**839,233,317**	660,595,019

(All amounts in Saudi Riyals unless otherwise stated)

6.1 Reconciliation between gross and net investment in Islamic financing contracts is as follows:

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Gross investment in Islamic financing contracts	**2,317,297,899**	1,756,429,044	**362,169,051**	531,814,471	**65,726,549**	6,831,628	**2,745,193,499**	2,295,075,143
Unearned finance and processing fee income	**(736,619,032)**	(566,527,502)	**(77,646,235)**	(127,169,940)	**-**	-	**(814,265,267)**	(693,697,442)
Present value of investment in Islamic financing contracts ("P.V. of I.F.C.")	**1,580,678,867**	1,189,901,542	**284,522,816**	404,644,531	**65,726,549**	6,831,628	**1,930,928,232**	1,601,377,701
Allowance for ECL/net impairment on financial assets	**(49,362,525)**	(40,064,024)	**(11,649,509)**	(6,325,964)	**(2,530,841)**	(364,939)	**(63,542,875)**	(46,754,927)
Net investment in Islamic financing contracts ("Net investment in I.F.C.")	**1,531,316,342**	1,149,837,518	**272,873,307**	398,318,567	**63,195,708**	6,466,689	**1,867,385,357**	1,554,622,774
Net investment in I.F.C. - Due after 12 months	**(957,962,987)**	(773,390,465)	**(70,189,053)**	(120,637,290)	**-**	-	**(1,028,152,040)**	(894,027,755)
Net investment in I.F.C. - Due within 12 months	**573,353,355**	376,447,053	**202,684,254**	277,681,277	**63,195,708**	6,466,689	**839,233,317**	660,595,019

6.2 The movement in allowance for ECL/impairment on Islamic financing contracts is as follows:

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Opening balance	**40,064,024**	23,932,886	**6,325,964**	9,430,785	**364,939**	-	**46,754,927**	33,363,671
Charge for the year	**52,655,193**	42,044,281	**16,583,715**	5,449,115	**2,721,177**	364,939	**71,960,085**	47,858,335
Amounts written-off	**(43,356,692)**	(25,913,143)	**(11,260,170)**	(8,553,936)	**(555,275)**	-	**(55,172,137)**	(34,467,079)
Closing balance	**49,362,525**	40,064,024	**11,649,509**	6,325,964	**2,530,841**	364,939	**63,542,875**	46,754,927

Certain amounts in the comparative column of the above disclosure have been adjusted to conform to 2023 presentation.

(All amounts in Saudi Riyals unless otherwise stated)

6.2.1 Net impairment losses on financial assets:

	Tawarruq finance		Murabaha finance		Islamic credit card		Total	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Charge for the year	**52,655,193**	42,044,281	**16,583,715**	5,449,115	**2,721,177**	364,939	**71,960,085**	47,858,335
Recoveries amount of previously written off	**(7,745,163)**	(4,691,718)	**(3,623,854)**	(2,413,029)	**-**	-	**(11,369,017)**	(7,104,747)
Net impairment losses on financial assets	**44,910,030**	37,352,563	**12,959,861**	3,036,086	**2,721,177**	364,939	**60,591,068**	40,753,588

(All amounts in Saudi Riyals unless otherwise stated)

6.3 Stage-wise analysis of Islamic financing contracts and the respective allowance for ECL/impairment are as follows:

31 December 2023	Tawarruq finance P.V. of I.F.C.	Tawarruq finance Allowance for ECL	Tawarruq finance Net investment in I.F.C.	Murabaha finance P.V. of I.F.C.	Murabaha finance Allowance for ECL	Murabaha finance Net investment in I.F.C.	Islamic credit card P.V. of I.F.C.	Islamic credit card Allowance for ECL	Islamic credit card Net investment in I.F.C.	Total P.V. of I.F.C.	Total Allowance for ECL	Total Net investment in I.F.C.
Performing (Stage 1)	**1,363,519,192**	**(12,795,904)**	**1,351,369,656**	**231,558,510**	**(1,145,853)**	**229,766,290**	**56,654,129**	**(734,894)**	**55,919,235**	**1,651,731,831**	**(14,676,651)**	**1,637,055,181**
Under-performing (Stage 2)	**94,488,537**	**(7,281,868)**	**87,206,669**	**13,124,454**	**(812,779)**	**12,311,675**	**3,111,317**	**(299,851)**	**2,811,466**	**110,724,308**	**(8,394,498)**	**102,329,810**
Non-performing (Stage 3)	**122,671,138**	**(29,284,753)**	**92,740,017**	**39,839,852**	**(9,690,877)**	**30,795,342**	**5,961,103**	**(1,496,096)**	**4,465,007**	**168,472,093**	**(40,471,726)**	**128,000,366**
	1,580,678,867	**(49,362,525)**	**1,531,316,342**	**284,522,816**	**(11,649,509)**	**272,873,307**	**65,726,549**	**(2,530,841)**	**63,195,708**	**1,930,928,232**	**(63,542,875)**	**1,867,385,357**

31 December 2022	Tawarruq finance P.V. of I.F.C.	Tawarruq finance Allowance for ECL	Tawarruq finance Net investment in I.F.C.	Murabaha finance P.V. of I.F.C.	Murabaha finance Allowance for ECL	Murabaha finance Net investment in I.F.C.	Islamic credit card P.V. of I.F.C.	Islamic credit card Allowance for ECL	Islamic credit card Net investment in I.F.C.	Total P.V. of I.F.C.	Total Allowance for ECL	Total Net investment in I.F.C.
Performing (Stage 1)	1,102,246,076	(10,499,979)	1,091,746,097	378,862,108	(1,407,515)	377,454,593	5,839,977	(46,764)	5,793,213	1,486,948,161	(11,954,258)	1,474,993,903
Under-performing (Stage 2)	18,729,566	(2,889,861)	15,839,705	4,759,049	(196,462)	4,562,587	496,110	(96,229)	399,881	23,984,725	(3,182,552)	20,802,173
Non-performing (Stage 3)	68,925,900	(26,674,184)	42,251,716	21,023,374	(4,721,987)	16,301,387	495,541	(221,946)	273,595	90,444,815	(31,618,117)	58,826,698
	1,189,901,542	(40,064,024)	1,149,837,518	404,644,531	(6,325,964)	398,318,567	6,831,628	(364,939)	6,466,689	1,601,377,701	(46,754,927)	1,554,622,774

(All amounts in Saudi Riyals unless otherwise stated)

6.4 Stage-wise movement in ECL allowance/impairment on investment in Islamic financing contracts is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-Performing (Stage 3)	Total
2023				
1 January 2023	**11,954,258**	**3,182,552**	**31,618,117**	**46,754,927**
Individual financial assets transferred to under-performing (lifetime expected credit losses)	**(5,269,553)**	**8,233,965**	**(633,024)**	**2,331,388**
Individual financial assets transferred to non-performing (credit-impaired financial assets)	**(16,973,642)**	**(1,927,646)**	**38,214,127**	**19,312,839**
Individual financial assets transferred to performing (12-month expected credit losses)	**41,654**	**(475,552)**	**(2,299,296)**	**(2,733,194)**
New financial assets originated	**28,620,255**	**`-**	**-**	**28,620,255**
Amounts written-off	**(1,499,529)**	**(267,396)**	**(53,405,212)**	**(55,172,137)**
Other changes	**(2,196,792)**	**(351,425)**	**26,977,014**	**24,428,797**
31 December 2023	**14,676,651**	**8,394,498**	**40,471,726**	**63,542,875**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-Performing (Stage 3)	Total
2022				
1 January 2022	7,738,119	2,641,437	22,984,115	33,363,671
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,865,745)	3,134,989	(145,754)	1,123,490
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(10,966,142)	(1,600,307)	30,266,609	17,700,160
Individual financial assets transferred to performing (12-month expected credit losses)	39,698	(361,128)	(328,977)	(650,407)
New financial assets originated	19,074,178	-	-	19,074,178
Amounts written-off	(63,444)	(127,666)	(34,275,969)	(34,467,079)
Other changes	(2,002,406)	(504,773)	13,118,093	10,610,914
31 December 2022	11,954,258	3,182,552	31,618,117	46,754,927

(All amounts in Saudi Riyals unless otherwise stated)

6.5 Category-wise movement in stage-wise ECL allowance/impairment is as follows:

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
2023	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**
At 1 January	**10,499,979**	**2,889,861**	**26,674,184**	**1,407,515**	**196,462**	**4,721,987**	**46,764**	**96,229**	**221,946**	**11,954,258**	**3,182,552**	**31,618,117**
Individual financial assets transferred to												
- Stage 1	**39,352**	**(445,905)**	**(2,185,825)**	**1,614**	**(25,155)**	**(87,381)**	**688**	**(4,492)**	**(26,090)**	**41,654**	**(475,552)**	**(2,299,296)**
- Stage 2	**(4,472,683)**	**7,133,158**	**(583,276)**	**(508,040)**	**802,392**	**(49,748)**	**(288,830)**	**298,415**	**-**	**(5,269,553)**	**8,233,965**	**(633,024)**
- Stage 3	**(11,369,903)**	**(1,741,561)**	**27,348,710**	**(4,476,191)**	**(109,322)**	**9,369,321**	**(1,127,548)**	**(76,763)**	**1,496,096**	**(16,973,642)**	**(1,927,646)**	**38,214,127**
New financial assets originated	**21,149,451**	**-**	**-**	**5,383,182**	**-**	**-**	**2,087,622**	**-**	**-**	**28,620,255**	**-**	**-**
Amounts written-off	**(1,372,988)**	**(250,833)**	**(41,732,873)**	**(126,542)**	**(16,563)**	**(11,117,066)**	**-**	**-**	**(555,274)**	**(1,499,529)**	**(267,396)**	**(53,405,212)**
Other changes	**(1,677,304)**	**(302,852)**	**19,763,833**	**(535,685)**	**(35,035)**	**6,853,764**	**16,198**	**(13,538)**	**359,418**	**(2,196,792)**	**(351,425)**	**26,977,014**
At 31 December	**12,795,904**	**7,281,868**	**29,284,753**	**1,145,853**	**812,779**	**9,690,877**	**734,894**	**299,851**	**1,496,096**	**14,676,651**	**8,394,498**	**40,471,726**

(All amounts in Saudi Riyals unless otherwise stated)

	Tawarruq finance			**Murabaha finance**			**Islamic Credit Card**			**Total**		
2022	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**
At 1 January	6,019,104	2,067,066	15,846,716	1,719,015	574,371	7,137,399	-	-	-	7,738,119	2,641,437	22,984,115
Individual financial assets transferred to												
- Stage 1	36,518	(273,720)	(222,316)	3,180	(87,408)	(106,661)	-	-	-	39,698	(361,128)	(328,977)
- Stage 2	(1,596,879)	2,837,283	(136,205)	(172,637)	201,477	(9,549)	(96,229)	96,229	-	(1,865,745)	3,134,989	(145,754)
- Stage 3	(8,827,555)	(1,312,838)	26,781,022	(1,916,641)	(287,469)	3,263,641	(221,946)	-	221,946	(10,966,142)	(1,600,307)	30,266,609
New financial assets originated	15,753,053	-	-	2,979,368	-	-	341,757	-	-	19,074,178	-	-
Amounts written-off	(53,355)	(80,777)	(24,639,667)	(10,089)	(46,889)	(9,636,303)	-	-	-	(63,444)	(127,666)	(34,275,970)
Other changes	(830,907)	(347,153)	9,044,634	(1,194,681)	(157,620)	4,073,460	23,182	-	-	(2,002,406)	(504,773)	13,118,094
At 31 December	10,499,979	2,889,861	26,674,184	1,407,515	196,462	4,721,987	46,764	96,229	221,946	11,954,258	3,182,552	31,618,117

Following factors contributed to the change in the ECL allowance during the year ended 31 December 2023:

- Transfers between Stage 1, 2 and 3, due to balances experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;

- During the year ended 31 December 2023, management has noted an overtime increase in Stage 2 and Stage 3 exposures which is consistent with the overall maturity of the portfolio of the Islamic financing contracts since the early years of incorporation of the Company.

- During the year ended 31 December 2023, there were certain changes made to the underlying methodology and assumptions (choice of variable inputs and their interdependencies) used by management in developing the model for computation of ECL on investment in Islamic financing contracts. A detailed analysis of such change in estimate and the underlying judgements has been explained in Note 20;

- Additional allowances for new financial assets recognised during the year;

- Financial assets written off; and

- ‘Other changes’ in Stage 3 principally represent net impact of additional allowance for ECL recognized upon write-offs.

(All amounts in Saudi Riyals unless otherwise stated)

6.6 Category-wise movement in stage-wise gross carrying amounts of net investment in Islamic financing contracts is as follows:

	Tawarruq finance			Murabaha finance			Islamic Credit Card			Total		
2023	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**
At 1 January	**1,102,246,076**	**18,729,566**	**68,925,900**	**378,862,108**	**4,759,049**	**21,023,374**	**5,839,977**	**496,110**	**495,541**	**1,486,948,161**	**23,984,725**	**90,444,815**
Individual financial assets transferred to												
- Stage 1	**8,258,699**	**(2,977,463)**	**(5,281,236)**	**6,483,793**	**(516,755)**	**(5,967,038)**	**560,237**	**(82,174)**	**(478,063)**	**15,302,729**	**(3,576,392)**	**(11,726,337)**
- Stage 2	**(105,939,794)**	**107,377,995**	**(1,438,201)**	**(19,287,063)**	**19,498,243**	**(211,180)**	**(3,277,445)**	**3,277,445**	**-**	**(128,504,302)**	**130,153,683**	**(1,649,381)**
- Stage 3	**(104,820,476)**	**(10,514,776)**	**115,335,252**	**(37,908,327)**	**(2,177,175)**	**40,085,502**	**(4,664,061)**	**(371,584)**	**5,035,645**	**(147,392,864)**	**(13,063,535)**	**160,456,399**
New financial assets originated	**887,520,986**		**-**	**164,443,855**	**-**	**-**	**64,413,772**	**-**	**-**	**1,116,378,613**	**-**	**-**
Amounts written-off	**(1,372,988)**	**(250,833)**	**(41,732,873)**	**(126,542)**	**(16,563)**	**(11,117,066)**	**-**	**-**	**(555,274)**	**(1,499,529)**	**(267,396)**	**(53,405,212)**
Collections and other changes	**(422,373,311)**	**(17,875,952)**	**(13,137,704)**	**(260,909,314)**	**(8,422,345)**	**(3,973,740)**	**(6,218,351)**	**(208,480)**	**1,463,254**	**(689,500,977)**	**(26,506,777)**	**(15,648,191)**
At 31 December	**1,363,519,192**	**94,488,537**	**122,671,138**	**231,558,510**	**13,124,454**	**39,839,852**	**56,654,129**	**3,111,317**	**5,961,103**	**1,651,731,831**	**110,724,308**	**168,472,093**

(All amounts in Saudi Riyals unless otherwise stated)

	Tawarruq finance			**Murabaha finance**			**Islamic Credit Card**			**Total**		
2022	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**
At 1 January	812,453,495	9,813,848	34,309,239	341,693,147	5,149,276	16,004,806	-	-	-	1,154,146,642	14,963,124	50,314,045
Individual financial assets transferred to												
- Stage 1	1,783,037	(1,299,984)	(483,053)	929,621	(691,363)	(238,258)	-	-	-	2,712,658	(1,991,347)	(721,311)
- Stage 2	(19,832,054)	20,129,833	(297,779)	(5,498,757)	5,519,945	(21,188)	(496,110)	496,110	-	(25,826,921)	26,145,888	(318,967)
- Stage 3	(61,526,276)	(6,106,964)	67,633,240	(18,880,295)	(2,379,872)	21,260,167	(495,541)	-	495,541	(80,902,112)	(8,486,836)	89,388,948
New financial asset originated	666,016,546	-	-	283,447,479	-	-	6,831,628	-	-	956,295,653	-	-
Amounts written-off	(53,355)	(80,777)	(24,639,667)	(10,089)	(46,889)	(9,636,303)	-	-	-	(63,444)	(127,666)	(34,275,970)
Collections and other changes	(296,595,317)	(3,726,390)	(7,596,080)	(222,818,998)	(2,792,048)	(6,345,850)	-	-	-	(519,414,315)	(6,518,438)	(13,941,930)
At 31 December	1,102,246,076	18,729,566	68,925,900	378,862,108	4,759,049	21,023,374	5,839,977	496,110	495,541	1,486,948,161	23,984,725	90,444,815

(All amounts in Saudi Riyals unless otherwise stated)

6.7 Maturity profile of gross investment in Islamic financing contracts and present value of investment in Islamic financing contracts is as follows:

	2023	2022
Gross investment in Islamic financing contracts		
Within one year	**1,034,366,835**	891,198,952
From one to two years	**808,227,507**	715,448,610
From two to three years	**479,714,718**	407,361,700
From three to four years	**295,255,542**	205,335,564
Four to five years	**127,628,897**	75,730,317
	2,745,193,499	2,295,075,143
Present value of investment in Islamic financing contracts		
Within one year	**870,366,971**	673,915,155
From one to two years	**550,792,884**	492,312,721
From two to three years	**301,094,317**	263,912,900
From three to four years	**150,008,190**	126,930,843
Four to five years	**58,665,870**	44,306,082
	1,930,928,232	1,601,377,701

(All amounts in Saudi Riyals unless otherwise stated)

7 Property and equipment

	Furniture and fixtures	Office equipment	Computers	Leasehold improvements	Total
2023					
Cost					
1 January	**3,290,968**	**769,092**	**4,275,868**	**308,989**	**8,644,917**
Additions	**282,587**	**164,887**	**718,122**	**-**	**1,165,596**
31 December	**3,573,555**	**933,979**	**4,993,990**	**308,989**	**9,810,513**
Accumulated depreciation					
1 January	**(1,614,558)**	**(236,116)**	**(2,049,214)**	**(76,379)**	**(3,976,267)**
Additions	**(692,713)**	**(162,326)**	**(944,122)**	**(29,304)**	**(1,828,465)**
31 December	**(2,307,271)**	**(398,442)**	**(2,993,336)**	**(105,683)**	**(5,804,732)**
Net book value	**1,266,284**	**535,537**	**2,000,654**	**203,306**	**4,005,781**

	Furniture and fixtures	Office equipment	Computers	Leasehold improvements	Total
2022					
Cost					
1 January	2,985,677	764,513	3,811,035	308,989	7,870,214
Additions	383,778	4,579	464,833	-	853,190
Write-offs	(78,487)	-	-	-	(78,487)
31 December	3,290,968	769,092	4,275,868	308,989	8,644,917
Accumulated depreciation					
1 January	(1,041,039)	(82,898)	(1,234,244)	(47,075)	(2,405,256)
Additions	(615,577)	(153,218)	(814,970)	(29,304)	(1,613,069)
Write-offs	42,058	-	-	-	42,058
31 December	(1,614,558)	(236,116)	(2,049,214)	(76,379)	(3,976,267)
Net book value	1,676,410	532,976	2,226,654	232,610	4,668,650

(All amounts in Saudi Riyals unless otherwise stated)

The estimated useful lives of assets are as follows:

	Number of years
• Furniture and fixtures	5
• Office equipment	5
• Computers	5
• Leasehold improvements	5

8 Intangible assets

	Computer software	Capital work-in-progress	Total
2023			
Cost			
1 January	**22,293,343**	**313,128**	**22,606,471**
Additions	**3,154,002**	**603,815**	**3,757,817**
Transfers	**488,547**	**(488,547)**	**-**
31 December	**25,935,892**	**428,396**	**26,364,288**
Accumulated amortisation			
1 January	**(5,244,530)**	**-**	**(5,244,530)**
Additions	**(2,984,692)**	**-**	**(2,984,692)**
31 December	**(8,229,222)**	**-**	**(8,229,222)**
Net book value	**17,706,670**	**428,396**	**18,135,066**

	Computer software	Capital work-in-progress	Total
2022			
Cost			
1 January	12,468,207	7,325,663	19,793,870
Additions	2,173,392	639,209	2,812,601
Transfers	7,651,744	(7,651,744)	-
31 December	22,293,343	313,128	22,606,471
Accumulated amortisation			
1 January	(2,860,336)	-	(2,860,336)
Additions	(2,384,194)	-	(2,384,194)
31 December	(5,244,530)	-	(5,244,530)
Net book value	17,048,813	313,128	17,361,941

Intangible assets, with finite useful lives, are amortized on a straight-line basis over their estimated useful lives of 5 - 10 years. The remaining useful lives of such intangible assets range from 2 - 10 years.

The Company's capital-work-in-progress as at 31 December 2023 principally comprises the costs incurred related to computer software which is expected to be completed by May 2024 with a total estimated cost of Saudi Riyals 0.6 million.

9 Share capital

The share capital of the Company as of 31 December 2023 and 2022 comprised 35 million shares stated at Saudi Riyals 10 per share, wholly owned by UIHC.

(All amounts in Saudi Riyals unless otherwise stated)

10 Statutory reserve

In accordance with the Company's By-laws, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals to 30% of its share capital. This reserve is currently not available for distribution to shareholders of the Company. The new Regulations for Companies, effective from 19 January 2023, no longer mandate maintaining any statutory reserve and the Company is in the process of updating its By-laws within the grace period allowed, in accordance with such regulations.

11 Trade and other payables

	Note	2023	2022
Due to related parties	15	**25,561,785**	39,907,489
Trade payables		**15,249,186**	14,897,843
Accrued expenses		**9,213,172**	7,958,569
Accrued salaries and other benefits		**8,997,816**	5,996,627
Accrued Board of Directors' fee		**2,479,778**	2,102,978
Value added tax payable		**541,309**	301,698
Others		**470,164**	1,766,113
		62,513,210	72,931,317

12 Zakat payable

12.1 The principal elements of the approximate zakat base are as follows:

	2023	2022
Equity at beginning of year	**674,567,140**	480,741,613
Non-current liabilities and borrowings	**677,174,397**	407,171,989
Total financing resources	**1,351,741,537**	887,913,602
Total assets	**1,930,743,195**	1,612,660,892
Zakat assets	**880,450,308**	696,602,546
Zakat assets / Total assets	**46%**	43%
Approximate zakat base	**621,801,107**	383,541,809

In accordance with the regulations of the ZATCA, zakat is payable at 2.577% of zakat base subject to a minimum and maximum capping / threshold of 4 times or 8 times, respectively of profit before zakat.

12.2 Provision for zakat

	2023	2022
1 January	**22,183,669**	15,423,663
Provisions		
-For current year	**24,423,377**	22,183,669
-Adjustments related to prior years	**-**	(670,787)
	24,423,377	21,512,882
Payments	**(22,183,669)**	(14,752,876)
31 December	**24,423,377**	22,183,669

(All amounts in Saudi Riyals unless otherwise stated)

12.3 Status of final assessments

The Company's zakat assessment since inception are currently under review by the ZATCA. The Company has obtained zakat certificates from ZATCA for the years through 2022.

13 Borrowings

	2023	**2022**
Long-term borrowings		
Murabaha facilities	**939,536,250**	581,933,334
Short-term borrowings		
Murabaha facilities	**-**	250,000,000
	939,536,250	831,933,334
Accrued finance cost	**5,815,167**	5,540,103
	945,351,417	837,473,437

Classification of borrowings is presented below:

Due within 12 months (including short-term borrowings)	**280,613,917**	435,806,777
Due after 12 months	**664,737,500**	401,666,660
	945,351,417	837,473,437

13.1 The movement in the Company's borrowings is as follows:

	2023	**2022**
As at 1 January	**837,473,437**	675,743,904
Proceeds from long-term borrowings	**774,500,000**	396,000,000
Proceeds from short-term borrowings	**5,000,000**	250,000,000
Repayment of long-term borrowings	**(416,897,083)**	(489,045,831)
Repayment of short-term borrowings	**(255,000,000)**	-
Finance cost accrued	**63,243,271**	27,778,499
Finance cost paid	**(62,968,208)**	(23,003,135)
As at 31 December	**945,351,417**	837,473,437

13.2 The maturities of the Company's borrowings are as follows:

	2023	**2022**
Less than 6 months	**139,923,750**	352,633,342
Between 6 to 12 months	**134,875,000**	77,633,332
Between 1 and 2 years	**269,750,000**	155,266,664
Between 2 and 5 years	**394,987,500**	246,399,996
	939,536,250	831,933,334

Maturity profile of borrowings, including finance cost component, is disclosed in Note 20.

13.3 The Company has obtained borrowings under Islamic financing arrangements with commercial banks in the Kingdom of Saudi Arabia. All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate ("SAIBOR") ranging between SAIBOR plus 0.85% to 1.25% (31 December 2022: SAIBOR plus 1.1% to 1.4%). The Company's borrowings are carried at amortised cost and are periodically contractually repriced after every three months, in line with the terms of the borrowing arrangements.

The facility-wise breakdown of the outstanding loan balance is as follows:

	Note	2023	2022
Long-term borrowings			
Murabaha I	13.3.1	-	206,933,334
Murabaha III	13.3.2	-	25,000,000
Murabaha IV	13.3.3	**249,998,750**	350,000,000
Murabaha VI	13.3.4	**356,350,000**	-
Murabaha VII	13.3.5	**333,187,500**	-
Short-term borrowings			
Murabaha V	13.3.6	-	250,000,000
		939,536,250	831,933,334
Accrued finance cost		**5,815,167**	5,540,103
		945,351,417	837,473,437

The financial charges incurred during the period increased on account of increase in amount of borrowings and increase in SAIBOR since the second half of 2022. Certain credit facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the Company was in compliance with at 31 December 2023.

During the year ended 31 December 2023, the Company made early repayments of borrowings under certain facilities and entered into a new facility agreement (Murabaha VI and Murabaha VII) with another commercial bank on favorable terms agreed under a separate agreement. There was no gain or loss on the extinguishment of the borrowings upon early repayment.

Details of the type of borrowings facilities as allocated to and availed by the Company are as follows:

Long-term borrowings:

13.3.1 Murabaha I

Total amount allocated to the Company under such facility is Saudi Riyals 300 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. During 2023, the Company made early repayment of borrowings in full amounting to Saudi Riyals 216.9 million (As at 31 December 2022, the Company had an outstanding loan balance of Saudi Riyals 206.9 against this facility).

13.3.2 Murabaha III

Total amount allocated to the Company under such facility is Saudi Riyals 500 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. During 2023, the Company made early repayment of borrowings in full amounting to Saudi Riyals 33 million (31 December 2022: early repayment amounting to Saudi Riyals 360.8 million).

13.3.3 Murabaha IV

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 December 2023, the Company has an outstanding loan balance of Saudi Riyals 250 million against this facility (31 December 2022: Saudi Riyals 350.0 million).

Under the terms of this borrowing facility, the Company is required to maintain a minimum ratio of 1.2 to 1 of earnings before interest, tax, depreciation and amortization ("EBITDA") to Debt Service. As at 31 December 2023, the ratio of EBITDA to debt service was 4.8 (31 December 2022: 1.6), in compliance with the requirements of the minimum ratio as set out in such facility agreement. The Company is also required to monitor the aggregate amount of financing offered by the Company in line with the regulatory requirements of SAMA, which requires companies engaged in financing other than real estate, not to exceed aggregate financing to capital ratio of three times, which is calculated by dividing net investment in Islamic financing contracts by total equity. As at 31 December 2023, such ratio of investment in Islamic financing contracts to net equity was 2.2 (31 December 2022: 2.3), in compliance with the requirements of SAMA.

13.3.4 Murabaha VI

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 31 December 2023, the Company has an outstanding loan balance of Saudi Riyals 356.4 million against this facility (31 December 2022: Nil).

Under the terms of this new borrowing facility availed in 2023, the Company is required to maintain a minimum current ratio of 1.05. As at 31 December 2023, the current ratio was 2.4, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

13.3.5 Murabaha VII

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 3 months after receipt of the borrowed amount. As at 31 December 2023, the Company has an outstanding loan balance of Saudi Riyals 333.1 million against this facility (31 December 2022: Nil).

Under the terms of this new borrowing facility availed in 2023, the Company is required to maintain a minimum current ratio of 1.1. As at 31 December 2023, the current ratio was 2.4, in compliance with the requirements of the minimum ratio as set out in such facility agreement.

Short-term borrowings:

13.3.6 Murabaha V

Total amount allocated to the Company under such facility is Saudi Riyals 250 million. The tenure of the borrowing facility is less than one year. During 2023, the Company made early repayment of borrowings in full amounting to Saudi Riyals 255 million (31 December 2022: Saudi Riyals 250 million).

(All amounts in Saudi Riyals unless otherwise stated)

14 Employee benefit obligations

14.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Law of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2023.

14.2 Movement in net liability recognized in the statement of financial position

	2023	**2022**
As at 1 January	**5,505,329**	5,370,757
Current service cost	**1,439,546**	1,474,881
Interest cost	**258,635**	170,663
Remeasurements	**(277,614)**	(203,233)
Payments	**(304,166)**	(1,307,739)
As at 31 December	**6,621,730**	5,505,329

14.3 Amounts recognized in statement of profit or loss and other comprehensive income

	2023	**2022**
Current service cost	**1,439,546**	1,474,881
Interest cost	**258,635**	170,663
Total amount recognized in profit or loss	**1,698,181**	1,645,544
<u>Remeasurements</u>		
Loss (gain) due to change in financial assumptions	**10,837**	(492,036)
Gain due to change in demographic assumptions	**(518)**	(12,327)
(Gain) loss due to change in experience adjustments	**(287,933)**	301,130
Total amount recognized in other comprehensive income	**(277,614)**	(203,233)

14.4 Key actuarial assumptions

	2023	**2022**
Discount rate	**4.65%**	4.60%
Salary growth rate	**2.00%**	2.00%
Retirement age	**60 years**	60 years

(All amounts in Saudi Riyals unless otherwise stated)

14.5 Sensitivity analysis for significant actuarial assumptions

2023	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.50%**	**0.50%**	**(108,093)**	**111,957**
Salary growth rate	**0.50%**	**0.50%**	**119,840**	**(116,717)**

2022	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	0.50%	(126,642)	132,661
Salary growth rate	0.50%	0.50%	135,445	(130,419)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The methods and assumptions used in preparing the sensitivity analysis for 2023 and 2022 presented above are consistent.

14.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 3.32 years (2022: 4.70 years). The expected maturity analysis of employee benefit obligations is as follows:

	Less than a year	**1 - 2 years**	**2 - 5 years**	**5 - 10 years**	**Total**
31 December 2023	**1,765,061**	**1,705,868**	**4,642,160**	**5,227,971**	**13,341,060**
31 December 2022	1,202,528	1,120,521	2,968,706	8,078,097	13,369,852

(All amounts in Saudi Riyals unless otherwise stated)

15 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies (representing entities which are directly or indirectly controlled by or under the significant influence of the Company's shareholder and Ultimate Parent Company), and key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

15.1 Information about the related parties' balances as at 31 December and transactions in the ordinary course of business during the year were as follows:

Related party	**Relationship**
United Electronics Company ("UEC")	Ultimate Parent Company
United International Holding Company ("UIHC')	Parent Company
Procco Financial Services W.L.L ("Procco") - Fellow subsidiary of UIHC	Associated Company

Due to related parties

	2023	**2022**
UEC	**20,058,297**	36,798,226
Procco	**5,503,488**	3,109,263
	25,561,785	39,907,489

Movement in balances due to related parties are as follows:

	2023	**2022**
UEC		
As at 1 January	**36,798,226**	38,505,520
Customer purchases financed under Murabaha contracts	**254,752,989**	373,754,380
Payments to UEC	**(286,020,363)**	(400,575,980)
Collections made by UEC on behalf of the Company	**(18,368)**	(157,117)
Collections made by Company on behalf of UEC	**48,985**	13,245,964
Rent Expense	**2,925,000**	-
Expenses incurred by UEC on behalf of the Company	**10,436,697**	10,940,459
Information Technology support charges	**1,135,131**	1,085,000
As at 31 December	**20,058,297**	36,798,226
Procco		
As at 1 January	**3,109,263**	2,540,719
Outsourced personnel expenses	**24,228,099**	23,731,753
Payments during the year	**(24,248,524)**	(23,798,987)
Information Technology support charges	**1,718,700**	-
Expenses incurred by Procco on behalf of the Company	**695,950**	635,778
As at 31 December	**5,503,488**	3,109,263

Due from related parties

UIHC	**2023**	**2022**
As at 1 January	-	-
Expenses incurred by UCFS on behalf of the UIHC	**290,886**	-
As at 31 December	**290,886**	-

(All amounts in Saudi Riyals unless otherwise stated)

Nature of transactions:

The transactions are based on terms agreed as per signed agreements between the Company and the related parties. A summary of nature of key transactions has been disclosed below:

- Customer purchases financed under Murabaha contracts are carried out at prevailing retail prices.
- Expenses incurred by UEC on behalf of the Company include office rent, utilities and other expenses.
- Collections made by the Company on behalf of UEC represents collections for UEC's legacy financing portfolio.

Related party balances as at 31 December 2023 and 2022 bear no financial charges.

15.2 Key management compensation

	2023	2022
Short-term employee benefits	**10,303,308**	10,435,738
Employee benefit obligations	**399,752**	461,451
Board of Directors' fees	**2,854,650**	2,098,237
	13,557,710	12,995,426

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

As at 31 December 2023, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.3 million (31 December 2022: Saudi Riyals 0.2 million). Also see Note 5.

16 Income from Islamic financing contracts

	2023	2022
Income from Tawarruq finance activities	**378,387,313**	270,351,997
Income from Murabaha finance activities	**140,317,015**	146,123,295
Income from Islamic credit card activities	**5,149,816**	481,942
	523,854,144	416,957,234

(All amounts in Saudi Riyals unless otherwise stated)

17 General and administrative expenses

	Note	2023	2022
Salaries and other benefits		**37,633,725**	32,587,993
Information technology support		**6,747,614**	5,048,436
Amortization	8	**2,984,692**	2,384,194
Professional fees		**2,432,630**	3,179,586
Utilities, printing and stationery		**1,741,128**	1,632,438
Depreciation	7	**1,121,292**	967,837
Rent		**1,050,803**	1,007,020
Others		**4,504,285**	2,787,680
		58,216,169	49,595,184

18 Selling and marketing expenses

	Note	2023	2022
Salaries and other benefits		**56,423,934**	49,626,243
Fee and subscription		**17,843,805**	14,620,570
Advertising		**17,215,060**	9,867,330
Collection charges		**8,546,298**	8,515,071
Rent		**3,399,399**	3,185,138
Depreciation	7	**707,173**	645,231
Others		**2,688,071**	1,366,443
		106,823,740	87,826,026

19 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	2023	2022
Profit for the year	**212,353,829**	193,622,294
Weighted average number of ordinary shares for basic and diluted earnings per share	**35,000,000**	35,000,000
Basic and diluted earnings per share	**6.07**	5.53

20 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk. The Company's overall risk management program, which is carried out by senior management under policies reviewed by the Risk and Credit Management Committee and approved by the Board of Directors, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to the shareholders.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Risk and Credit Management Committee and the Board of Directors are responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The risks faced by the Company and their respective mitigating strategies are summarized below:

20.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets. As at 31 December 2023, the Company has maintained an ECL allowance of Saudi Riyals 63.5 million (31 December 2022: Saudi Riyals 46.8 million), which is considered adequate to provide for any losses which may be sustained on realization of financial assets.

The management analyses credit risk into the following categories:

20.1.1 Investment in Islamic financing contracts

Investment in Tawarruq and Murabaha finance contracts is generally exposed to significant credit risk. Therefore, the Company has established procedures to manage credit exposure including evaluation of customers' credit worthiness, formal credit approvals and assigning credit limits.

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

- Dual credit score i.e. SIMAH and internal application scoring system;
- Minimum income level and maximum debt burden of the borrower; and
- Loan repayment history with other financial institutions sourced from SIMAH.

The Company does not have any significant concentration of credit risk since it enters into Islamic Financing Contracts with individual customers only. 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 and Credit Management Committee and the Board of Directors 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.

(All amounts in Saudi Riyals unless otherwise stated)

The following tables sets out information about the credit quality of investment in Islamic financing contracts:

a. *Stage-wise analysis of gross investment in Islamic financing contracts as at 31 December, in comparison with internal credit risk rating assigned at the inception of the respective contracts. The amounts in the table represent gross carrying amounts.*

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
31 December 2023				
Internal credit risk ratings				
Low risk	**888,086,845**	**32,479,258**	**43,996,434**	**964,562,537**
Medium risk	**725,723,756**	**51,529,863**	**78,637,899**	**855,891,518**
High risk	**737,399,490**	**74,474,932**	**112,865,022**	**924,739,444**
	2,351,210,091	**158,484,053**	**235,499,355**	**2,745,193,499**

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
31 December 2022				
Internal credit risk ratings				
Low risk	829,197,623	8,414,280	28,442,063	866,053,966
Medium risk	677,160,378	10,989,334	43,467,101	731,616,813
High risk	627,691,255	14,290,488	55,422,621	697,404,364
	2,134,049,256	33,694,102	127,331,785	2,295,075,143

(All amounts in Saudi Riyals unless otherwise stated)

b. Ageing analysis of net investment in Islamic financing contracts based on due balances according to the respective contractual repayment schedules:

	Tawarruq finance		**Murabaha finance**		**Islamic Credit Card**		**Total**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Not past due	**1,362,200,752**	1,067,030,105	**229,950,384**	368,275,414	**56,562,085**	5,650,607	**1,648,713,221**	1,440,956,126
Past due 1-30 days	**66,417,310**	35,759,594	**8,810,642**	11,019,678	**1,504,307**	189,370	**76,732,259**	46,968,642
Past due 31-90 days	**27,432,173**	19,074,046	**4,792,756**	4,496,158	**1,763,127**	496,110	**33,988,056**	24,066,314
Past due 91-180 days	**44,212,212**	34,893,005	**10,487,488**	9,421,114	**3,348,127**	495,541	**58,047,827**	44,809,660
Past due 181-364 days	**65,842,073**	24,579,623	**26,367,761**	8,350,489	**1,561,416**	-	**93,771,250**	32,930,112
Over 365 days	**14,574,347**	8,565,169	**4,113,785**	3,081,678	**987,487**	-	**19,675,619**	11,646,847
	1,580,678,867	1,189,901,542	**284,522,816**	404,644,531	**65,726,549**	6,831,628	**1,930,928,232**	1,601,377,701
Less: Impairment for Islamic financing contracts	**(49,362,525)**	(40,064,024)	**(11,649,509)**	(6,325,964)	**(2,530,841)**	(364,939)	**(63,542,875)**	(46,754,927)
Net investment in Islamic financing contracts	**1,531,316,342**	1,149,837,518	**272,873,307**	398,318,567	**63,195,708**	6,466,689	**1,867,385,357**	1,554,622,774

20.1.2 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 Islamic financing contracts. The assessment of credit risk in the net investment in Islamic financing 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, LGD and discount rates. 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. 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. Such financing contracts are not collateralised. 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.

a) Generating the term structure of PD

PD measures the estimated likelihood of default over a time period. PD has been calculated as a probability that an exposure will move to more than 90 days past due in the next 12 months or over the remaining lifetime of the obligation. Refer Section (d) below for further details regarding the methodology and changes made during the year.

b) 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, as it enters into Islamic Financing Contracts with individual customers only.

c) 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. Refer Section (d) below for further details regarding the methodology and changes made during the year.

d) Changes in estimates and underlying judgements, including forward-looking information

During the year ended 31 December 2023, there were certain changes made to the underlying methodology and assumptions used for determination of ECL against Investment in Islamic financing contracts. The previous ECL model was developed in the initial phase of the Company's business activities and historical collection and default trends from the ultimate parent company's murabaha portfolio were used, being the best available information at that time. The Company's portfolio has matured since then and the ECL models have now been updated, to better reflect the changes in historical data, macroeconomic indicators, industry trends, credit quality and diversification in the portfolio. The summary of key changes made, along with their impact as at 31 December 2023, is as follows:

(All amounts in Saudi Riyals unless otherwise stated)

- **Probability of default (PD):**

Probability of default is the likelihood that a borrower will default on their financial obligation. It is typically based on historical default rates and other forward looking information such as economic indicators or borrower-specific information. PD has been calculated as a probability that an exposure will move to more than 90 days past due in the next 12 months or over the remaining lifetime of the obligation. During the year ended 31 December 2023, 'Through-the-Cycle' estimates were recalculated based on updated collection and default trends (until 31 December 2022, "Such Through-the-Cycle" PD rates are later converted to 'Point-in-time' PD rates by incorporating forward-looking information (see below) using the Vasicek framework.

Since numerous contracts in Tawarruq portfolio have completed their life cycle/tenure, management has now used Tawarruq specific collection and default trends to compute the PDs whereas previously used loss rates for Tawarruq portfolio were driven from historical data of murabaha given that sufficient historical data was not available for Tawarruq portfolio. Given the availability of more default related information and experience, management has now transitioned to a more comprehensive approach with separate PDs being derived for each portfolio (i.e. Murabaha, Tawarruq and credit cards).

Such change in PD inputs resulted in an increase of Saudi Riyals 20.2 million, in the ECL allowance as at 31 December 2023. The stage-wise analysis is as follows:

	Impact of change in PD
Performing (Stage 1)	4,982,632
Under-performing (Stage 2)	15,173,052
Non-performing (Stage 3)	-
	20,155,684

- **Loss given default (LGD):**

Loss given default is the amount of financial loss that an entity would incur if a borrower defaulted on their financial obligation. It is typically expressed as a percentage of the outstanding principal amount of the financial asset. The LGD component estimates the expected loss if the borrower defaults, taking into account the recovery rate that could be achieved from any collateral or other sources of recovery. Previously, the Company had used present value of historical recoveries from loss accounts of Murabaha Portfolio to arrive at the LGD of 28.11%. However, the LGD used for Tawarruq portfolio was 45% in accordance with the Basel guidelines considering that the Company had insufficient historical information.

During the year ended 31 December 2023, LGD inputs have been recalculated using the 'Through-the-Cycle' estimates based historical collection and default trends of both Murabaha and Tawarruq portfolios from 2019 through 2022 , which are later converted to 'Point-in-time' LGD rates using the Jacob-Frye methodology.

Accordingly, the updated LGD rate was determined to be 29.2% which has been used for determination of ECL for both Murabaha and Tawarruq portfolios considering similar customer characteristics. Management also considered the use of Tawarruq specific LGD rates, however, while such portfolio has matured since the start of business activities, and sufficient historical information is available in relation to the default trends, management still believes that the recovery related information is insufficient as at 31 December 2023 and will be reassessed in the future reporting periods.

(All amounts in Saudi Riyals unless otherwise stated)

Such change in LGD inputs resulted in a decrease of Saudi Riyals 22.1 million in the ECL allowance as at 31 December 2023. The stage-wise analysis is as follows:

	Impact of change in LGD
Performing (Stage 1)	(3,509,223)
Under-performing (Stage 2)	(1,477,343)
Non-performing (Stage 3)	(17,094,730)
	(22,081,296)

- **Macroeconomic factors:**

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. During the year ended 31 December 2023, macroeconomic data containing 300 macroeconomic variables (including previously used 'crude oil price' and 'changes in unemployment statistics') were analysed from Economic Intelligence Unit (EIU) and weighted average default rates were calculated from the historical data to determine appropriate predictive variables.

Based on such analysis carried out by the management and as a result of more experience with the portfolio, real gross domestic product (% change per annum), an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, and government consumption (% change per annum), which is proportion of a country's total economic output that is spent by the government on goods and services, were identified as the most appropriate macroeconomic factors 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 32.95%, 34.1% and 32.95% for "upturn", "baseline" and "downturn" scenarios respectively (31 December 2022: 30%, 40% and 30% respectively) which are computed through statistical methodologies.

As at 31 December 2023, the real gross domestic product (% change per annum) and government consumption (% change per annum) incorporated in the upturn, baseline and downturn scenarios were as follows:

	Upturn	**Baseline**	**Downturn**
Real gross domestic product (% change per annum)	10.6%	7.2%	3.8%
Government consumption (% change per annum)	10.1%	3.1%	(3.9%)

As at 31 December 2022, the crude oil price incorporated in the upturn, baseline and downturn scenarios was United Standard Dollars ("USD") 97.5, USD 88.2 and USD 69.7 per barrel respectively and the unemployment factor incorporated in the calculation of changes in unemployment statistics was 5.8%, which contributed to determination of the overall scalar factor used to incorporate the impact of forward-looking information to the ECL computation.

Such changes in macroeconomic factors, scenario weightings and certain other factors resulted in a decrease of Saudi Riyals 7.0 million, in the ECL allowance as at 31 December 2023, which is further analysed in stages as follows:

	Impact of change in LGD
Performing (Stage 1)	(1,595,630)
Under-performing (Stage 2)	(1,935,569)
Non-performing (Stage 3)	(3,406,324)
	(6,937,523)

a) Sensitivity analysis:

The table below illustrates the sensitivity of ECL to key factors, with all other variables held constant, noting that the macroeconomic factors present dynamic relationships between them:

	Impact on statement of profit or loss and other comprehensive income for the year ended 31 December 2023 (in millions)
Key assumptions	
Macroeconomic factors (real gross domestic product and government consumption factors)	
Increase by 10%	**(0.5)**
Decrease by 10%	**0.5**
PD and LGD	
Increase by 10%	**(6.7)**
Decrease by 10%	**7.3**
Scenario weightings	
100% weightage assigned to base scenarios	**3.7**
100% weightage assigned to downside scenarios	**(22.1)**

20.1.3 Cash and cash equivalents and other receivables

The Company uses "lower credit risk" practical expedient for the cash and cash equivalents with the assumption that the credit risk on such financial instruments has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months. Cash and cash equivalents are placed with banks having minimum credit ratings of A3 or better, and therefore are not subject to significant credit risk. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties. At 31 December 2023 and 31 December 2022, the ECL allowance on cash at bank was immaterial.

Other financial assets at amortised cost include other receivables. These instruments are considered to carry lower credit risk since they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. At 31 December 2023 and 31 December 2022, the ECL allowance on other financial assets was immaterial.

20.2 Profit rate risk

Profit rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in profit rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to profit rate adjustment within a specified period. The most important source of such risk is the Company's Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Company has profit bearing financial assets of Saudi Riyals 1,867.3 million (31 December 2022: Saudi Riyals 1,554.6 million). Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 945.3 million (31 December 2022: Saudi Riyals 837.5 million), and had the profit rate varied by 1% with all the other variables held constant, total comprehensive income /loss for the year would have been approximately Saudi Riyals 18.2 million (31 December 2022: Saudi Riyals 9.7 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

The Company's financial assets and liabilities are not significantly exposed to other elements of market risk including fair value risk, price risk and currency risk.

20.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. In addition, the Company has access to credit facilities as made available by the shareholder.

Total unused credit facilities available to the Company as at 31 December 2023 were approximately Saudi Riyals 1,311 million (31 December 2022: Saudi Riyals 618.1 million).

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits on any of its borrowing facilities allocated by the ultimate shareholder. Such cash flow forecasts consider, among other items, that the Company has pre-agreed fixed profit rates from its customers under Murabaha and Tawarruq financing contracts, whereas its borrowings from commercial banks are based on SAIBOR based variable finance costs. The maturity profile of financial assets and financial liabilities are set out in the table below which demonstrates a significant head room of financial assets over financial liabilities. Management also believes that any change in the variable finance costs of their borrowings would not result in the entity facing any liquidity issues. The cash flows of the Company, during the year ended 31 December 2023, have been principally consistent with the underlying budgeted forecasts and there are no developments which might indicate towards any potential liquidity concerns in the near future.

(All amounts in Saudi Riyals unless otherwise stated)

The tables below summarise the Company's financial assets and financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within one year equal their carrying balances, as the impact of discounting is not significant.

2023	**Nature**	**Up to 3 months**	**More than 3 months and up to one year**	**1 to 3 years**	**More than three years**	**Total**
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	**400,070,165**	**840,288,472**	**1,156,423,978**	**348,410,884**	**2,745,193,499**
Prepayments and other receivables	Non-profit bearing	**2,266,308**	**279,937**	**-**	**-**	**2,546,245**
Cash and cash equivalents	Non-profit bearing	**22,122,497**	**-**	**-**	**-**	**22,122,497**
		424,458,970	**840,568,409**	**1,156,423,978**	**348,410,884**	**2,769,862,241**
Financial liabilities						
Borrowings	Profit bearing	**163,487,642**	**154,472,732**	**543,224,444**	**181,739,604**	**1,042,924,422**
Trade and other payables	Non-profit bearing	**61,501,737**	**-**	**-**	**-**	**61,501,737**
		224,989,379	**154,472,732**	**543,224,444**	**181,739,604**	**1,104,426,159**
Net financial assets		**199,469,591**	**686,095,677**	**613,199,534**	**166,671,280**	**1,665,436,082**

(All amounts in Saudi Riyals unless otherwise stated)

2022	**Nature**	**Up to 3 months**	**More than 3 months and up to one year**	**1 to 3 years**	**More than three years**	**Total**
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	278,406,728	744,972,668	1,017,093,320	254,602,427	2,295,075,143
Prepayments and other receivables	Non-profit bearing	798,745	257,789	725,495	-	1,782,029
Cash and cash equivalents	Non-profit bearing	21,132,397	-	-	-	21,132,397
		300,337,870	745,230,457	1,017,818,815	254,602,427	2,317,989,569
Financial liabilities						
Borrowings	Profit bearing	171,401,480	261,205,392	345,175,852	96,774,965	874,557,689
Trade and other payables	Non-profit bearing	70,863,506	-	-	-	70,863,506
		242,264,986	261,205,392	345,175,852	96,774,965	945,421,195
Net financial assets		58,072,884	484,025,065	672,642,963	157,827,462	1,372,568,374

(All amounts in Saudi Riyals unless otherwise stated)

20.4 Net debt reconciliation

The net debt of the Company is as follows:

	2023	2022
Cash and cash equivalents	**22,122,497**	21,132,397
Borrowings	**(945,351,417)**	(837,473,437)
Total	**(923,228,920)**	(816,341,040)

The Company's net debt reconciliation is as follows:

	1 January	Cash inflows	Cash outflows	Others	31 December
2023					
Cash and cash equivalents	**21,132,397**	**1,161,379,704**	**(1,160,389,604)**	**-**	**22,122,497**
Borrowings	**(837,473,437)**	**779,500,000**	**(734,865,291)**	**(63,243,271)**	**(945,351,417)**
Net debt	**(816,341,040)**				**(923,228,920)**

	1 January	Cash inflows	Cash outflows	Others	31 December
2022					
Cash and cash equivalents	34,278,848	935,346,499	(948,492,950)	-	21,132,397
Borrowings	(675,743,904)	646,000,000	(512,048,966)	(27,778,499)	(837,473,437)
Net debt	(641,465,056)				(816,341,040)

20.5 Capital risk management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus borrowings, which is analysed as follows:

	2023	2022
Total equity	**887,198,583**	674,567,140
Borrowings	**945,351,417**	837,473,437
Total	**1,832,550,000**	1,512,040,577
Gearing ratio	**51.6%**	55.4%

(All amounts in Saudi Riyals unless otherwise stated)

Further, the Company monitors aggregate amount of financing offered by the Company in line with the regulatory requirements of SAMA, which requires companies engaged in financing other than real estate, not to exceed aggregate financing to capital ratio of three times, which is calculated by dividing net investment in Islamic financing contracts by total equity.

	2023	**2022**
Net investment in Islamic financing contracts	**1,867,385,357**	1,554,622,774
Total equity	**887,198,583**	674,567,140
Aggregate financing to capital ratio	**2.1**	2.3

Under the terms of certain borrowing facilities, in addition to compliance with SAMA's requirements, the Company is required to comply with certain financial covenants, which are disclosed in detail in Note 13.

21 Financial instruments

As at 31 December 2023 and 2022, all financial assets and financial liabilities of the Company are categorized as held at amortized cost. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values since the financial instruments are short term in nature, carry profit rates which are based on prevailing market profit rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these carry profit rates which are based on prevailing market profit rates.

22 Date of authorization for issue

The accompanying financial statements were authorized for issue by the Company's Board of Directors on 11 February 2024.