

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
AND INDEPENDENT AUDITOR'S REVIEW REPORT

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders
SHL Finance Company (Formerly Saudi Home Loans Company)
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim statement of financial position of SHL Finance Company (Formerly Saudi Home Loans Company) (A Saudi Joint Stock Company) (the "Company") as of 31 March 2023 and the related statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

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

Other matter

The interim financial information for the three-month period ended 31 March 2022 was reviewed by another auditor who expressed an unmodified conclusion on that information on 28 April 2022.

Deloitte and Touche & Co.
Chartered Accountants



Mazen A. Al-Omari
Certified Public Accountant
License No. 480



14 Shawwal, 1444 AH
May 4, 2023


SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023
(Expressed in Saudi Riyal)

	Notes	31 March 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Cash and cash equivalents	4	121,604,698	42,847,283
Due from a related party	5	525,919	593,004
Prepaid expenses and other assets	6	6,951,918	7,675,313
Other receivables, net	7	31,028,987	31,612,969
Deferred origination fees		13,385,455	14,375,181
Investments in finance lease, net	8	3,751,427,753	3,814,705,798
Murabaha receivables, net	9	336,889,306	308,114,330
Positive fair value of derivative financial instrument	16	31,132,519	31,132,519
Investment held at fair value through other comprehensive income ("FVOCI")		892,850	892,850
Other real estate, net		26,784,358	21,983,608
Right-of-use asset		4,772,233	5,409,480
Property and equipment, net		3,295,458	3,346,654
Intangible assets, net		1,817,320	2,023,276
Deferred tax	13	1,784,888	1,917,078
Restricted bank balances	4	42,200,000	42,200,000
TOTAL ASSETS		4,374,493,662	4,328,829,343
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and other liabilities	10	13,452,006	12,108,948
Accrued expenses and other liabilities	11	13,161,028	18,990,966
Advance lease rentals		17,517,889	9,535,190
Lease liability		3,112,938	5,506,339
Provision for zakat and income tax	12	14,212,366	12,969,728
Tawarruq financing facilities	14	2,591,706,860	2,551,268,518
End of service benefits	15	10,229,106	9,731,569
Total liabilities		2,663,392,193	2,620,111,258
Shareholders' equity			
Share capital	17	1,000,000,000	1,000,000,000
Statutory reserve	18	126,068,592	126,068,592
Other reserve		2,061,066	2,123,908
Retained earnings		582,971,811	580,525,585
Total shareholders' equity		1,711,101,469	1,708,718,085
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,374,493,662	4,328,829,343

COMMITMENTS AND CONTINGENCIES

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Yousef Al Shalash
Chairman


Bandar Al Ghamdi
Chief Executive Officer


Muath Jabr
Chief Financial Officer

The accompanying notes from (1) to (26) are an integral part of these condensed interim financial statements

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(Expressed in Saudi Riyal)

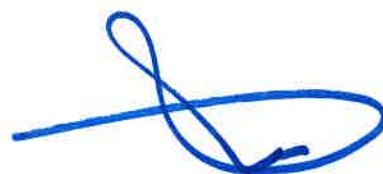
	Notes	For the three-month period ended March 31 (unaudited)	
		2023	2022
Finance income		70,598,615	63,011,816
Service fees, net	23	1,181,997	1,590,066
Application and evaluation fee income		223,119	614,977
Origination expenses		(989,726)	(1,061,442)
Total revenue		71,014,005	64,155,417
Fair value gain on derivative financial instrument	16	-	10,633,325
Other income		1,708,562	89,483
Total operating income		72,722,567	74,878,225
Direct cost		(5,410,034)	(6,498,241)
Finance charges		(44,925,549)	(19,051,465)
General and administrative expenses	20	(19,657,300)	(19,238,775)
(Impairment losses)/reversal of impairment losses		(172,647)	7,307,707
Selling and marketing expenses	19	(920,080)	(1,546,423)
Total operating expenses		(71,085,610)	(39,027,197)
Net income before zakat and income tax		1,636,957	35,851,028
Zakat and income tax	12	(1,371,484)	(3,367,873)
Income tax for previous periods	12	2,312,943	-
Deferred tax	13	(132,190)	(126,115)
Net income for the period		2,446,226	32,357,040
Other comprehensive loss			
<i>Item that cannot be reclassified to the statement of income in subsequent periods:</i>			
Actuarial loss on end of service benefits	15	(62,842)	(65,819)
Total comprehensive income for the period		2,383,384	32,291,221
Basic and diluted earnings per share (Saudi Riyal)	21	0.02	0.32



Yousef Al Shalash
Chairman



Bandar Al Ghamdi
Chief Executive Officer



Muath Jabr
Chief Financial Officer

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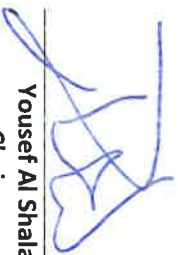
SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(Expressed in Saudi Riyal)

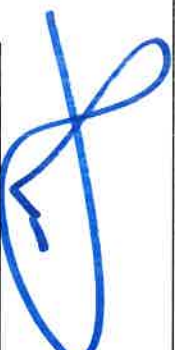
For the three-month period ended 31 March 2023 (Unaudited)					
	Share Capital	Statutory Reserve	Other reserve	Retained earnings	Total shareholders' equity
Balance at beginning of the period	1,000,000,000	126,068,592	2,123,908	580,525,585	1,708,718,085
Net income for the period	-	-	-	2,446,226	2,446,226
Actuarial gain on end of service benefits	-	-	(62,842)	-	(62,842)
Total comprehensive income for the period	-	-	(62,842)	2,446,226	2,383,384
Balance at end of the period	1,000,000,000	126,068,592	2,061,066	582,971,811	1,711,101,469

For the three-month period ended 31 March 2022 (Unaudited)

	Share capital	Statutory Reserve	Other reserve	Retained earnings	Total shareholders' equity
Balance at beginning of the period	1,000,000,000	116,479,630	1,829,576	571,624,922	1,689,934,128
Net income for the period	-	-	-	32,357,040	32,357,040
Actuarial gain on end of service benefits	-	-	(65,819)	-	(65,819)
Total comprehensive income for the period	-	-	(65,819)	32,357,040	32,291,221
Transfer to statutory reserve	-	3,235,704	-	(3,235,704)	-
Balance at end of the period	1,000,000,000	119,715,334	1,763,757	600,746,258	1,722,225,349


Yousef Al Shalash
Chairman



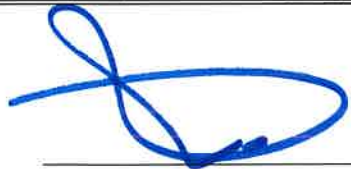

Bandar Al Ghamdi
Chief Executive Officer


Muath Jabr
Chief Financial Officer

The accompanying notes from (1) to (26) are an integral part of these condensed interim financial statements

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
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CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(Expressed in Saudi Riyal)

	For the three-month period ended March 31 (unaudited)	
	2023	2022
OPERATING ACTIVITIES		
Net income before zakat and income tax	1,636,957	35,851,028
Adjustments to net income before zakat and income tax		
Depreciation and amortisation	1,125,324	1,145,894
Amortisation of deferred origination fees	989,726	1,061,442
Fair value gain on derivative financial instrument	-	(10,633,325)
Impairment loss on real estate assets	-	101,028
Impairment losses/(reversal of impairment losses)	172,647	(7,307,707)
Provision for end of service benefits	479,851	413,153
Amortization of discount on lease liability	255,588	320,105
Finance charges	44,925,549	-
<u>Net (increase)/decrease in operating assets:</u>		
Other receivables, net	(1,363,122)	(2,198,011)
Prepaid expenses and other assets, net	594,549	(1,693,716)
Due from a related party	67,085	(35,983)
Investments in finance lease	60,165,512	52,947,907
Murabaha receivables	(29,279,362)	(79,670,854)
<u>Net increase/(decrease) in operating liabilities:</u>		
Accounts payable and other liabilities	1,343,058	(19,671)
Accrued expenses and other liabilities	(5,829,938)	4,463,623
Advance lease rentals	7,982,699	3,862,465
Net cash from / (used in) operations	83,266,123	(1,392,622)
Zakat and income tax refund	2,903,569	-
End of service benefits paid	(45,156)	(197,321)
Net cash generated from / (used in) operating activities	86,124,536	(1,589,943)
INVESTING ACTIVITIES		
Purchase of property and equipment	(228,224)	-
Proceeds from disposal of property and equipment	-	204,772
Purchase of intangible assets	(2,701)	-
Net cash (used in)/generated from investing activities	(230,925)	204,772
FINANCING ACTIVITIES		
Additions in Tawarruq financing facilities	110,000,000	55,083,011
Repayment of Tawarruq financing facilities	(76,851,508)	(111,254,395)
Finance charges paid	(37,635,699)	-
Payment of lease liability	(2,648,989)	(2,348,990)
Net cash used in financing activities	(7,136,196)	(58,520,374)
Net change in cash and cash equivalents	78,757,415	(59,905,545)
Cash and cash equivalents at beginning of the period	42,847,283	183,984,147
Cash and cash equivalents at end of the period	121,604,698	124,078,602
		
Yousef Al Shalash Chairman	Bandar Al Ghamdi Chief Executive Officer	Muath Jabr Chief Financial Officer

The accompanying notes from (1) to (26) are an integral part of these condensed interim financial statements

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
(Expressed in Saudi Riyal unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

SHL Finance Company (the "Company") (Formerly Saudi Home Loans Company) is a Saudi joint stock company which was registered in Riyadh, Kingdom of Saudi Arabia under the commercial registration no. 1010241934 dated 22 Dhul Hijjah 1428H (corresponding to 1 January 2008), unified number (7001540165). The Company is regulated, controlled and licensed by Saudi Central Bank ("SAMA") license no: 14/A SH/201403 dated 27 Rabi Al-Thani 1435H (corresponding to 27 February 2014). The address of the Company is as follows:

SHL Finance Company
P.O. Box 27072
Riyadh 11417
Kingdom of Saudi Arabia

On 20 April 2022, the trading of the 30% listed share capital of the Company started on Saudi Stock Exchange ("Tadawul"). The Company's legal status also changed from Closed Joint Stock Company to Joint Stock Company.

The principal activities of the Company are to finance the purchase of houses and residential land and apartments, financing of real estate properties and financing the establishment of commercial and industrial projects. During the three-month period ended 31 March 2023, the Company has also obtained license from SAMA to practice the financing of small and medium enterprise activities and consumer financing activities.

On 14 February 2023, in an extra-ordinary general assembly meeting, the shareholders of the Company have resolved to change the name of the Company to SHL Finance Company

The Company has also updated its byelaws to reflect the above changes.

The Ministry of Commerce and Investment (MC) of the Kingdom of Saudi Arabia has issued new Regulations for Companies, effective 19 January 2023 with a grace period of two years for implementation. The management of the Company is in the process of assessing the potential impact of implementation of the new regulations on the Company, if any, and expects to be fully compliant with the new regulations by the end of the grace period which is 17 January 2025.

Branches of the Company

As at 31 March 2023 and 31 December 2022, the Company operates through following branches. The accompanying condensed interim financial statements include the assets, liabilities and results of these branches. The details of these branches are as follows:

<u>Branch</u>	<u>CR Number</u>	<u>Date</u>
Jeddah Branch	4030289627	22/08/1437 H
Dammam Branch	2050109572	22/08/1437 H

2. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements of the Company as at and for the three-month period ended 31 March 2023 have been prepared in accordance with the International Accounting Standard 34: *Interim Financial Reporting* ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

(Expressed in Saudi Riyal unless otherwise stated)

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2022.

The results for the interim period of three-month ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

b) Basis of measurement and presentation

These financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption, except for the following:

Items	Measurement bases
Employee benefits liabilities	Present value of the defined benefit obligation, using actuarial present value calculations based on projected unit credit method.
Investment classified as fair value through other comprehensive income ("FVOCI")	The investment is carried at cost.
Derivative financial instrument	These are valued using valuation techniques with market observable inputs at end of each reporting period.
Other real estate properties	These are carried at lower of outstanding receivables net of expected credit losses from customer at amortized cost and fair value of the property.

Investment classified as FVOCI is measured at cost as measurement of fair value would entail undue cost and efforts.

c) Functional and presentation currency

These condensed interim financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Company. The figures in these condensed interim financial statements are rounded to the nearest Saudi Riyal.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
(Expressed in Saudi Riyal unless otherwise stated)

2.1 New and amended International Financial Reporting Standards (“IFRSs”) Standards that are effective for the current period

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these condensed interim financial statements.

The adoption has not had any material impact on the disclosures or on the amounts reported in these condensed interim financial statements.

New and revised IFRS	Summary
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.
IFRS 17 Insurance Contracts and its amendments	Amendments require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. These Amendments to IFRS 17 also address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017.
Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2.
Amendments to IAS 8 (Definition of Accounting Estimates)	The amendments replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Amendments clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
(Expressed in Saudi Riyal unless otherwise stated)

2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorisation of these condensed interim financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	January 1, 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	January 1, 2024
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Postponed

The management is in the process of assessing the potential financial impact of application and do not expect that the adoption of the standards listed above will have a material impact on the condensed interim financial statements of the Company in future periods.

3. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4. CASH AND CASH EQUIVALENTS

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Cash in hand	35,000	36,000
Cash at banks	118,100,798	39,857,699
Certified cheques in hand (Note 4.2)	3,468,900	2,953,584
Cash and cash equivalents	121,604,698	42,847,283
Restricted deposits with banks (Note 4.1)	42,200,000	42,200,000
	163,804,698	85,047,283

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
(Expressed in Saudi Riyal unless otherwise stated)

Cash at banks include profit bearing Murabaha deposits of SR nil million (31 December 2022: SR 20 million) with profit rate approximating 5.5% annually in 2022.

As at each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating banking institutions and there has been no history of default with any of the Company's bank balances. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

4.1 Restricted deposits

This balance represents restricted deposits with commercial banks against Tawarruq financing facility. As per facility agreement, the Company is required to maintain certain amounts in reserve accounts with the commercial banks and the Company cannot make any transaction and withdraw this deposit until the repayment of Tawarruq liabilities.

4.2 Certified cheques in hand

This balance represents the value of certified cheques issued for the purchase of properties under the approved Ijarah and Murabaha contracts and for which the transfer of title deeds is under process. These certified cheques are submitted by official Company representatives directly at the government offices at the time of transfer of title deeds. Risk and rewards and control of such underlying properties and related Ijarah and Murabaha contracts are not transferred to the Company as of the reporting date and there are no contractual rights and obligations of Company as of the reporting date under such Ijarah and Murabaha contracts.

5. RELATED PARTY TRANSACTIONS

The related parties of the Company include the shareholders and affiliates, and key management personnel. In the ordinary course of business, the Company enters into transactions with its related parties, which are based on prices and contract terms approved by the Company's management and on an agreed basis with these related parties:

Name	Relationship
Arab National Bank ("ANB")	Shareholder
International Financial Corporation ("IFC") *	Shareholder
Dar Alarkan	Shareholder
Tharwat Alasool Real Estate Company	Affiliate
Wasalt Real Estate Services	Affiliate
Quara Digital Private Limited	Affiliate

*During 2022, IFC sold all of their shares in the Company and were no longer a shareholder as at 31 December 2022.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
(Expressed in Saudi Riyal unless otherwise stated)

The significant transactions during the period are as follows:

	For the three-month period 31 March (Unaudited)	
	2023	2022
Tawarruq financing charges (ANB)	28,101,249	12,202,456
Residential unit purchased (Dar Alarkan)	-	1,539,000
Service fees, net (ANB)	801,067	1,176,734
Hedging gain/(loss) (ANB)	1,413,357	(682,072)
Tawarruq financing charges (IFC)	-	844,637
Rent paid (Tharwat Alasool Real Estate Company)	2,179,940	2,179,940
Profit on Murabaha deposits (ANB)	75,882	-
Technology support (Quara Digital PL)	25,891	-

The following related party balances are included in the condensed interim statement of financial position:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Loan obtained from a shareholder (ANB) (note 14)	1,556,021,518	1,571,624,937
Deferred origination fees (ANB)	13,385,455	14,375,181
Due from a related party related to service fees (ANB)	525,919	593,004
Bank balances and Murabaha deposits (ANB) (note 4)	-	20,000,000
Fair value of derivative financial instruments (ANB)	31,132,519	31,132,519

Compensation of key management personnel ("KMP")

KMP are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Company's KMP includes the Board of Directors (including executive and non-executive directors) and selected key employees who meet the above criteria.

The compensation details of Company's KMP are provided below:

	For the three-month period 31 March (Unaudited)	
	2023	2022
Salaries	1,076,460	1,076,460
End of service benefits	50,705	50,705
Other allowances	332,712	297,975
	1,459,877	1,425,140

SHL FINANCE COMPANY
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**
(Expressed in Saudi Riyal unless otherwise stated)

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise of the following:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Prepaid financing facility fees	2,051,588	2,285,537
Prepaid Insurance	479,125	1,172,259
Prepaid software maintenance	372,538	674,739
Advance tax (note 12)	1,713,211	1,842,057
Others	2,335,456	1,700,721
	6,951,918	7,675,313

7. OTHER RECEIVABLES, NET

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Insurance claims receivable on deceased case leases	35,516,824	34,930,730
Legal claims	10,830,690	10,259,816
VAT receivable from Ministry of housing	5,953,042	5,936,035
Due from Saudi Real Estate Refinance Company ("SRC")	284,812	293,067
Due from Zakat, Tax and Customs Authority ("ZATCA")	5,846,936	6,437,562
Employees' advances and receivables	168,006	123,482
Others	869,880	717,001
	59,470,190	58,697,693
Allowance against insurance and legal claims	(28,441,203)	(27,084,724)
	31,028,987	31,612,969

Allowance against insurance and legal claims comprise the following:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Allowance against insurance claims receivable on deceased case leases (see note below)	24,831,648	23,475,169
Allowance against legal claims	3,609,555	3,609,555
	28,441,203	27,084,724

The Company recognizes 100% allowance against all rejected insurance claims. The Company is following the collection rules and procedures to settle and recover these due amounts.

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Movement in allowance during the three-month period ended 31 March 2023 is as follows:

	<u>Allowance against insurance claim</u>	<u>Allowance against receivable under litigations</u>
1 January	23,475,169	3,609,555
Charge during the period, net	1,356,479	-
	<u>24,831,648</u>	<u>3,609,555</u>

Movement in allowance during the year ended 31 December 2022 is as follows:

	<u>Allowance against insurance claim</u>	<u>Allowance against receivable under litigations</u>
1 January	24,910,881	3,212,577
Charge during the year, net	1,702,520	396,978
Provision written off	(3,138,232)	-
	<u>23,475,169</u>	<u>3,609,555</u>

8. INVESTMENTS IN FINANCE LEASE, NET

	<u>31 March 2023 (Unaudited)</u>	<u>31 December 2022 (Audited)</u>
Investments in finance lease, gross	5,818,123,905	5,843,497,410
Less: Unearned finance income	(2,038,412,550)	(1,997,736,060)
Investments in finance lease before ECL	3,779,711,355	3,845,761,350
Less: Allowance for ECL	(28,283,602)	(31,055,552)
Investments in finance lease, net	<u>3,751,427,753</u>	<u>3,814,705,798</u>

Total number of outstanding lease agreements as at 31 March 2023 is 6,316 (31 December 2022: 6,429).

The Company generates substantially all of its revenues from leasing real estate properties in the Kingdom of Saudi Arabia. Investment in finance lease represents amounts due from individual customers.

8.1 The movement in the allowance for expected credit losses is shown below:

	<u>31 March 2023 (Unaudited)</u>	<u>31 December 2022 (Audited)</u>
Balance at the beginning of the period/year	31,055,552	64,003,238
Provision written off during the period/year	(141,827)	(5,092,155)
Reversal during the period/year	(2,630,123)	(27,855,531)
Balance at the end of the period	<u>28,283,602</u>	<u>31,055,552</u>

During the three-month period ended March 31, 2023, the Company has written off an amount of SR 141,827 (three-month period ended 31 March 2022: SR 2.3 million) directly in the condensed interim

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statement of profit or loss and other comprehensive income as required by new SAMA rules governing credit risk exposure classification and provisioning.

8.2 The credit quality of investments in finance lease is as follows:

31 March 2023 (Unaudited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Investments in finance lease before ECL	3,359,002,690	270,332,769	150,375,896	3,779,711,355
Allowance for ECL	(2,389,247)	(7,370,695)	(18,523,660)	(28,283,602)
Net carrying amount	3,356,613,443	262,962,074	131,852,236	3,751,427,753
31 December 2022 (Audited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Investments in finance lease before ECL	3,420,777,735	252,011,820	172,971,795	3,845,761,350
Allowance for ECL	(2,268,656)	(7,341,687)	(21,445,209)	(31,055,552)
Net carrying amount	3,418,509,079	244,670,133	151,526,586	3,814,705,798

8.3 Maturity profile of the lease receivables is as follows:

Year	31 March 2023 (unaudited)			31 December 2022 (audited)
	Gross lease receivables	Unearned finance income	Investments in finance lease	Investments in finance lease
Within one year	587,759,596	262,472,516	325,287,080	332,750,355
Year two	525,576,150	242,341,556	283,234,594	289,659,507
Year three	504,542,707	220,632,298	283,910,409	287,677,737
Year four	480,604,742	198,898,931	281,705,811	283,420,413
Year five and later	3,719,640,710	1,114,067,249	2,605,573,461	2,652,253,338
	5,818,123,905	2,038,412,550	3,779,711,355	3,845,761,350

8.4 The ageing of gross lease receivables which are past due is as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
1 - 3 months	14,162,589	14,437,549
4 - 6 months	383,742	670,888
7 - 12 months	1,093,847	1,604,770
Over 12 months	31,475,230	34,992,925
	47,115,408	51,706,132

The not yet due portion of above overdue lease receivables as at 31 March 2023 amounts to SR 1,821 million (31 December 2022: SR 1,931 million).

The Company in ordinary course of its business, holds collateral in respect of the finance lease receivables (being the title of properties leased out) in order to mitigate the credit risk associated with

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them. These collaterals (i.e. real estate) are not readily convertible into cash and are accepted by the Company with intent to dispose-off in case of customer default.

The Company is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in SR. No residual value is considered when entering or accounting for the lease contracts.

9. MURABAHA RECEIVABLES, NET

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Murabaha receivables, gross	526,921,754	480,113,746
Less: Unearned finance income	(188,522,543)	(170,993,897)
Murabaha receivables before ECL	338,399,211	309,119,849
Less: Allowance for ECL	(1,509,905)	(1,005,519)
Murabaha receivables, net	336,889,306	308,114,330

Total number of outstanding Murabaha agreements as at 31 March 2023 is 354 (31 December 2022: 342). Amounts due under Murabaha receivables are due from individual customers.

9.1 The credit quality of Murabaha receivables is as follows:

31 March 2023 (Unaudited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Murabaha receivables before ECL	322,917,645	13,397,134	2,084,432	338,399,211
Allowance for ECL	(684,377)	(551,486)	(274,042)	(1,509,905)
Net carrying amount	322,233,268	12,845,648	1,810,390	336,889,306
31 December 2022 (Audited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Murabaha receivables before ECL	298,957,600	8,703,946	1,458,303	309,119,849
Allowance for ECL	(436,508)	(378,746)	(190,265)	(1,005,519)
Net carrying amount	298,521,092	8,325,200	1,268,038	308,114,330

9.2 The movement in allowance for expected credit losses is shown below:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	1,005,519	70,991
Charge for the period/year	504,386	934,528
Balance at the end of the period/year	1,509,905	1,005,519

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9.3 Maturity profile of the Murabaha receivables is as follows:

Year	31 March 2023 (Unaudited)		31 December 2022 (Audited)	
	Gross Murabaha receivables	Unearned finance income	Murabaha receivables	Murabaha receivables
Within one year	45,768,705	22,145,528	23,623,177	18,529,039
Year two	41,778,942	20,645,543	21,133,399	18,818,853
Year three	38,536,501	18,977,749	19,558,753	16,909,327
Year four	38,766,967	17,419,629	21,347,338	19,605,686
Year five and later	362,070,638	109,334,095	252,736,544	235,256,944
	526,921,753	188,522,544	338,399,211	309,119,849

9.4 The ageing of gross Murabaha receivables which are past due is as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
1 - 3 months	572,578	541,836
4 - 6 months	33,877	51,655
7 – 12 Months	47,896	-
Total	654,351	593,491

The not yet due portion of above overdue Murabaha receivables as at 31 March 2023 amounts to SR 106 million (31 December 2022: SR 106 million).

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable mainly includes amounts pertaining to VAT payable to ZATCA and payable for evaluation and other services provided to the Company.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Employees' related expenses	6,183,680	6,171,201
Board related expenses	1,396,500	4,616,000
Accrued credit life insurance	2,049,185	4,133,848
Accrued annual maintenance changes	490,112	1,629,218
Others	3,041,551	2,440,699
Total	13,161,028	18,990,966

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12. PROVISION FOR ZAKAT AND INCOME TAX

Movements in the provision for zakat is as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	12,969,728	17,811,438
Provision for zakat for the current period/year	1,242,638	8,911,036
Payment during the year against previous years	-	(4,058,692)
Payment during the period	-	(9,694,054)
Balance at the end of the period/year	14,212,366	12,969,728

Movements in the provision for tax is as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	-	1,458,426
Reclassified from prepaid expenses and other assets	(1,842,057)	-
Provision for tax for the current period/year	128,846	1,471,809
Under provision for previous year	-	51,660
Payment during the period/year	-	(4,823,952)
Reclassified to prepaid expenses and other assets	1,713,211	1,842,057
Balance at the end of the period/year	-	-

The estimate provided at interim period is the best estimate of management, therefore, actual figures may differ at the year-end.

The Company has filed its zakat and income tax returns for the years from 2008 up to 2022 and have received final assessment up to 2018.

Prior years income tax adjustment

During the three-month period ended 31 March 2023, the Company recognized an income tax refund of SR 2.3 million (three-month period ended 31 March 2022: SR Nil) and received a refund of SR 2.9 million from ZATCA. The remaining receivable balance of SR 5.8 million (31 December 2022: SR 6.4 million) is expected to be received in next 12 months which is presented within other receivables in note 7.

Prior years zakat settlement

For financial years 2008 - 2013, the files for these years were closed based on settlement agreed with the authority.

Furthermore, in February 2019, the Company received a settlement agreement from the ZATCA to settle the outstanding assessments relating to zakat for the financial years from 2014 to 2017 and provided a settlement calculation method for financial year 2018. The Company accepted this settlement agreement and began paying the amounts. The remaining balance to be paid as part of this settlement as at 31 March 2023 is SR 4.06 million (31 December 2022: SR 4.06 million) to be paid during 2023.

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13. DEFERRED TAX

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	1,917,078	4,402,330
Movement during the period/year	(132,190)	(2,485,252)
Balance at end of the period	1,784,888	1,917,078

14. TAWARRUQ FINANCING FACILITIES

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Principal amounts outstanding	2,576,571,605	2,544,092,004
Accrued Tawarruq financing charges	15,135,255	7,176,514
	2,591,706,860	2,551,268,518

The following summarises the outstanding Tawarruq financing facilities from different banks and SRC to finance the investments in finance lease and Murabaha contracts as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
ANB	1,556,021,518	1,571,624,937
Gulf International Bank ("GIB")	364,465,531	358,013,561
IFC	79,985,229	78,405,789
Saudi National Bank	275,601,321	338,470,140
SRC	254,682,038	204,754,091
Bank Al Jazira	60,951,223	-
	2,591,706,860	2,551,268,518

All facilities are secured by promissory notes and assignment of contracts and proceeds from investments in finance lease, these facilities bear finance charges at interest margin plus market variable rates. Facility repayment schedule is based on equal semi-annual or quarter payment.

The Company also has to comply with certain covenants and as at 31 March 2023 and 31 December 2022, the Company is not in compliance with covenant requirements relating to dividends distribution and current ratio.

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15. END OF SERVICE BENEFITS

The Company operates an end of service benefit plan for its staff based on prevailing Saudi Labor Laws. The movements in the present value of defined benefit obligation is as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Defined benefit obligation at the beginning of the period/year	9,731,569	8,598,413
Current service cost	365,981	1,493,630
Interest cost on defined benefit obligation	113,870	342,017
Benefits paid to outgoing employees	(45,156)	(408,159)
Actuarial loss/(gains) on obligation	62,842	(294,332)
Defined benefit obligation at the end of the period/year	10,229,106	9,731,569

16. DERIVATIVE FINANCIAL INSTRUMENT

During 2022, the Company entered into an Interest Rate Swap ("IRS") agreement to hedge its interest rate exposure on certain finance lease contracts through exchanging fixed rate interest payments at 1.47% monthly with USD-SOFR based interest payments paid monthly. The hedging instrument is denominated in United States Dollar. The Company does not apply hedge accounting treatment.

The positive fair value of the IRS recognized as at 31 December 2022 was SR 31.32 million with a notional amount of SR 186.7 million (31 December 2022: SR 189 million). The Company did not recognize the change in fair value of the IRS during the three-month period ended 31 March 2023 as it was insignificant.

The notional amount provides an indication of the volumes of the transactions outstanding at the end of the period and does not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Company's exposure to credit risk nor market risk.

The hedging income recognized in the statement of profit or loss and other comprehensive income during the three-month period is SR 1.4 million (hedging expense for the three-month period ended 31 March 2022: SR 0.7 million).

The hedge arrangement's maturity date is November 2041 with notional amount decreasing gradually over the period.

Derivatives are valued using valuation techniques with market observable inputs. The fair value of interest rate swaps is generally calculated as the present value of the estimated future cash flows using the curves at the reporting date and adjusted to reflect the credit risk of the counterparties.

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17. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each.

The Company floated 30% of its existing share capital on Tadawul and the trading started on 20 April, 2022. Following the listing, the revised shareholding of the Company is as follows as at 31 March 2023 and 31 December 2022:

	Number of shares of SR 10 each	Share capital
ANB	29,400,000	294,000,000
Dar Al Arkan Real Estate Development Company	10,500,000	105,000,000
Youssef bin Abdullah Al Shalash	5,600,000	56,000,000
Public and others (listed on Tadawul)	54,500,000	545,000,000
	<u>100,000,000</u>	<u>1,000,000,000</u>

Public and others include the public shareholders and the founding shareholders who own less than 5% shares.

18. STATUTORY RESERVE

As per the requirements of the Regulations for Companies in the Kingdom of Saudi Arabia, the Company has established a statutory reserve by the appropriation of at least 10% of net income until the reserve equalled to 30% of the share capital. This reserve is not available for dividend distribution. The new Regulations for Companies which is effective from 19 January 2023 does not apply the mandatory statutory reserve and allows the Company to decide on the required reserves which must be specified in the relevant bylaws.

19. SELLING AND MARKETING EXPENSES

	For the three-month period ended March 31 (Unaudited)	
	2023	2022
Sales, collection & title commission	797,230	1,086,798
Marketing expenses	1,500	51,249
Others	121,350	408,376
	<u>920,080</u>	<u>1,546,423</u>

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20. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-month period ended March 31 (Unaudited)	
	2023	2022
Employees' salaries and other benefits	13,658,636	13,506,459
Consultation fees	1,086,705	1,082,940
Depreciation and amortisation	1,125,324	1,145,894
Software support charges	777,652	992,889
Collection commission	796,925	583,750
VAT expense	918,587	857,718
Telecommunication expenses	210,115	310,687
Bank charges	88,244	110,396
Printing and stationary	13,831	41,162
Travel expenses	66,435	68,071
Recruitment related expenses	42,455	26,131
Withholding tax	18,924	17,341
Repairs and maintenance	67,996	72,749
Impairment loss	-	101,028
Others	785,471	321,560
	19,657,300	19,238,775

21. EARNINGS PER SHARE

The basic and diluted earnings per share have been computed by dividing net profit after zakat and income tax for the period by the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share is not applicable to the Company.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 asset or liability, the principal or the most advantageous market is accessible by the Company.

Financial instruments comprise mainly of cash and bank, due from related parties, other receivables, investment held at FVOCI, derivative financial instrument, investments in finance leases, murabaha receivables, Tawarruq financing facilities, accounts payable and lease liabilities.

All financial assets and financial liabilities are measured at amortized cost except for derivative financial instrument classified as FVTPL.

Investment classified as held at FVOCI is measured at cost as measurement of fair value would entail undue cost and efforts and any changes are not expected to be material to the condensed interim financial statements.

Tawarruq financing facilities bear floating rate of interest based on market variable rates and hence, there is no significant difference between the carrying value and fair value.

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The fair values of the financial instruments are not materially different from their carrying amounts except for the finance lease receivables and Murabaha receivables measured at amortized cost.

Fair value hierarchy

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

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

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

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

The fair value of interest rate swaps is generally calculated using level 2 techniques as the present value of the estimated future cash flows using the curves at the reporting date and adjusted to reflect the credit risk of the counterparties.

23. PURCHASE AND AGENCY AGREEMENTS

The Company has entered into Portfolio Purchase Agreements and Servicing Agreements (collectively referred to as the "Agreements") with SRC. Under the terms of these Agreements, the Company first sells eligible investment in finance lease receivables to SRC and then manages them on behalf of SRC as an agent for a monthly fee as per the terms of the Servicing Agreements. The Company has assumed an obligation to pay the cashflows from the investment in finance lease to SRC and as such, upon sale, the Company derecognizes the investment in finance lease receivables from its books and recognizes the difference as either gain or loss on derecognition of investment in finance lease receivables.

During 2022, the Company sold SR 38.98 million of its outstanding principal balances and the total amount received from SRC in respect of such sale was SR 39.26 million. Net gain recognized on derecognition of these receivables was SR 0.23 million.

In 2014, the Company also entered into Leased Assets Sale Agreements and Service Agreements with ANB, a shareholder and sold eligible lease agreements with all associated rights and obligations to ANB. Under the agreement, the Company's right to cashflows have expired and transferred to ANB.

The Company services them on behalf of ANB as an agent for a monthly fee as per the terms of the Service Agreements. The services mainly relate to arranging insurance coverage for the entire period of the lease agreements sold and in respect of coverage of no less than the outstanding principal balance. The Company has contractually transferred the rights to cashflows of the sold contracts.

The Company recognized servicing fee income of SR 1.2 million during the three-month period ended 31 March 2023 (31 March 2022: SR 1.6 million).

24. COMMITMENT AND CONTINGENCIES

The Company is, from time to time, a defendant in lawsuits in respect of leased properties and receivables. Some of these suits make no specific claim for relief. Although final determination of any liability and resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, management does not believe that any ultimate uninsured liability resulting from these matters in which it is currently involved will individually, or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of the Company.

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Further, the Company is also a plaintiff in a number of lawsuits mainly relating to eviction from properties and maintenance claims where any expected recovery, representing a contingent asset has not been recognized.

25. COMPARATIVE FIGURES

During the period, the Company identified adjustments to reported balances in prior periods. In accordance with the requirements of IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", these have been accounted for as correction of error and the comparative figures have been reclassified. The details of these adjustments are below:

**Condensed interim
statement of profit or loss
and other comprehensive
income:**

Three-month period ended 31 March 2022	As previously reported	Reclassification	Reclassified
Origination expenses (note b)	-	(1,061,442)	(1,061,442)
Total Revenue (note b)	65,216,859	(1,061,442)	64,155,417
Total operating income (note b)	75,939,667	(1,061,442)	74,878,225
Direct cost (note c)	-	6,498,241	6,498,241
General & Administrative expenses (note c(ii))	25,153,160	(5,914,385)	19,238,775
Selling and marketing expenses (note b and c(i))	3,191,721	(1,645,298)	1,546,423
Total operating expenses (note b)	40,088,639	(1,061,442)	39,027,197

**Condensed interim
statement of cash flows:
Three-month period ended
31 March 2022**

	As previously reported	Reclassification	Reclassified
Advances to property owners (note a)	(20,727,329)	20,727,329	-
Net cash used in operating activities (note a)	(22,317,272)	20,727,329	(1,589,943)
Net decrease in cash and cash equivalents	(80,632,874)	20,727,329	(59,905,545)
Cash and cash and equivalents, 1 January 2022 (note a and d)	214,467,647	(30,483,500)	183,984,147
Cash and cash and equivalents, 31 March 2022 (note a and d)	133,834,773	(9,756,171)	124,078,602

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(Expressed in Saudi Riyal unless otherwise stated)

a. Advances to owners

This represents certified cheques in hand as of period-end. These certified cheques can be cancelled by the Company at any time upon presenting the original certified cheques at the bank. As such, these instruments qualified to be cash and cash equivalent and the management has now reclassified these balances accordingly.

b. Origination expenses

Origination expenses of SR 1,061,442 represents transaction costs directly related to contracts entered into by the Company and represents integral costs. These were previously presented as selling and marketing expenses. In accordance with IFRS 9, such transaction costs, representing fee paid, forms part of effective interest rate calculation. Consequentially, management has now presented this cost as a reduction from revenue during the period.

c. Direct costs

Direct costs includes

- (i) Evaluation expenses of SR 583,856 incurred when entering into the contract for property and customer evaluation. Evaluation expenses were previously presented as selling and marketing expenses but relates directly to Company's leasing activities.
- (ii) Insurance expenses of SR 5,914,385 represents cost Company incurs for properties it owns and leased to customers. Insurance expenses were previously presented as general and administrative expenses but relates directly to Company's leasing activities.

Management has now classified these expenses as direct costs.

d. Cash and cash equivalents

Restricted bank balances of SR 42,200,000 as at 1 January 2022 and 31 March 2022 are excluded and presented separately from cash and cash equivalents. Consequentially, the cash and cash equivalents as at 1 January 2022 is adjusted by SR 30,483,500 (SR 42,200,000, being restricted bank balance at 1 January 2022 net of reclassification of advances to owners of SR 11,716,500). The cash and cash equivalents as at 31 March 2022 is adjusted by SR 9,756,171 (SR 42,200,000, being restricted bank balance at 31 March 2022 net of reclassification of advances to owners of SR 32,443,829).

The above reclassification had no effect on the profit reported in the condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2022, Therefore, the statement of financial position as of the beginning of year ended December 31, 2022 was not presented in these condensed interim financial statements.

26. APPROVAL OF THE BOARD OF DIRECTORS

These financial statements were approved by the Board of Directors on 12 Shawwal 1444H (corresponding to 2 May 2023).