YANAL FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

YANAL FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

Independent auditor's report to the shareholders of YANAL Finance Company, A Saudi Closed Joint Stock Company

Report on the audit of the financial statements

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2022;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Responsibilities of management and those charged with governance for the financial statements

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the shareholders of YANAL Finance Company, A Saudi Closed Joint Stock Company (continued)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Adel F. Alqahtani
License Number 614

February 13, 2023

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless stated otherwise)

ASSETS	Note	As at December 31, 2022	As at December 31, 2021
Non-current assets:			
Property and equipment	4	**1,192,306**	601,654
Intangible assets	4	**971,157**	215,537
Equity investments designated at fair value through other comprehensive income ("FVOCI")	5	**892,850**	892,850
Net investment in finance leases	6	**429,243,612**	472,661,739
Net investment in murabaha finance	7	**296,864,750**	266,517,862
		729,164,675	740,889,642
Current assets:			
Current maturity of net investment in finance leases	6	**459,562,536**	467,180,771
Current maturity of net investment in murabaha finance	7	**194,896,484**	145,263,644
Advances, prepayments and other receivables	8	**56,163,861**	42,891,282
Cash and cash equivalents	9	**33,450,475**	75,811,144
		744,073,356	731,146,841
Total assets		**1,473,238,031**	1,472,036,483
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	**550,000,000**	550,000,000
Statutory reserve	10	**99,218,345**	92,008,014
Retained earnings		**279,810,345**	255,324,835
Cash flow hedge	13	**(293,687)**	-
Total equity		**928,735,003**	897,332,849
LIABILITIES			
Non-current liabilities:			
Long-term loans and grants	11	**39,848,967**	174,537,997
Zakat and income tax	14	**-**	2,632,842
Employees' end of service benefits	15	**19,829,366**	20,265,652
Negative fair value of derivative	13	**293,687**	-
		59,972,020	197,436,491
Current liabilities:			
Current maturity of long-term loans and grants	11	**271,833,038**	277,700,369
Short-term loan	12	**56,417,437**	-
Accounts payable	16	**115,212,148**	55,650,692
Zakat and income tax	14	**12,107,859**	13,422,107
Accrued expenses and other liabilities	17	**28,960,526**	30,493,975
		484,531,008	377,267,143
Total liabilities		**544,503,028**	574,703,634
TOTAL EQUITY AND LIABILITIES		**1,473,238,031**	1,472,036,483

The accompanying notes (1) through (29) form an integral part of these financial statements.

Chief Executive Officer	Director	Chief Financial Officer

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

	Note	2022	2021
REVENUE	18	**149,802,267**	144,765,752
EXPENSES			
Special commission expense	19	**(24,310,004)**	(25,795,655)
Expected credit losses ("ECL") on financial assets	6, 7	**15,872,164**	(6,111,334)
Modification loss	6.4	**(3,723,458)**	(20,220,825)
Government grant income	11.2	**2,779,968**	22,624,589
Salaries and employee related expenses		**(44,355,218)**	(39,190,930)
General and administrative expenses	20	**(12,187,836)**	(9,756,420)
Depreciation and amortization	4	**(414,422)**	(306,476)
Total expenses		**(66,338,806)**	(78,757,051)
Income for the year before zakat and income tax		**83,463,461**	66,008,701
Zakat expense	14	**(8,318,370)**	(9,533,543)
Income tax expense	14	**(3,041,782)**	(3,965,307)
Income for the year after zakat and income tax		**72,103,309**	52,509,851
Earnings per share - basic and diluted	21	**1.31**	0.95

The accompanying notes (1) through (29) form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

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

	Note	2022	2021
Income for the year after zakat and income tax		**72,103,309**	52,509,851
Other comprehensive income			
Item that will not be reclassified to statement of income in subsequent periods			
Actuarial gains on employees' end of service benefits	15	**842,532**	951,021
Item that are or maybe reclassified to statement of income in subsequent periods			
Cash flow hedge – effective portion of changes in fair value	13	**(293,687)**	-
Total comprehensive income for the year		**72,652,154**	53,460,872

The accompanying notes (1) through (29) form an integral part of these financial statements.

Chief Executive Officer	Director	Chief Financial Officer

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022
(All amounts in Saudi Riyals unless stated otherwise)

	Share capital	Statutory reserve	Retained earnings	Cash flow hedge	Total equity
Balance as at December 31, 2021	**550,000,000**	**92,008,014**	**255,324,835**	**-**	**897,332,849**
Total comprehensive income:					
Income for the year after zakat and income tax	**-**	**-**	**72,103,309**	**-**	**72,103,309**
Other comprehensive income / (loss)	**-**	**-**	**842,532**	**(293,687)**	**548,845**
Total comprehensive income for the year	**-**	**-**	**72,945,841**	**(293,687)**	**72,652,154**
Transfer to statutory reserve	**-**	**7,210,331**	**(7,210,331)**	**-**	**-**
Transaction with shareholders of the Company, recorded directly in shareholders' equity:					
Dividend paid (Note 28)	**-**	**-**	**(41,250,000)**	**-**	**(41,250,000)**
Balance as at December 31, 2022	**550,000,000**	**99,218,345**	**279,810,345**	**(293,687)**	**928,735,003**
Balance as at December 31, 2020	550,000,000	86,757,029	215,364,948	-	852,121,977
Total comprehensive income:					
Income for the year after zakat and income tax	-	-	52,509,851	-	52,509,851
Other comprehensive income	-	-	951,021	-	951,021
Total comprehensive income for the year	-	-	53,460,872	-	53,460,872
Transfer to statutory reserve	-	5,250,985	(5,250,985)	-	-
Transaction with shareholders of the Company, recorded directly in shareholders' equity:					
Dividend paid (Note 28)	-	-	(8,250,000)	-	(8,250,000)
Balance as at December 31, 2021	550,000,000	92,008,014	255,324,835	-	897,332,849

The accompanying notes (1) through (29) form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022
(All amounts in Saudi Riyals unless stated otherwise)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the year before zakat and income tax		**83,463,461**	66,008,701
Adjustments for non-cash items:			
Depreciation of property and equipment	4	**334,078**	235,671
Amortisation of intangible assets	4	**80,344**	70,805
Special commission expense	19	**24,310,004**	25,795,655
Government grant, net		**18,975,895**	420,264
ECL allowance on financial assets	6, 7	**(15,872,164)**	6,111,334
Employees' end of service benefits	15	**2,908,129**	3,068,617
Gain on disposal of property and equipment		**(1,115)**	(9,213)
		114,198,632	101,701,834
Changes in operating assets and liabilities:			
Net investment in finance leases		**65,926,829**	(33,438,587)
Net investment in murabaha finance		**(78,998,031)**	(208,726,722)
Advances, prepayments and other receivables		**(17,730,822)**	(14,611,924)
Accounts payable		**59,561,456**	22,914,287
Accrued expenses and other liabilities		**(23,328,655)**	(28,234,711)
Employees' end of service benefits paid	15	**(2,501,883)**	(1,459,272)
Zakat and income tax paid	14	**(16,031,833)**	(6,592,523)
Net cash generated from / (used in) operating activities		**101,095,693**	(168,447,618)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of term deposits		**-**	202,000,000
Additions to property and equipment and intangible assets		**(1,760,694)**	(221,546)
Proceeds from disposal of property and equipment		**1,115**	9,213
Net cash (used in) / generated from investing activities		**(1,759,579)**	201,787,667
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loan	12	**56,250,000**	40,000,000
Proceeds from long-term loan	11	**50,000,000**	-
Proceeds from profit-free Saudi Central Bank ("SAMA") deposit	11	**70,664,967**	128,122,577
Repayments of long-term loans		**(52,363,911)**	(84,489,971)
Repayment of profit-free SAMA deposit		**(226,402,383)**	(96,555,409)
Special commission and other bank charges paid		**(1,228,298)**	(1,512,852)
Dividends paid, net of zakat and income tax recovered		**(38,617,158)**	(5,617,158)
Net cash used in financing activities		**(141,696,783)**	(20,052,813)
Net (decrease) / increase in cash and cash equivalents		**(42,360,669)**	13,287,236
Cash and cash equivalents at the beginning of the year		**75,811,144**	62,523,908
Cash and cash equivalents at the end of the year	9	**33,450,475**	75,811,144

The accompanying notes (1) through (29) form an integral part of these financial statements.

Chief Executive Officer	Director	Chief Financial Officer

(All amounts are in Saudi Riyals unless stated otherwise)

1 CORPORATE INFORMATION

YANAL Finance Company (the "Company") is a Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010163957 issued in Riyadh on 21 Shawal 1421H (corresponding to January 16, 2001), non-industrial license number 99 dated 27 Safar 1421H (corresponding to May 31, 2000) issued by the Ministry of Commerce and a Finance company license number 7/A Sh/201403 dated 27 /04/1435H (corresponding to February 27, 2014) issued by the Saudi Central Bank ("SAMA"), through its five branches (2021: five branches) in the Kingdom of Saudi Arabia.

On 1 Rabi Al-Awwal 1440 (corresponding to November 10, 2018), the Company received no objection certificate from SAMA to conduct commodity murabaha business in the Kingdom of Saudi Arabia.

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

YANAL Finance Company
7690 Al Madhar - As Sulimaniyah
Unit No 1
Riyadh 12621 - 2692
Kingdom of Saudi Arabia

The Company has the following branches:

Branch Commercial Registration Number	***Date***	***Location***
2050046083	9 Jamada Awal 1425H	Dammam
4030150057	9 Jamada Awal 1425H	Jeddah
2055013067	9 Rabi-Al-Awwal 1432H	Jubail
5855036378	9 Rabi-Al-Awwal 1432H	Khamis Mushait
4031090240	26 Rabi-Al-Thanni 1436H	Makkah Al-Mukaramah

The objective of the Company is to provide lease financing for movable and immovable assets and murabaha financing to all economic sectors in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

The financial statements of the Company as at and for the year ended December 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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").

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include the measurement at fair value of derivative financial instruments. However, in line with IFRS requirements, employees defined benefit liabilities are recognised at the present value of future obligations using the Projected Unit Credit Method.

(All amounts are in Saudi Riyals unless stated otherwise)

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

3.1 New standards and interpretations

a) New standards and interpretations adopted by the Company

The International Accounting Standard Board ("IASB") has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2022. The management has assessed that the amendments have no significant impact on the Company's financial statements.

Standard, interpretation, amendments	Description	Effective date
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	January 1, 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	January 1, 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	Improvements were made to the following standards and were finalised in May 2020: • IFRS 9 Financial Instruments • IFRS 16 Leases • IFRS 1 First-time Adoption of International Financial Reporting Standards. • IAS 41 Agriculture	January 1, 2022

(All amounts are in Saudi Riyals unless stated otherwise)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 New standards and interpretations (continued)

b) New standards and interpretations not yet adopted

Standard, interpretation, amendments	Description	Effective date
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts.	Annual periods beginning on or after January 1, 2023.
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8	Annual periods beginning on or after January 1, 2023. The IASB has issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their *material* rather than their *significant* accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.	Annual periods beginning on or after January 1, 2023.
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.	Annual periods beginning on or after January 1, 2023.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.	Annual periods beginning on or after January 1, 2023.
Amendments to IFRS 10 and IAS 28	The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 *Business Combinations*).	N/A - the IASB decided to defer the application date of project on the equity method.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting judgements, estimates and assumptions

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

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

In the process of applying the Company’s accounting policies, management has made estimates and judgments which are significant to the financial statements in relation to ECL on the financial assets. Considering that there is no major impact of COVID-19 on the Company’s financial position and performance during the period year ended December 31, 2022. The management has revised macroeconomic factors used by the Company in ECL estimation. The adjustments to macroeconomic factors resulted in decrease of ECL amounting to SAR 1.46 million. For further details please refer to note 3.8(d).

The principal accounting policies adopted in the preparation of these financial statements, which are consistently applied, are set out below:

3.3 Property and equipment and intangible assets

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalised and the asset so replaced is retired from use. All other repairs and maintenance expenditure are charged to the statement of income during the period in which they are incurred.

Depreciation is charged using the straight-line method over its estimated useful life as mentioned below, after taking into account residual value.

	Years
Leasehold improvements	10
Office furniture and fixtures	5
Motor vehicles	5
Information technology equipment	4

Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

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

Gains / losses on disposal of property and equipment, if any, are taken to the statement of income in the period in which they arise.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property and equipment and intangible assets (continued)

The assets' residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets comprise of computer software and licenses acquired by the Company and are measured at cost less accumulated amortization. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is calculated over the cost of the asset and are amortized on a straight-line basis over its estimated useful life, from the date on which it is available for use. The estimated useful life of intangible assets for the current and comparative periods is four years.

3.4 Net investment in finance leases and murabaha finance

Finance Lease

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. Finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Gross investment in finance leases include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross investment in finance leases. The Company takes down payments on leases with the right to set off against the residual value of leased assets and for presentation purposes, these down payments along with prepaid lease rentals are deducted from gross investment in finance leases.

Murabaha finance

Murabaha is an Islamic form of financing wherein the Company, based on a 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 instalments.

3.5 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

3.6 Assets classified as held for sale

The Company classifies a non-current asset, if any, as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the statement of income for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Any rental income is charged to statement of income. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its loan exposure to interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which is recognised in the statement of changes in shareholders' equity.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been and are expected to be highly effective throughout the financial reporting periods for which they were / are designated. A hedge is expected to be highly effective if changes in fair value or cash flows attributed to the hedged risk during which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness, if any, is recognized in the statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of income for the period.

3.8 Financial instruments

a) Initial recognition

The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

b) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVOCI");
- those to be measured subsequently at fair value through statement of income ("FVSI"); and
- those to be measured at amortised cost.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

b) Classification (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

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 held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Solely payment of principal and profit ("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 (or special commission income) 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. 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 FVSI.

Based on these factors, the Company classifies its debt instruments into one of the three measurement categories as described in (c) below.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Classification and subsequent measurement of the Company's equity instruments are described in (c) below.

c) Measurement

At initial recognition, the Company measures financial assets at its fair value plus or minus, in the case of a financial asset not at FVOCI, transactions costs that are directly attributable to the acquisition of the financial asset. Transactions costs of financial assets carried at FVSI are expensed in statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

c) Measurement (continued)

Subsequent measurement of debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit from these financial assets is calculated using the effective yield method.
- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, profit on financial instrument (revenue) and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Profit from these financial assets is included in finance income using the effective yield method.
- Fair value through statement of income ("FVSI"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVSI. A gain or on a debt investment that is subsequently measured at FVSI and is not part of a hedging relationship is recognised in statement of income and presented net in the statement of income within other gains/ (losses) in the period in which it arises. Income from these financial assets is included in the finance income.

Subsequent measurement of equity instruments

The Company measures all equity investments at FVSI. The Company's management has elected to present fair value gains and losses on equity investments that are not held for trading in other comprehensive income. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable. Currently, the Company holds only one equity investment.

There is no subsequent reclassification of fair value gains and losses to statement of income following the de-recognition of the investment and no impairment or reversal of impairment is recognised in statement of income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on derecognition of the investment.

Dividends from such investments are recognized in statement of income as other income when the Company's right to receive payments is established unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income.

d) Impairment of financial assets

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate used in measuring the lease receivable in accordance with IFRS 16 Leases. While calculating the cash flows expected to receive, probability of default and loss given default (i.e. the magnitude of the loss if there is a default) is considered and the related assessment is based on historical overdue data adjusted by factors that are specific to the lessees and forward-looking information which includes macro-economic factors such as oil price and gross fixed capital formation.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

d) Impairment of financial assets (continued)

The measurement of expected credit losses reflects:

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

Definition of default:

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

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

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

- qualitative - e.g., breaches of covenant;
- quantitative - e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect changes in circumstances.

Lease receivables

For investment in finance leases, “lease receivables”, the Company applies the simplified approach as permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from the initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

d) Impairment of financial assets (continued)

Murabaha receivables

The financial assets of the Company are categorized as follows:

1. Performing: these represent the financial assets that have not deteriorated significantly in credit quality since initial recognition or customers that have a low risk of default and a strong capacity to meet contractual cash flows.

   The Company's Murabaha receivables primarily represent corporate loans. Management believes that past due information is the most appropriate basis for assessing the increase in credit risk and based on management experience and analysis of other business, the balances which are less than or equal to 30 days past due do not result in significant increase in credit risk and are considered as performing.

   The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

2. Underperforming: these represent the financial assets that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event and is presumed if the customer is more than 30 days past due in making a contractual payment / instalment.

   The Company measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses i.e., expected credit losses that result from all possible default events over the life of the financial asset.

3. Non-performing: these represent financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is considered when the customer fails to make a contractual payment / instalment within 90 days after they fall due.

   The Company measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

Measurement of Expected Credit Loss ("ECL"):

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

- probability of default ("PD");
- loss given default ("LGD");
- exposure at default ("EAD").

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as oil price and gross fixed capital formation. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its carrying amount.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Financial instruments (continued)

d) Impairment of financial assets (continued)

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

(a) The contractual cash flows that are due to the Company under the contract; and
(b) The cash flows that the Company expects to receive.

Write-offs

Financial assets are written-off as per below criteria:

Finance lease or murabaha finance customer type	Days past due
Micro and small enterprises	720 days after classification to stage 3
Medium and corporate customers, or exposures secured by real estate collateral, irrespective of the size of customer	1080 days after classification to stage 3

Where financial assets are written-off, the Company continues enforcement activities and recoveries after write-off, are recognised as other income.

e) Financial liabilities - subsequent classification and measurement

All financial liabilities are subsequently measured at amortised cost using the effective rate method or FVSI. The Company has not designated any financial liabilities at FVSI, and it has no current intention to do so. The effective rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

f) Derecognition of financial instruments

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

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

3.9 Employees' end of service benefits

Employee termination benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Laws applicable on the Company, on termination of their employment contracts. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Saudi Labor law.

The calculation of obligation is performed using the projected unit credit method to make a reliable estimate of the ultimate cost to the Company of the benefit payable to employees. Actuarial gains or losses on re-measurement of obligation are recognized immediately in the statement of comprehensive income.

Actuarial gains and losses represent changes in the present value of the obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Fair value measurement

The Company measures financial instruments, such as derivatives, at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3.11 Regular way contracts

Regular way purchases or sales of financial assets are those, the contract which requires delivery of assets within the timeframe generally established by regulation or convention in the market. All “regular way” purchases and sales of financial assets are recognised on the settlement date, i.e. the date on which the asset is delivered to or by the Company.

3.12 Offsetting

Financial assets and liabilities are offset and are reported net in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Similarly, income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

3.13 Right of use assets and lease liability

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Right of use assets and lease liability (continued)

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

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

Right-of-use assets
Right-of-use assets are initially measured at cost, comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

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

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

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

Short-term and low value leases
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

3.14 Zakat, income tax and Value added tax ("VAT")

The Company's Saudi shareholders are subject to Zakat and the non-Saudi shareholders are subject to income tax in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA"), as applicable in the Kingdom of Saudi Arabia.

Zakat

The Company is subject to Zakat in accordance with the regulations of the ZATCA. Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax, and as such no deferred tax is calculated relating to zakat.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Zakat and income tax (continued)

Income tax

The income tax expense for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate in KSA, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the Kingdom of Saudi Arabia where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available, and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

Value added tax

The Company is subject to VAT in accordance with the regulations of ZATCA in the Kingdom of Saudi Arabia. Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of assets / services to customers or (c) the invoice date. Input VAT is recoverable to the extent of taxable supplies and upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT receivable or VAT payable is recognised in the statement of financial position on a net basis and disclosed as an asset or a liability.

Input VAT that is not recoverable is charged to the statement of income as expense.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including bank overdrafts and investments with original maturity of less than three months from the contract date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Arabian Riyals ("SR") which is the Company's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to the nearest Riyal, unless otherwise mentioned.

3.17 Foreign currency translation

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the respective transactions. At statement of financial position date, monetary assets and liabilities in foreign currencies are translated to Saudi Arabian Riyals at the prevailing exchange rates. Gains and losses resulting from changes in exchange rates are recognised as income or expense. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction are not retranslated at statement of financial position date.

3.18 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the statement of financial position date are considered as non-adjusting events and are recorded in the financial statements in the year in which they are approved/ transfers are made.

3.19 Revenue recognition-finance leases and murabaha finance

Finance lease and murabaha finance income are recognised using the effective rate method. The effective yield is the rate that exactly discounts the estimated future cash flows through the expected life (or where appropriate, a short period) of the financial asset or liability to its carrying amount.

Service fees charged in respect of processing and other services are recognised as income as the services are rendered.

3.20 Borrowing costs

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

3.21 Withholding Tax

Withholding tax is withheld from payments made to non-resident vendors for services rendered and goods purchased according to the tax law applicable in Saudi Arabia and are directly paid to the Zakat, Tax and Customs Authority ("ZATCA") on a monthly basis.

3.22 Accounting policy related to government grants

The Company recognizes a government grant related to income if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in statement of income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants is intended to compensate.

(All amounts are in Saudi Riyals unless stated otherwise)

4 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

	Right of use assets	Leasehold improvements	Office furniture and fixtures	Motor vehicles	Information technology equipment	Total
Cost:						
As at January 1, 2022	**3,294,919**	**1,519,257**	**2,278,822**	**351,850**	**5,407,696**	**12,852,544**
Additions during the year	**-**	**156,058**	**-**	**400,000**	**368,672**	**924,730**
Disposals during the year	**-**	**-**	**-**	**-**	**(361,707)**	**(361,707)**
As at December 31, 2022	**3,294,919**	**1,675,315**	**2,278,822**	**751,850**	**5,414,661**	**13,415,567**
Accumulated depreciation:						
As at January 1, 2022	**3,294,919**	**1,338,089**	**2,260,988**	**331,264**	**5,025,630**	**12,250,890**
Charge for the year	**-**	**68,186**	**8,743**	**42,834**	**214,315**	**334,078**
Disposals for the year	**-**	**-**	**-**	**-**	**(361,707)**	**(361,707)**
As at December 31, 2022	**3,294,919**	**1,406,275**	**2,269,731**	**374,098**	**4,878,238**	**12,223,261**
Net book value:						
As at December 31, 2022	**-**	**269,040**	**9,091**	**377,752**	**536,423**	**1,192,306**
Cost:						
As at January 1, 2021	3,294,919	1,519,257	2,277,248	401,850	5,235,590	12,728,864
Additions during the year	-	-	1,574	-	172,106	173,680
Disposals during the year	-	-	-	(50,000)	-	(50,000)
As at December 31, 2021	3,294,919	1,519,257	2,278,822	351,850	5,407,696	12,852,544
Accumulated depreciation:						
As at January 1, 2021	3,294,919	1,271,561	2,250,433	371,764	4,876,542	12,065,219
Charge for the year	-	66,528	10,555	9,500	149,088	235,671
Disposals for the year	-	-	-	(50,000)	-	(50,000)
As at December 31, 2021	3,294,919	1,338,089	2,260,988	331,264	5,025,630	12,250,890
Net book value:						
As at December 31, 2021	-	181,168	17,834	20,586	382,066	601,654

The Company also holds computer software and licenses with a cost amounting to SR 2,516,507 (2021: SR 1,680,543) and net book value amounting to SR 971,157 (2021: SR 215,537). Amortization charge for the year amounts to SR 80,344 (2021: SR 70,805).

(All amounts are in Saudi Riyals unless stated otherwise)

5 EQUITY INVESTMENTS DESIGNATED AT FVOCI

The Company made an investment amounting to SR 892,850 for 89,285 shares at SR 10 each share representing 2.3% ownership in the share capital of "Saudi Finance Leasing Contract Registry Company". The Registration Company has been formed for registration of contracts relating to financial leases, amendments, registration and transfer of title deeds of the assets under the finance leases.

Equity investment designated at fair value is classified under level 3 of the fair value hierarchy.

6. NET INVESTMENT IN FINANCE LEASES

6.1 Reconciliation between gross and net investment in finance leases are as follows:

	Note	As at December 31, 2022	As at December 31, 2021
Lease receivables		**1,215,405,792**	1,281,816,785
Residual value		**602,912,609**	660,029,049
Gross investment in finance leases	6.2	**1,818,318,401**	1,941,845,834
Non-refundable security deposits		**(600,292,249)**	(653,009,289)
Prepaid lease rentals		**(56,000,345)**	(57,594,971)
Net receivables		**1,162,025,807**	1,231,241,574
Unearned lease finance income		**(145,191,500)**	(131,732,272)
Sub-total	6.2	**1,016,834,307**	1,099,509,302
Modification loss		**(70,700,694)**	(67,887,938)
Income on modified finance lease		**58,997,964**	40,127,745
Net investment in finance leases		**1,005,131,577**	1,071,749,109
Expected Credit Loss ("ECL")	6.3	**(116,325,429)**	(131,906,599)
		888,806,148	939,842,510
Current maturity		**(459,562,536)**	(467,180,771)
		429,243,612	472,661,739

6.2 The maturity of the gross investment in finance leases (i.e., minimum lease payments ("MLPs") and net investment in finance leases (i.e., present value of MLPs) is as follows:

	As at December 31, 2022		As at December 31, 2021	
	MLPs	**PV of MLPs**	**MLPs**	**PV of MLPs**
Not later than one year	**750,648,766**	**485,561,716**	917,636,220	582,003,289
Later than one year and less than five years	**1,051,307,608**	**513,887,194**	1,007,847,587	484,293,658
Later than five years	**16,362,027**	**5,682,667**	16,362,027	5,452,162
	1,818,318,401	**1,005,131,577**	1,941,845,834	1,071,749,109

(All amounts are in Saudi Riyals unless stated otherwise)

6. NET INVESTMENT IN FINANCE LEASES (continued)

6.3 The movement in the ECL of lease receivables was as follows:

	Note	As at December 31, 2022	As at December 31, 2021
Balance at the beginning of the year		**131,906,599**	126,623,291
ECL (reversal) / charge for the year, net		**(14,890,467)**	5,504,898
Bad debts written-off	6.3.1	**(690,703)**	(221,590)
Balance at the end of the year	6.3.2	**116,325,429**	131,906,599

6.3.1 Amounts written off still subject to enforcement activity

As of December 31, 2022, the bad debt amount written off, yet subject to enforcement activity amounts to SR 94.2 million (2021: SR 83.4 million).

6.3.2 Portfolio ECL analysis for investment in finance leases is as follows:

December 31, 2022	Net investment in finance lease	Expected credit losses	Expected default rates
Not yet due	**656,732,386**	**272,562**	**0.00%-0.03%**
1-90 days*	**238,408,773**	**4,792,740**	**0.04%-1.25%**
91-180 days*	**293,336**	**2,099**	**1.26%-7.58%**
181-365 days	**11,215,853**	**1,074,069**	**7.59%-42.50%**
366 days – 730 days	**-**	**-**	**42.51%-100%**
Above 730 days and Specific accounts**	**110,183,959**	**110,183,959**	**100%**
	1,016,834,307	**116,325,429**	

December 31, 2021	Net investment in finance lease	Expected credit losses	Expected default rates
Not yet due	762,829,541	600,013	0.00%-0.05%
1-90 days*	189,991,751	6,902,243	0.06%-1.18%
91-180 days*	23,811,088	1,547,730	1.19%-5.70%
181-365 days	-	-	5.71%-28.02%
366 days – 730 days	282,480	262,171	28.03%-100%
Above 730 days and Specific accounts**	122,594,442	122,594,442	100%
	1,099,509,302	131,906,599	

*Net investment in finance lease of SR 86.1 million (2021: SR 84.7 million) under overdue category of 1-90 days & 91-180 days are secured by real estate collateral, while the balance is secured by title to vehicle, machinery and equipment.

** Includes ECL of SR 94.6 million against specific accounts, which are below 730 days where net investment in finance lease is fully provided (2021: SR 6.5 million).

(All amounts are in Saudi Riyals unless stated otherwise)

6 NET INVESTMENT IN FINANCE LEASES (continued)

6.4 Modification loss was recognised in respect of deferral of cash flows under Deferred Payment Program announced by SAMA and Small and Medium Enterprises General Authority ("Monsha'at"). Against the deferral, the Company received profit free deposits from SAMA and loan moratorium from Monsha'at. Government grant benefit was recognized in the financial statements as a difference in the book value and present value of repayments.

During December 2021, SAMA announced an extension, being the last one, to defer payments for an additional three-months to those companies that qualify as MSMEs and those that continue to be affected by the COVID-19 precautionary measures and have instalments falling due within the period from January 1, 2022 to March 31, 2022. The accounting impact of these changes in terms of the finance lease and murabaha contracts has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Company recognising a day 1 modification loss of SR 2.8 million and SR 0.9 million on finance lease and murabaha contracts, respectively, during the year ended December 31, 2022.

6.5 Generating the term structure of Probability of Default (PD)

Loss rates are calculated using a 'flowrate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates, average of past thirty-six months, adjusted by the outlook of the economy.

6.6 Sensitivity Analysis

Assuming all other factors remain constant, the sensitivity analysis of the expected credit loss allowance of finance lease as on December 31, 2022 and 2021, is as follows:

	Increase in ECL as on December 31, 2022	**Increase in ECL as on December 31, 2021**
Use of maximum of forward flow rates instead of average flow rates	**6,518,808**	11,374,316
Increase in economic factor by 10%	**293,488**	424,785
Increase in loss given default by 10%	**125,964**	48,303

7 NET INVESTMENT IN MURABAHA FINANCE

7.1 Reconciliation between murabaha finance receivables and net murabaha finance is as follows:

	Note	**As at December 31, 2022**	**As at December 31, 2021**
Murabaha finance receivables		**557,786,863**	470,145,178
Unearned murabaha finance income		**(63,713,997)**	(52,909,149)
Sub-total	7.3	**494,072,866**	417,236,029
Modification loss	6.4	**(11,580,516)**	(10,669,814)
Income on modified murabaha finance	18.1	**9,419,530**	6,347,634
Net investment in murabaha finance		**491,911,880**	412,913,849
ECL on investment in Murabaha finance	7.2, 7.4	**(150,646)**	(1,132,343)
		491,761,234	411,781,506
Current maturity		**(194,896,484)**	(145,263,644)
		296,864,750	266,517,862

(All amounts are in Saudi Riyals unless stated otherwise)

7 NET INVESTMENT IN MURABAHA FINANCE (continued)

7.2 The movement in the ECL on Murabaha finance receivables was as follows:

	Note	As at December 31, 2022	As at December 31, 2021
Balance at the beginning of the year		**1,132,343**	631,151
ECL (reversal) / charge for the year, net		**(981,697)**	606,436
Bad debts written-off		**-**	(105,244)
Balance at the end of the year	7.2.1	**150,646**	1,132,343

7.2.1 Stage wise analysis of murabaha finance receivables and ECL is as follow:

	Performing	Under-performing	Non-performing	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
December 31, 2022				
Net investment in murabaha finance	**468,523,984**	**25,548,882**	**-**	**494,072,866**
Expected credit losses	**(78,711)**	**(71,935)**	**-**	**(150,646)**
Net receivables	**468,445,273**	**25,476,947**	**-**	**493,922,220**
December 31, 2021				
Net investment in murabaha finance	415,929,592	-	1,306,437	417,236,029
Expected credit losses	(565,961)	-	(566,382)	(1,132,343)
Net receivables	415,363,631	-	740,055	416,103,686

7.3 Stage-wise movement of gross murabaha finance receivables:

	Performing	Under-performing	Non-performing	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
December 31, 2022				
Balances as at January 1, 2022	**415,929,592**	**-**	**1,306,437**	**417,236,029**
Transfer from Stage 1	**(25,454,735)**	**25,454,735**	**-**	**-**
Transfer from Stage 3	**-**	**338,668**	**(338,668)**	**-**
Net other movements*	**78,049,127**	**(244,521)**	**(967,769)**	**76,836,837**
	52,594,392	**25,548,882**	**(1,306,437)**	**76,836,837**
Balances at December 31, 2022	**468,523,984**	**25,548,882**	**-**	**494,072,866**

(All amounts are in Saudi Riyals unless stated otherwise)

7 NET INVESTMENT IN MURABAHA FINANCE (continued)

7.3 Stage-wise movement of gross murabaha finance receivables (continued)

	Performing	**Under-performing**	**Non-performing**	**Total**
	(Stage 1)	(Stage 2)	(Stage 3)	
December 31, 2021				
Balances as at January 1, 2021	208,760,781	-	967,769	209,728,550
Transfer from Stage 1	(338,668)	-	338,668	-
Net other movements*	207,612,723	-	-	207,612,723
	207,274,055	-	338,668	207,612,723
Written off during the year	(105,244)	-	-	(105,244)
Balances at December 31, 2021	415,929,592	-	1,306,437	417,236,029

* Net other movement includes financing originated, financing repaid and other measurements.

7.4 Stage-wise movement in ECL of murabaha finance receivables is as follows:

	Performing	**Under-performing**	**Non-performing**	**Total**
	(Stage 1)	(Stage 2)	(Stage 3)	
December 31, 2022				
ECL as at January 1, 2022	**565,961**	**-**	**566,382**	**1,132,343**
Transfer from Stage 1	**(71,669)**	**71,669**	**-**	**-**
Transfer from Stage 3	**-**	**11,497**	**(11,497)**	**-**
Financial assets settled	**(5,824)**	**-**	**(554,885)**	**(560,709)**
New financial assets originated	**16,040**	**-**	**-**	**16,040**
Net re-measurement of ECL	**(425,797)**	**(11,231)**	**-**	**(437,028)**
	(487,250)	**71,935**	**(566,382)**	**(981,697)**
ECL at December 31, 2022	**78,711**	**71,935**	**-**	**150,646**

	Performing	**Under-performing**	**Non-performing**	**Total**
	(Stage 1)	(Stage 2)	(Stage 3)	
December 31, 2021				
ECL as at January 1, 2021	345,630	-	285,521	631,151
Transfer from Stage 1	(69)	-	69	-
Financial assets settled	(1,242)	-	-	(1,242)
New financial assets originated	41,984	-	-	41,984
Net re-measurement of ECL	284,902	-	280,792	565,694
	325,575	-	280,861	606,436
Written off during the period	(105,244)	-	-	(105,244)
ECL at December 31, 2021	565,961	-	566,382	1,132,343

7.5 Modification loss was recognised, and netted off against government grant, in these financial statements. (Refer Note 6.4 for details).

7.6 Generating the term structure of Probability of Default (PD)

Loss rates are calculated using a ‘flowrate’ method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates, average of past thirty-six months, adjusted by the outlook of the economy.

(All amounts are in Saudi Riyals unless stated otherwise)

7 NET INVESTMENT IN MURABAHA FINANCE (continued)

7.7 Sensitivity Analysis

Assuming all other factors remain constant, the sensitivity analysis of the expected credit loss allowance on murabaha finance as on December 31, 2022 and 2021 is as follows:

	Increase in ECL as on December 31, 2022	Increase in ECL as on December 31, 2021
Use of maximum of forward flow rates instead of average flow rates	**884,742**	794,246
Increase in economic factor by 10%	**34,536**	158,688
Increase in loss given default by 10%	**9,476**	48,526

8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at December 31, 2022	As at December 31, 2021
Advance to suppliers		**20,997,300**	20,558,942
Receivable from Saudi shareholders for prior period Zakat settlement		**5,265,683**	7,898,525
Deferred Value Added Tax ("VAT")		**9,389,511**	4,259,295
Prepaid expenses		**3,730,073**	3,187,333
Receivable from lessees		**2,667,328**	2,432,361
Receivable from Jeddah Municipality	8.1	**11,036,539**	-
Government grant - receivable from SAMA		**-**	2,550,001
Loans and advances to staff		**2,276,080**	1,840,416
Other		**801,347**	164,409
		56,163,861	42,891,282

8.1 This pertains to receivable against a land for which the Company holds the legal title as collateral, under a finance lease contract, with a right of disposal and settlement against the default. The land was acquired by Jeddah municipality as a part of development project. As per municipality requirements, the Company submitted its claim and duly obtained acknowledgement as a claimant. The Company has accounted for the receivable to the extent of net receivable under the finance lease contract.

9 CASH AND CASH EQUIVALENTS

	As at December 31, 2022	As at December 31, 2021
Cash at banks	**33,440,346**	30,800,581
Cash in hand	**10,129**	10,563
Term deposits of less than three months maturity	**-**	45,000,000
Cash and cash equivalents at the end of the year	**33,450,475**	75,811,144

(All amounts are in Saudi Riyals unless stated otherwise)

10 SHARE CAPITAL AND STATUTORY RESERVE

As at December 31, 2022 and 2021, the authorised, issued and fully paid-up share capital of the Company was SR 550 million (2021: SR 550 million) divided into 55 million shares (2021: 55 million shares) with a nominal value of SR 10 each.

The pattern of shareholding as of December 31, 2022 and 2021 are as follows:

Shareholders	**As at December 31, 2022**	**As at December 31, 2021**
The Saudi Investment Bank ("SAIB")	**209,000,000**	209,000,000
Trade Development & Investment Company	**176,000,000**	176,000,000
ORIX Corporation – Japan	**151,250,000**	151,250,000
OLP Financial Services Pakistan Limited - Pakistan	**13,750,000**	13,750,000
	550,000,000	550,000,000

10.1 The portion of Saudi to non-Saudi shareholders is 70% to 30% (2021: 70% to 30%) as of the reporting date.

10.2 As required by the Companies Law and the Company's By-laws, 10% of the net income after Zakat and income tax for the year is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% threshold of the share capital. The reserve is not available for distribution.

11 LONG-TERM LOANS AND GRANTS

	Notes	**As at December 31, 2022**	**As at December 31, 2021**
Long-term loans	11.1	**80,197,931**	82,561,842
Profit-free deposits payable to SAMA	11.2	**240,660,910**	396,398,326
		320,858,841	478,960,168
Government Grant on SAMA and Monsha'at loan	11.2	**(47,772,423)**	(63,865,821)
Special commission expense on Grant		**38,027,348**	37,200,298
		(9,745,075)	(26,665,523)
Accrued special commission expense		**726,042**	-
Total loans and deposits, net of grant	11.3, 11.4	**311,839,808**	452,294,645
Less: unamortised fee		**(157,803)**	(56,279)
		311,682,005	452,238,366
Less: current maturity		**(271,833,038)**	(277,700,369)
Non-current portion for long-term loans and deposits		**39,848,967**	174,537,997

11.1 Long term loans were obtained from Social Development Bank ("SDB") in relation to Small and Medium Enterprises General Authority ("Monsha'at") Program for financing of small and medium enterprises, which are payable by January 2024.

11.2 During the year ended December 31, 2022, the Company received SR 64.1 million of profit-free deposit from SAMA against the extension of SAMA deferred payment program for the period from October 1, 2021 to March 31, 2022. The benefit of the subsidized funding rate has been accounted for on a systematic basis in accordance with government grant accounting requirements. Further, the Company has recognised government grant income against the extension of SAMA deferred payment program for the period from January 1, 2022 to March 31, 2022 amounting to SR 2.8 million.

11.3 The Company has revolving and non-revolving loan facilities from commercial banks amounting to SR 329.3 million (2021: SR 104.3 million) which stood unutilized as at December 31, 2022.

(All amounts are in Saudi Riyals unless stated otherwise)

11 LONG-TERM LOANS AND GRANTS (continued)

11.4 The schedule for movement of long-term loans and SAMA profit-free deposits is as follows:

	Long-term loans and SAMA deposits	Special commission	Total
Balances as at January 1, 2022	**415,094,347**	**37,200,298**	**452,294,645**
Proceeds during the year	**120,664,967**	**-**	**120,664,967**
Charge during the year (Note 19)	**-**	**23,370,285**	**23,370,285**
Government grant	**16,093,398**	**-**	**16,093,398**
Payments during the year	**(278,766,294)**	**(21,817,193)**	**(300,583,487)**
Balances as at December 31, 2022	**273,086,418**	**38,753,390**	**311,839,808**

	Long-term loans and SAMA deposits	Special commission	Total
Balances as at January 1, 2021	448,567,962	12,990,130	461,558,092
Proceeds during the year	128,122,577	-	128,122,577
Charge during the year (Note 19)	-	25,642,035	25,642,035
Government grant	(21,360,187)	-	(21,360,187)
Payments during the year	(140,236,005)	(1,431,867)	(141,667,872)
Balances as at December 31, 2021	415,094,347	37,200,298	452,294,645

11.5 Special commission expense includes an amount of SR 22.3 million (2021: SR 24.9 million) being amortisation of grant benefit recognized against SAMA profit-free deposit and deferred Monsha'at loan.

12 SHORT TERM LOAN

		As at December 31, 2022	As at December 31, 2021
Short-term loan – principal amount and accrued financing cost	12.1	**56,417,437**	-
		56,417,437	-

12.1 This represents a short-term loan from a foreign bank carrying commission rate at the agreed commercial rate. This facility arrangement includes certain covenants, which the Company have complied with as at December 31, 2022.

13 FAIR VALUE OF DERIVATIVE

As at December 31, 2022, the Company held interest rate swap ("IRS") of a notional value of SR 50 million (2021: SR Nil) in order to reduce its exposure to interest rate risks against the long-term loan.

Net fair value of cash flow hedge of SR 293,687 (2021: Nil) represents the negative mark to market value of the interest rate swaps. The cash flow hedge reserve represents the effective portion of the cash flow hedge. The fair value of IRS is calculated using discounted cash flow model using a risk-free discount rate adjusted for appropriate risk margin for counterparty risk.

(All amounts are in Saudi Riyals unless stated otherwise)

14 ZAKAT AND INCOME TAX

a) Zakat

Movement in provision:	**As at December 31, 2022**	**As at December 31, 2021**
Balance as at January 1	**14,856,679**	9,847,576
Provided during the year	**8,318,370**	9,533,543
Payment during the year	**(11,067,190)**	(4,524,440)
Balance as at December 31	**12,107,859**	14,856,679

b) Income tax

Movement in provision:	**As at December 31, 2022**	**As at December 31, 2021**
Balance as at January 1	**1,198,270**	(698,954)
Provided during the year	**3,041,782**	3,965,307
Payment during the year	**(4,964,643)**	(2,068,083)
Balance as at December 31	**(724,591)**	1,198,270

14.1 Status of assessments

There is no change in the status of Zakat and income tax assessment since December 31, 2021.

Zakat and tax assessments have been finalized up to the years ended December 2018. Outstanding payable to ZATCA in respect of prior year settlement relating to year 2014-17 are as follows:

Due dates	**As at December 31, 2022**	**As at December 31, 2021**
December 1, 2022	**-**	2,632,842
December 1, 2023	**2,632,842**	2,632,842
Total	**2,632,842**	5,265,684

15 EMPLOYEES' END OF SERVICE BENEFITS

	As at December 31, 2022	**As at December 31, 2021**
Balance at the beginning of year	**20,265,652**	19,607,328
Provided during the year - service cost	**2,198,833**	2,382,361
Provided during the year - interest cost	**709,296**	686,256
	2,908,129	3,068,617
Paid during the year	**(2,501,883)**	(1,459,272)
Actuarial gains through OCI	**(842,532)**	(951,021)
Balance at the end of the year	**19,829,366**	20,265,652

15.1 Principal actuarial assumptions at the reporting date are as follows:

	As at December 31, 2022	**As at December 31, 2021**
Discount rate	**3.5%**	3.0%
Salary increment	**2.0%**	2.5%
Retirement age	**60**	60

(All amounts are in Saudi Riyals unless stated otherwise)

15 EMPLOYEES' END OF SERVICE BENEFITS (continued)

15.2 Sensitivity of the actuarial assumptions

A change of 1% in discount rate and salary increment would have increased or decreased the employees' end of service benefits by SR 0.66 million and SR 0.80 million (2021: SR 0.71 million and SR 0.85 million) respectively.

16 ACCOUNTS PAYABLE

These represent non-interest-bearing payables against purchase of assets leased and murabaha finance contracts executed by the Company. Generally, the average credit period on purchases of assets from suppliers is one month.

17 ACCRUED EXPENSES AND OTHER LIABILITIES

	Notes	As at December 31, 2022	As at December 31, 2021
Proposed lease related payables	17.1	**8,474,884**	8,896,784
Employee related payables		**7,355,038**	5,514,087
Charity payable		**4,642,583**	4,163,424
Leased assets insurance premium payable		**2,100,061**	3,402,597
Leased assets insurance claims to be settled		**1,467,455**	2,247,775
VAT payable		**719,931**	1,495,239
Legal and professional charges		**1,732,731**	1,380,625
Others		**2,467,843**	3,393,444
		28,960,526	30,493,975

17.1 These include down payments and front-end fees in respect of proposed lease contracts and other amounts received for related services of executed and unexecuted contracts.

18 REVENUE

	Notes	December 31, 2022	December 31, 2021
Finance lease	18.1	**96,442,610**	101,930,067
Murabaha finance	18.1	**44,609,179**	30,471,790
		141,051,789	132,401,857
Other income	18.2	**8,750,478**	12,363,895
		149,802,267	144,765,752

18.1 Finance lease income is stated net of insurance cost and it includes reversal of SR18.9 million (2021: SR 26.3 million) and SR 3.1 million (2021: SR 4.3 million) against modification loss on finance leases and Murabaha finance contracts, respectively.

18.2 Other income mainly includes front-end fees, other contract related fees and income earned on short-term time deposits.

(All amounts are in Saudi Riyals unless stated otherwise)

19 SPECIAL COMMISSION EXPENSE

	Note	December 31, 2022	December 31, 2021
Special commission expense on:			
Long-term loans	11.5	**23,370,285**	25,642,035
Short-term loan		**847,271**	64,326
		24,217,556	25,706,361
Bank overdraft commission		**210**	34,537
		24,217,766	25,740,898
Amortisation of transaction costs and bank charges		**92,238**	54,757
		24,310,004	25,795,655

20 GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2022	December 31, 2021
License, legal and professional charges	**5,158,961**	2,800,123
Rent, office repairs and maintenance expenses, net	**3,242,748**	2,496,878
Input VAT unclaimable	**1,369,247**	1,446,327
Communication expenses	**855,464**	863,572
Insurance of owned assets	**291,013**	266,362
Printing and stationery	**223,670**	235,746
Travelling and transportation	**325,594**	204,757
Others	**721,139**	1,442,655
	12,187,836	9,756,420

21 BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the income for the year attributable to the shareholders by weighted average number of shares (55,000,000) at the end of the year.

22 CONTINGENCIES AND COMMITMENTS

	As at December 31, 2022	As at December 31, 2021
Finance lease and murabaha finance not yet executed	**33,601,060**	10,027,353
Bank guarantees issued on behalf of the Company	**2,000,000**	2,000,000

23 FINANCIAL RISK MANAGEMENT

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

23.1 Risk management structure

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

Executive Committee
The Executive Committee is established by the Board of Directors with primary mandate to review credit proposals, monitor performance and provide necessary guidance on operational and strategic matters or other core activities driving the Company's business. In addition, Executive Committee reviews subjects not falling within the ambit of other committees.

Risk Management Committee
The Risk Management Committee is established by the Board of Directors to develop and maintain comprehensive risk management strategy and policies, including cyber security and IT risks. The Risk Management Committee is responsible to set Risk Appetite Framework (RAF) and ensure RAF remains consistent with short and long-term strategy, business and capital plan as well as compensation programs and other Board approved policies.

Nomination and Remuneration Committee
The Nomination and Remuneration Committee is established by the Board of Directors to identify and propose candidates for selection as members of Board, Committees and Executive Management. The Nomination and Remuneration Committee is responsible for preparing clear policy for remuneration of members and executive management.

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

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

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

23.2 Market risk

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

Market risk comprises of three types of risk: currency risk, special commission rate risk and other price risk.

23 FINANCIAL RISK MANAGEMENT (continued)

23.2 Market risk (continued)

23.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyal. The Company incurs currency risk on borrowing in foreign currency that is entered in a currency other than Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not hedge its foreign currency exposure.

As at December 31, 2022, the Company has foreign currency loan borrowed in USD from an international bank amounting to SR 56.25 million (2021: Nil).

Sensitivity analysis

The Company has currency risk in US Dollar, at reporting date, if the Saudi Riyal had strengthened/ weakened by 1% against the US Dollar with all other variables held constant, income for the year would have been higher / lower by the amount of SR 0.56 million (2021: Nil) mainly as a result of net foreign exchange gain / loss on translation of foreign currency loan.

23.2.2 Special commission rate risk

Special commission rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market special commission rates. The Company's exposure to the risk of changes in market special commission rates relates primarily to the Company's long-term debt obligations with floating special commission rates.

The Company did not have any variable rate financial instruments as of the year end subject to special commission rate risk that were not hedged.

Sensitivity analysis for variable rate financial instruments

Had there been no hedge arrangements, a change of 100 basis points in variable rate financial liabilities would have increased or decreased income by SR 0.5 million (2021: SR Nil).

The sensitivity analysis prepared is not necessarily indicative of the effects on income statement for the year and financial liabilities of the Company.

23.2.3 Other price risk

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

(All amounts are in Saudi Riyals unless stated otherwise)

23 FINANCIAL RISK MANAGEMENT (continued)

23.3 Credit risk

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

Out of the total assets of SR 1,473 million (2021: SR 1,472 million), the assets which were subject to credit risk of financial assets amounted to SR 1,437 million (2021: SR 1,450 million). The management analyze the credit risk in the following categories:

	As at December 31, 2022	**As at December 31, 2021**
Net investment in finance leases	**888,806,148**	939,842,510
Net investment in Murabaha finance	**491,761,234**	411,781,506
Advances and other receivables	**23,664,628**	22,991,303
Bank balances	**33,440,346**	75,800,581
	1,437,672,356	1,450,415,900

23.3.1 Net investment in finance leases and murabaha finance

The investment in finance leases and murabaha finance generally expose to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The Company also follows a credit classification mechanism, primarily driven by days-delinquency as a tool to manage the quality of credit risk of the lease portfolio. Lease receivables which are overdue for more than 6 months and where future cash flows are estimated to differ, are graded into four sub-categories according to Company's internal rating system i.e., Overdue/Watch, Substandard, Doubtful and Loss.

The portfolio that is neither past due nor impaired has satisfactory history of repayment, where applicable. As at statement of financial position date, the Company has adequate collaterals to cover the overall credit risk exposure after providing ECL.

The assessment of credit risk of finance leases and murabaha finance also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD.

Generating the term structure of PD
Loss rates are calculated using a 'flowrate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates, average of past thirty-six months, adjusted by the outlook of the economy.

Significant increase in credit risk
In determining whether credit risk has increased significantly since initial recognition, the Company uses its quantitative changes in PDs, delinquency status of accounts and, where possible, relevant historical experience. Based on instalment collection history, the management believes that the significant increase in credit risk arise only when the instalment is past due for more than 60 days.

(All amounts are in Saudi Riyals unless stated otherwise)

23 FINANCIAL RISK MANAGEMENT (continued)

23.3 Credit risk (continued)

23.3.1 Net investment in finance leases and murabaha finance (continued)

Measurement of ECL
The Company measures an ECL at counterparty level considering the EAD, PD, LGD and discount rate. PD estimates are estimates at a certain date, based on the term structures as provided above. For LGD estimates, the Company use 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 including amortization. The EAD of finance lease and murabaha finance is its gross carrying amount. For discounting, the Company has used each contract's effective interest rate.

The Company's management believes that adequate ECL has been made, where required to address the credit risk. Moreover, the Company in the ordinary course of providing finance lease and murabaha receivables are subject to additional personal guarantees for security to mitigate credit risk associated with finance lease and murabaha finance. For additional details, relating to finance lease and murabaha finance and related risk refer Note 3.8, Note 6 and Note 7 to these financial statements.

Concentration risk

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

The Company manages its credit risk exposure through diversification of leasing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. An analysis by class of business of the Company's net investment in finance leases and murabaha finance is given below:

	As at December 31, 2022		**As at December 31, 2021**	
	SR	**%**	**SR**	**%**
Building and construction	**447,737,824**	**29.63%**	403,967,040	26.63%
Commerce (wholesale/retail trade)	**259,585,626**	**17.18%**	320,748,172	21.15%
Manufacturing	**253,872,156**	**16.80%**	258,643,665	17.05%
Electricity water and gas and health services	**116,786,346**	**7.73%**	135,947,665	8.96%
Transportation and communication	**119,302,437**	**7.90%**	131,944,002	8.70%
Finance	**66,618,101**	**4.40%**	80,370,007	5.30%
Services	**112,096,900**	**7.42%**	72,318,979	4.77%
Agriculture and fishing industry	**15,799,462**	**1.05%**	17,575,884	1.16%
Mining and quarrying	**11,121,211**	**0.74%**	2,433,955	0.16%
Retail	**-**	**-**	134,475	0.01%
Other borrowing sectors	**107,987,110**	**7.15%**	92,661,487	6.11%
	1,510,907,173	**100%**	1,516,745,331	100%

Collateral held as security and other credit enhancements
The credit risks on gross amounts due in relation to the investment in finance leases and murabaha financing is mitigated by the retention of title or mortgage on leased assets. Further, the Company has net investment in finance lease and murabaha finance secured through bank guarantees and Kafala guarantees amounting to SR 24.9 million (2021: SR 43.48 million) and SR 56.0 million (2021: SR 50 million), respectively, as at December 31, 2022.

(All amounts are in Saudi Riyals unless stated otherwise)

23 FINANCIAL RISK MANAGEMENT (continued)

23.3 Credit risk (continued)

23.3.2 Bank balances, term deposits and other receivables

The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with a bank having good credit ratings. Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

23.4 Liquidity risk

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

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

	Within 3 months	4 to 12 months	2 to 5 years	No fixed maturity	Total
December 31, 2022					
Accounts payable	**115,212,148**	**-**	**-**	**-**	**115,212,148**
Accrued expenses and other liabilities	**28,960,526**	**-**	**-**	**-**	**28,960,526**
Zakat and income tax	**-**	**12,107,859**	**-**	**-**	**12,107,859**
Long-term loans and grants	**44,877,759**	**239,052,379**	**42,666,956**	**-**	**326,597,094**
Short-term loan	**57,140,611**	**-**	**-**	**-**	**57,140,611**
Employees' end of service benefits	**-**	**-**	**-**	**19,829,366**	**19,829,366**
	246,191,044	**251,160,238**	**42,666,956**	**19,829,366**	**559,847,604**
December 31, 2021					
Accounts payable	55,650,692	-	-	-	55,650,692
Accrued expenses and other liabilities	30,493,975	-	-	-	30,493,975
Zakat and income tax	62,619	13,359,488	2,632,842	-	16,054,949
Long-term loans and grants	10,169,251	264,555,110	204,661,036	-	479,385,397
Employees' end of service benefits	-	-	-	22,660,181	22,660,181
	96,376,537	277,914,598	207,293,878	22,660,181	604,245,194

(All amounts are in Saudi Riyals unless stated otherwise)

23 FINANCIAL RISK MANAGEMENT (continued)

23.4 Liquidity risk (continued)

The tables below summarize the negative fair values of derivative financial instruments, together with the notional amounts, analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Company's exposure credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

		Notional amount			
	Negative fair value of derivative	**Within 3 months**	**3-12 month**	**1-5 years**	**Total**
2022	**(293,687)**	**4,166,667**	**12,500,000**	**33,333,333**	**50,000,000**

24 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets and financial liabilities are measured at amortized cost except for equity investment designed at FVOCI which are measured at fair value. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values. The Company's equity investment designated at FVOCI falls under level 3 in the fair value hierarchy as at December 31, 2022 amounting to SR 892,850 (2021: SR 892,850).

(All amounts are in Saudi Riyals unless stated otherwise)

25 FINANCIAL INSTRUMENTS

In accordance with the requirement of IFRS 9, all financial assets and liabilities of the Company are classified and measured at amortised cost, except for equity investment designated at FVOCI which are measured at fair value, the breakdown of those were as follows:

	As at December 31, 2022	As at December 31, 2021
Financial assets – at amortized cost		
Net investment in finance leases	**888,806,148**	939,842,510
Net investment in murabaha finance	**491,761,234**	411,781,506
Advances and other receivables	**52,433,788**	39,703,949
Cash and cash equivalents	**33,450,475**	75,811,144
Financial assets – at fair value		
Equity investments designated at FVOCI	**892,850**	892,850
Financial liabilities – at amortized cost		
Long term loans	**311,682,005**	452,238,366
Short-term loan	**56,417,437**	-
Accounts payable	**115,212,148**	55,650,692
Accrued expenses and other liabilities	**28,960,526**	30,493,975
Financial liabilities – at fair value		
Negative fair value of derivative	**293,687**	-

26 CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain optimal capital structure to reduce the cost of capital. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2022 and 2021. At statement of financial position date, gearing ratio analysis was as follows:

	As at December 31, 2022	As at December 31, 2021
Equity	**928,735,003**	897,332,849
Profit bearing debt	**135,910,349**	79,432,680
Total capital structure	**1,064,645,352**	976,765,529
Gearing ratio	**12.77%**	8.13%

(All amounts are in Saudi Riyals unless stated otherwise)

27 RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Company transacts business with related parties, which are related to its shareholders. The Company is provided technical assistance from ORIX Corporation, Japan and OLP Financial Services Pakistan Limited at no cost under an arrangement. Significant related party transactions and balances are as follows:

Transactions:	**As at December 31, 2022**	**As at December 31, 2021**
The Saudi Investment Bank - *shareholder*		
Dividend paid – net of zakat and tax	**14,314,831**	1,774,831
Long-term loan received	**50,000,000**	-
Special commission expense	**726,042**	-
Other bank charges paid	**48,249**	83,324
Profit earned on time deposit	**87,917**	-
Rent and premises related payment	**3,494,178**	1,762,500
Lease participation – payments*	**2,666,761**	-
Lease participation – management fee *	**32,929**	-
Trade Development & Investment Company, KSA - *shareholder*		
Dividend paid – net of zakat	**11,927,327**	1,367,327
ORIX Corporation, Japan – *shareholder*		
Dividend paid – net of tax	**11,343,750**	2,268,750
OLP Financial Services Pakistan Limited - shareholder		
Dividend paid – net of tax	**1,031,250**	206,250
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- affiliate		
Premium for insurance and other related payments-net	**11,046,607**	9,608,604
Takween Advanced Industries Company, KSA – affiliate**		
Net investment in finance lease	**16,688,968**	-
Key Management Personnel		
Salaries and other short-term employee benefits	**10,621,619**	8,857,095
End of service benefits	**1,051,810**	526,031
Directors' meeting attendance fee	**1,180,000**	900,000

(All amounts are in Saudi Riyals unless stated otherwise)

27 RELATED PARTY TRANSACTIONS (continued)

Balances:	**As at December 31, 2022**	**As at December 31, 2021**
The Saudi Investment Bank- *shareholder*		
Bank current accounts	**21,619,176**	19,253,692
Long-term loans (including accrued commission)	**50,726,042**	-
Prior period zakat settlement receivable	**2,720,338**	4,080,506
Lease participation payable	**-**	534,783
Lease participation receivable	**18,826**	23,977
Trade Development & Investment Company - *shareholder*		
Prior period zakat settlement receivable	**2,545,345**	3,818,019
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- *affiliate*		
Advance / prepaid against insurance premium, net	**4,514,222**	4,254,522
Takween Advanced Industries Company, KSA – affiliate**		
Net investment in finance lease	**16,076,509**	-
Key Management Personnel		
Employees' end of service benefits	**3,419,048**	3,423,232
Loans to key management of the Company	**474,474**	527,899
Directors' meeting attendance fee payable	**1,180,000**	900,000

* The Company has certain lease transactions, in which the related party has a non-recourse participation. The Company charges a fee for administration of the portfolio. The value of such portfolio was SR 2 million as at December 31, 2022 (2021: SR 3.5 million).

** Related party due to the position held by the board committee member of the Company.

28 DIVIDENDS

The Board of Directors proposed an annual dividend of SR 0.75 per share (2020: SR 0.15 per share) for the year ended December 31, 2021 amounting to SR 41.25 million (2020: SR 8.25 million). The shareholders approved the distribution at the Annual General Assembly meeting held on June 1, 2022.

29 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved and authorised for issue by the Board of Directors on February 2, 2023 (corresponding to Rajab 11, 1444H).