

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 AND SIX MONTH PERIODS
ENDED 30 JUNE 2023**

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 AND SIX MONTH PERIODS ENDED 30 JUNE 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 30 June 2023 and the related statements of profit or loss and other comprehensive income for the three month and six month periods ended 30 June 2023 and the related statements of changes in shareholders' equity and cash flows for the six month period ended 30 June 2023 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.

Deloitte and Touche & Co.
Chartered Accountants



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

9 Muharram, 1445H
July 27, 2023

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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023
(Expressed in Saudi Riyal)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Cash and cash equivalents	4	112,347,959	42,847,283
Due from a related party	5	598,576	593,004
Prepaid expenses and other assets	6	6,833,845	7,675,313
Other receivables, net	7	29,232,131	31,612,969
Deferred origination fees		12,330,202	14,375,181
Investments in finance lease, net	8	3,715,862,804	3,814,705,798
Murabaha receivables, net	9	360,319,268	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		26,482,570	21,983,608
Right-of-use asset		4,134,985	5,409,480
Property and equipment, net		3,584,460	3,346,654
Intangible assets, net		1,715,915	2,023,276
Deferred tax	13	1,766,527	1,917,078
Restricted bank balances	4	-	42,200,000
TOTAL ASSETS		4,307,234,611	4,328,829,343
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and other liabilities	10	10,862,635	12,108,948
Accrued expenses and other liabilities	11	9,822,561	18,990,966
Advance lease rentals		9,563,100	9,535,190
Lease liability		3,112,938	5,506,339
Provision for zakat and income tax	12	5,382,342	12,969,728
Tawarruq financing facilities	14	2,544,359,658	2,551,268,518
End of service benefits liability	15	11,110,138	9,731,569
Dividends payable	19	50,000,000	-
Total liabilities		2,644,213,372	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		1,385,386	2,123,908
Retained earnings		535,567,261	580,525,585
Total shareholders' equity		1,663,021,239	1,708,718,085
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,307,234,611	4,328,829,343

COMMITMENTS AND CONTINGENCIES

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Chairman


Chief Executive Officer


Chief Financial Officer

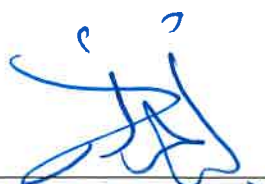
The accompanying notes from (1) to (27) are an integral part of these condensed interim financial statements

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 AND SIX MONTH PERIODS ENDED 30 JUNE 2023**

(Expressed in Saudi Riyal)

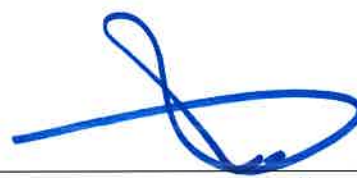
	Notes	For the three month period ended 30 June (unaudited)		For the six month period ended 30 June (unaudited)	
		2023	2022	2023	2022
Finance income		72,422,090	65,515,417	143,020,705	128,527,233
Service fees, net	24	1,125,074	630,564	2,307,071	2,220,630
Application and evaluation fee income		182,630	560,150	405,749	1,175,127
Assets sale income		-	805,867	-	805,867
Origination expenses		(1,055,252)	(949,818)	(2,044,978)	(2,011,260)
Total revenue		72,674,542	66,562,180	143,688,547	130,717,597
Fair value gain on derivative financial instrument	16	-	10,990,765	-	21,624,090
Other income		2,316,298	1,524,818	4,024,860	1,614,301
Total operating income		74,990,840	79,077,763	147,713,407	153,955,988
Direct cost		(5,263,990)	(6,597,840)	(10,674,024)	(13,096,081)
Finance charges		(47,277,434)	(21,531,769)	(92,202,983)	(40,583,234)
General and administrative expenses	21	(22,610,230)	(19,662,968)	(42,267,530)	(38,901,743)
Reversal of impairment losses		3,957,872	2,780,940	3,785,225	10,088,647
Selling and marketing expenses	20	(1,129,898)	(1,618,667)	(2,049,978)	(3,165,090)
Total operating expenses		(72,323,680)	(46,630,304)	(143,409,290)	(85,657,501)
Net income before zakat and income tax		2,667,160	32,447,459	4,304,117	68,298,487
Zakat and income tax	12	(53,349)	(3,703,426)	(1,424,833)	(7,071,299)
Income tax for previous periods	12	-	4,429,443	2,312,943	4,429,443
Deferred tax	13	(18,361)	(1,874,485)	(150,551)	(2,000,600)
Net income for the period		2,595,450	31,298,991	5,041,676	63,656,031
Other comprehensive loss <i>Item that cannot be reclassified to the statement of profit or loss in subsequent periods:</i>					
Actuarial loss on end of service benefits	15	(675,680)	(94,051)	(738,522)	(159,870)
Total comprehensive income for the period		1,919,770	31,204,940	4,303,154	63,496,161
Basic and diluted earnings per share (Saudi Riyal)	22	0.026	0.32	0.05	0.64



Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes from (1) to (27) 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 CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023**

(Expressed in Saudi Riyal)

For the six month period ended 30 June 2023 (Unaudited)

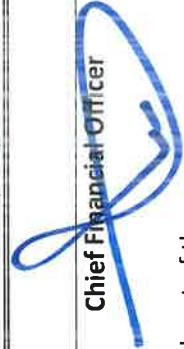
	Notes	Share Capital	Statutory Reserve	Other reserve	Retained earnings	Total shareholders' equity
Balance at beginning of the period		1,000,000,000	126,068,592	2,123,908	580,525,585	1,708,718,085
Net income for the period	15	-	-	-	5,041,676	5,041,676
Actuarial losses on end of service benefits		-	-	(738,522)	-	(738,522)
Total comprehensive income for the period		-	-	(738,522)	5,041,676	4,303,154
Dividend approved during the period	19	-	-	-	(50,000,000)	(50,000,000)
Balance at end of the period		1,000,000,000	126,068,592	1,385,386	535,567,261	1,663,021,239

For the six month period ended 30 June 2022 (Unaudited)

	Notes	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	15	-	-	-	63,656,031	63,656,031
Actuarial losses on end of service benefits		-	-	(159,870)	-	(159,870)
Total comprehensive income for the period		-	-	(159,870)	63,656,031	63,496,161
Transfer to statutory reserve		-	3,235,704	-	(3,235,704)	-
Dividend paid		-	-	-	(77,400,000)	(77,400,000)
Balance at end of the period		1,000,000,000	119,715,334	1,669,706	554,645,249	1,676,030,289



Chairman



Chief Financial Officer

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SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
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CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023
(Expressed in Saudi Riyal)

	For the six month period ended 30 June (unaudited)	
	2023	2022
OPERATING ACTIVITIES		
Net income before zakat and income tax	4,304,117	68,298,487
Adjustments to net income before zakat and income tax		
Depreciation and amortisation	2,252,658	2,305,812
Amortisation of deferred origination fees	2,044,979	2,011,260
Fair value gain on derivative financial instrument	-	(21,624,090)
Impairment loss on real estate assets	-	101,028
Reversal of impairment losses	(3,785,225)	(10,088,647)
Provision for end of service benefits	983,456	850,884
Amortization of discount on lease liability	255,589	320,105
Finance charges	92,202,983	-
<u>Net (increase)/decrease in operating assets:</u>		
Other receivables, net	2,916,856	5,919,858
Prepaid expenses and other assets, net	1,251,889	1,320,295
Due from a related party	(5,572)	(66,582)
Investments in finance lease	98,118,465	154,507,762
Murabaha receivables	(53,320,790)	(160,959,371)
Restricted bank balances	42,200,000	-
<u>Net increase/(decrease) in operating liabilities:</u>		
Accounts payable and other liabilities	(1,246,313)	4,347,388
Accrued expenses and other liabilities	(9,168,405)	3,126,704
Advance lease rentals	27,910	2,756,652
Net cash from operations	179,032,597	53,127,545
Zakat and income tax paid	(9,422,640)	(14,363,918)
Zakat and income tax refund	2,903,569	-
End of service benefits paid	(343,409)	(206,545)
Net cash generated from operating activities	172,170,117	38,557,082
INVESTING ACTIVITIES		
Purchase of property and equipment	(799,912)	(206,525)
Proceeds from disposal of property and equipment	-	397,303
Purchase of intangible assets	(108,696)	(14,400)
Net cash (used in)/generated from investing activities	(908,608)	176,378
FINANCING ACTIVITIES		
Additions in Tawarruq financing facilities	135,000,000	154,803,255
Repayment of Tawarruq financing facilities	(140,394,647)	(165,859,060)
Finance charges paid	(93,717,196)	-
Payment of lease liability	(2,648,990)	(2,348,990)
Dividend paid	-	(77,400,000)
Net cash used in financing activities	(101,760,833)	(90,804,795)
Net decrease in cash and cash equivalents	69,500,676	(52,071,335)
Cash and cash equivalents at beginning of the period	42,847,283	183,984,147
Cash and cash equivalents at end of the period	112,347,959	131,912,812
NON-CASH TRANSACTIONS:		
Additions to right-of-use assets and lease liabilities	-	931,149


Chairman


Chief Executive Officer


Chief Financial Officer

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SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 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 six month period ended 30 June 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 30 June 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:

Branch	CR Number	Date
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 and six-month periods ended 30 June 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”).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 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 and six month periods ended 30 June 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 AND SIX MONTH PERIODS ENDED 30 JUNE 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 and temporary exception regarding deferred tax assets and liabilities related to pillar two income taxes (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. The amendments also provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 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
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	January 1, 2024

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2023
(Expressed in Saudi Riyal unless otherwise stated)

4. CASH AND BANK

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash in hand	35,000	36,000
Cash at banks	87,716,119	39,857,699
Certified cheques in hand (Note 4.2)	24,596,840	2,953,584
Cash and cash equivalents	112,347,959	42,847,283
Restricted bank balances (Note 4.1)	-	42,200,000
	112,347,959	85,047,283

Cash at banks include profit bearing Murabaha deposits of SR 35 million (31 December 2022: SR 20 million) with profit rate approximating 5.28% annually in 2023 (2022: 5.5%).

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 bank balances

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. During the six month period ended 30 June 2023, the banks have lifted these restrictions.

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 AND BALANCES

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
Dar Alarkan	Shareholder
Tharwat Alasool Real Estate Company	Affiliate
Wasalt Real Estate Services	Affiliate
Al Khair Capital	Affiliate
Quara Digital Private Limited	Affiliate

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED 30 JUNE 2023
(Expressed in Saudi Riyal unless otherwise stated)

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

The significant transactions during the period are as follows:

	For the three month period		For the six month period	
	30 June		30 June	
	(Unaudited)		(Unaudited)	
	2023	2022	2023	2022
Tawaruq financing charges (ANB)	29,746,587	12,962,969	57,847,836	24,483,353
Residential unit purchased (Dar Alarkan)	-	1,117,500	-	2,656,500
Service fees, net (ANB)	751,000	1,043,896	1,552,067	2,220,630
Hedging gain/(loss) (ANB)	1,595,907	(427,201)	3,009,264	(1,109,273)
Tawaruq financing charges (IFC)	-	977,248	-	1,821,885
Rent paid (Tharwat Alasool Real Estate Company)	-	-	2,179,940	2,179,940
Profit on Murabaha deposit (ANB)	-	-	75,882	-
Technology support (Quara Digital PL)	29,751	-	55,642	-
Profit on Murabaha deposit (Al Khair Capital)	385,014	-	385,014	-

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Loan obtained from a shareholder (ANB) (note 14)	1,534,962,402	1,571,624,937
Deferred origination fees (ANB)	12,330,202	14,375,181
Due from a related party related to service fees (ANB)	598,576	593,004
Murabaha deposits (ANB) (note 4)	-	20,000,000
Murabaha deposits (Al Khair Capital) (note 4)	35,000,000	-
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.

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

	For the three month period 30 June (Unaudited)		For the six month period 30 June (Unaudited)	
	2023	2022	2023	2022
Salaries	1,226,610	1,076,460	2,303,070	2,152,920
End of service benefits	58,536	50,705	109,241	101,410
Other allowances	362,764	297,976	695,476	595,951
Board of directors' compensation	1,137,500	-	2,149,000	-
	2,785,410	1,425,141	5,256,787	2,850,281

6. PREPAID EXPENSES AND OTHER ASSETS

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Prepaid financing facility fees	1,817,639	2,285,537
Prepaid Insurance	41,475	1,172,259
Prepaid software maintenance	674,932	674,739
Advance tax (note 12)	2,252,478	1,842,057
Others	2,047,321	1,700,721
	6,833,845	7,675,313

7. OTHER RECEIVABLES, NET

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Insurance claims receivable on deceased case leases	30,495,505	34,930,730
Legal claims	12,130,690	10,259,816
VAT receivable from Ministry of housing	5,236,582	5,936,035
Due from Saudi Real Estate Refinance Company ("SRC")	-	293,067
Due from Zakat, Tax and Customs Authority ("ZATCA")	5,846,936	6,437,562
Employees' advances and receivables	225,604	123,482
Others	1,254,894	717,001
	55,190,211	58,697,693
Allowance against insurance and legal claims	(25,958,080)	(27,084,724)
	29,232,131	31,612,969

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Allowance against insurance and legal claims comprise the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Allowance against insurance claims receivable on deceased case leases (see note below)	22,348,525	23,475,169
Allowance against legal claims	3,609,555	3,609,555
	25,958,080	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.

Movement in allowance during the six-month period ended 30 June 2023 is as follows:

	Allowance against insurance claim	Allowance against receivable under litigations
1 January	23,475,169	3,609,555
Reversal during the period, net	(1,126,644)	-
	22,348,525	3,609,555

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

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

8. INVESTMENTS IN FINANCE LEASE, NET

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Investments in finance lease, gross	5,807,292,159	5,843,497,410
Less: Unearned finance income	(2,065,817,123)	(1,997,736,060)
Investments in finance lease before ECL	3,741,475,036	3,845,761,350
Less: Allowance for ECL	(25,612,232)	(31,055,552)
Investments in finance lease, net	3,715,862,804	3,814,705,798

Total number of outstanding lease agreements as at 30 June 2023 is 6,186 (31 December 2022: SR 6,429).

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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 credit quality of investments in finance lease is as follows:

30 June 2023 (Unaudited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Investments in finance lease before ECL	3,368,370,403	227,750,069	145,354,564	3,741,475,036
Allowance for ECL	(2,828,002)	(5,031,614)	(17,752,616)	(25,612,232)
Net carrying amount	3,365,542,401	222,718,455	127,601,948	3,715,862,804
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

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	31,055,552	64,003,238
Provision written off during the period/year	(379,680)	(5,092,155)
Reversal during the period/year	(5,063,640)	(27,855,531)
Balance at the end of the period	25,612,232	31,055,552

During the six-month period ended June 30, 2023, the Company has written off an amount of SR 379,680 (six-month period ended 30 June 2022: SR 5.9 million) directly in the condensed interim statement of profit or loss and other comprehensive income as required by new SAMA rules governing credit risk exposure classification and provisioning.

8.3 Maturity profile of the lease receivables is as follows:

Year	30 June 2023 (Unaudited)			31 December 2022 (Audited)
	Gross lease receivables	Unearned finance income	Investments in finance lease	Investments in finance lease
Within one year	598,508,090	273,042,943	325,465,147	332,750,355
Year two	538,639,072	251,184,574	287,454,498	289,659,507
Year three	514,138,647	227,591,353	286,547,294	287,677,737
Year four	488,723,729	204,116,425	284,607,304	283,420,413
Year five and later	3,667,282,621	1,109,881,828	2,557,400,793	2,652,253,338
	5,807,292,159	2,065,817,123	3,741,475,036	3,845,761,350

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
1 - 3 months	13,121,665	14,437,549
4 - 6 months	609,694	670,888
7 - 12 months	393,520	1,604,770
Over 12 months	30,796,900	34,992,925
	44,921,779	51,706,132

The not yet due portion of above overdue lease receivables as at 30 June 2023 amounts to SR 1,649 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 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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Murabaha receivables, gross	564,924,892	480,113,746
Less: Unearned finance income	(202,484,523)	(170,993,897)
Murabaha receivables before ECL	362,440,369	309,119,849
Less: Allowance for ECL	(2,121,101)	(1,005,519)
Murabaha receivables, net	360,319,268	308,114,330

Total number of outstanding Murabaha agreements as at 30 June 2023 is 419 (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:

30 June 2023 (Unaudited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Murabaha receivables before ECL	343,575,033	13,810,517	5,054,819	362,440,369
Allowance for ECL	(768,381)	(420,799)	(931,921)	(2,121,101)
Net carrying amount	342,806,652	13,389,718	4,122,898	360,319,268

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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	<u>298,521,092</u>	<u>8,325,200</u>	<u>1,268,038</u>	<u>308,114,330</u>

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period/year	1,005,519	70,991
Charge for the period/year	<u>1,115,582</u>	<u>934,528</u>
Balance at the end of the period/year	<u>2,121,101</u>	<u>1,005,519</u>

9.3 Maturity profile of the Murabaha receivables is as follows:

Year	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Gross Murabaha receivables	Unearned finance income	Murabaha receivables	Murabaha receivables
Within one year	50,403,145	24,548,090	25,855,055	18,529,039
Year two	46,189,582	22,862,383	23,327,199	18,818,853
Year three	42,997,520	20,970,929	22,026,591	16,909,327
Year four	42,193,905	19,177,979	23,015,926	19,605,686
Year five and later	383,140,740	114,925,142	268,215,598	235,256,944
	<u>564,924,892</u>	<u>202,484,523</u>	<u>362,440,369</u>	<u>309,119,849</u>

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
1 - 3 months	653,644	541,836
4 - 6 months	83,149	51,655
7 - 12 Months	99,385	-
Total	<u>836,178</u>	<u>593,491</u>

The not yet due portion of above overdue Murabaha receivables as at 30 June 2023 amounts to SR 109 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.

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11. ACCRUED EXPENSES AND OTHER LIABILITIES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Employees' related expenses	4,363,907	6,171,201
Board related expenses	2,534,000	4,616,000
Accrued credit life insurance	-	4,133,848
Accrued annual maintenance changes	122,657	1,629,218
Others	2,801,997	2,440,699
Total	9,822,561	18,990,966

12. PROVISION FOR ZAKAT AND INCOME TAX

Movements in the provision for zakat is as follows:

	30 June 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	1,323,600	8,911,036
Payment during the year against previous years	-	(4,058,692)
Payment during the period	(8,910,986)	(9,694,054)
Balance at the end of the period/year	5,382,342	12,969,728

Movements in the provision for tax is as follows:

	30 June 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	101,233	1,471,809
Under provision for previous year	-	51,660
Payment during the period/year	(511,654)	(4,823,952)
Reclassified to prepaid expenses and other assets	2,252,478	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 six month period ended 30 June 2023, the Company recognized an income tax refund of SR 2.3 million (six month period ended 30 June 2022: SR 4.4 million) 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.

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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 30 June 2023 is SR 4.06 million (31 December 2022: SR 4.06 million) to be paid during 2023.

13. DEFERRED TAX

	30 June 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	(150,551)	(2,485,252)
Balance at end of the period	1,766,527	1,917,078

14. TAWARRUQ FINANCING FACILITIES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Principal amounts outstanding	2,538,697,356	2,544,092,004
Accrued Tawarruq financing charges	5,662,302	7,176,514
	2,544,359,658	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:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
ANB	1,534,962,402	1,571,624,937
Gulf International Bank ("GIB")	336,274,956	358,013,561
IFC	62,699,630	78,405,789
Saudi National Bank	271,272,546	338,470,140
SRC	253,045,667	204,754,091
Bank Al Jazira	86,104,457	-
	2,544,359,658	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 30 June 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 LIABILITY

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:

	30 June 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	754,902	1,493,630
Interest cost on defined benefit obligation	228,554	342,017
Benefits paid to outgoing employees	(343,409)	(408,159)
Actuarial loss/(gain) on obligation	738,522	(294,332)
Defined benefit obligation at the end of the period/year	11,110,138	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 31.13 million with a notional amount of SR 184.17 million (31 December 2022: SR 189 million). The Company did not recognize the change in fair value of the IRS during the six month period ended 30 June 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 six-month period is SR 3 million (hedging expense for the six-month period ended 30 June 2022: SR 0.2 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.

17. SHARE CAPITAL

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

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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 30 June 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. DIVIDENDS PAYABLE

On 14 May 2023, the Board of Directors recommended a cash dividend distribution of SR 50 million. on 21 June 2023, the general assembly approved the distribution of SR 50 million which was distributed on 13 July 2023.

20. SELLING AND MARKETING EXPENSES

	For the three month ended June 30 (unaudited)		For the six month ended June 30 (unaudited)	
	2023	2022	2023	2022
Sales, collection & title commission	703,994	1,105,793	1,501,224	2,192,591
Marketing expenses	130,156	210,924	131,656	262,173
Others	295,748	301,950	417,098	710,326
	<u>1,129,898</u>	1,618,667	<u>2,049,978</u>	3,165,090

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21. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three month ended June 30 (unaudited)		For the six month ended June 30 (unaudited)	
	2023	2022	2023	2022
Employees' salaries and other benefits	14,303,259	13,968,665	27,961,895	27,475,124
Consultation fees	1,621,568	1,354,354	2,708,273	2,437,294
Depreciation & amortisation	1,127,334	1,159,918	2,252,658	2,305,812
Software support charges	1,198,698	572,669	1,198,698	1,565,558
Collection commission	783,300	706,825	1,580,225	1,290,575
VAT expense	1,092,467	553,989	2,011,054	1,411,707
Telecommunication expenses	318,000	305,000	528,115	615,687
Bank charges	85,326	106,247	173,570	216,643
Printing and stationary	86,603	47,848	100,434	89,010
Travel expenses	86,040	70,311	152,475	138,382
Recruitment related expenses	85,723	63,055	128,178	89,186
Withholding tax	9,835	18,269	28,759	35,610
Repairs and maintenance	119,298	98,999	187,294	171,748
Board related expenses	1,137,500	-	2,149,000	-
Others	555,279	636,819	1,106,902	1,059,407
	22,610,230	19,662,968	42,267,530	38,901,743

22. EARNINGS PER SHARE

The basic earnings per share have been computed by dividing net profit for the year by the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share is not applicable to the Company. The basic earnings per share are calculated as follows:

	For the three month ended June 30 (unaudited)		For the six month ended June 30 (unaudited)	
	2023	2022	2023	2022
Net income for the period	2,595,450	31,298,991	5,041,676	63,656,031
Weighted average number of ordinary shares	100,000,000	100,000,000	100,000,000	100,000,000
Basic and diluted earnings per share (expressed in SR per share)	0.026	0.31	0.05	0.64

23. 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.

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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.

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.

24. 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 2.3 million during the six-month period ended 30 June 2023 (30 June 2022: SR 2.2 million).

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25. 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. 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.

26. 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:

Six month period ended 30 June 2022	As previously reported	Reclassification	Reclassified
Origination expenses (note b)	-	(2,011,260)	(2,011,260)
Total Revenue (note b)	132,728,857	(2,011,260)	130,717,597
Total operating income (note b)	155,967,248	(2,011,260)	153,955,988
Direct cost (note c)	-	13,096,081	13,096,081
General & Administrative expenses (note c(ii))	50,688,178	(11,786,435)	38,901,743
Selling and marketing expenses (note b and c(i))	6,485,996	(3,320,906)	3,165,090

Condensed interim statement of cash flows:

Six month period ended 30 June 2022	As previously reported	Reclassification	Reclassified
Certified cheques in hand (note a)	(8,872,452)	8,872,452	-
Net cash used in operating activities (note a)	29,684,630	8,872,452	38,557,082
Net decrease in cash and cash equivalents	(60,943,787)	8,872,452	(52,071,335)
Cash and cash equivalents, 1 January 2022 (note a and d)	214,467,647	(30,483,500)	183,984,147
Cash and cash equivalents, 30 June 2022 (note a and d)	153,523,860	(21,611,048)	131,912,812

a. Certified cheques in hand

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.

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b. Origination expenses

Origination expenses of SR 2,011,260 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 1,309,646 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 11,786,435 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 30 June 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 certified cheques in hand of SR 11,716,500). The cash and cash equivalents as at 30 June 2022 is adjusted by SR 21,611,048 (SR 42,200,000 being restricted bank balance at 30 June 2022 net of reclassification of certified cheques in hand of SR 20,588,952).

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 six-month period ended 30 June 2023, 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.

27. APPROVAL OF THE BOARD OF DIRECTORS

These financial statements were approved by the Board of Directors on 7 Muharram 1445H (corresponding to 25 July 2023).