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Offering Period

Starting from
Sunday: 8/11/1444H
corresponding to 28/5/2023G

Ending on
Monday: 9/11/1444H
corresponding to 29/5/2023G

Morabaha Marina Financing Company

A Saudi closed joint stock company pursuant to Ministerial Resolution No. (211/Q), dated 27 Sha'ban 1435H (corresponding to 25 June 2014G) and with commercial registration No. 1010337706, dated 14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G) and Saudi Central Bank Licence No. 22/ASH/201410 dated 19 Thul-Qi'dah 1435H (corresponding to 14 September 2014G).

Offering of twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Shares representing thirty per cent. (30%) of the share capital of Morabaha Marina Financing Company, following the capital increase (which represents forty-two point eighty-six per cent. 42.86) of the Company's share capital before capital increase) through an initial public offering at an offer price of Fourteen and Sixty Halalas Saudi Arabian Riyals (SAR 14.60) per Share.

Morabaha Marina Financing Company (hereinafter referred to as the "**Company**" or "**Issuer**") is a Saudi closed joint stock company pursuant to Ministerial Resolution No. (211/Q), dated 27 Sha'ban 1435H (corresponding to 25 June 2014G) and with commercial registration No. 1010337706, dated 14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G) issued in Riyadh, Kingdom of Saudi Arabia (the "**Kingdom**") and Saudi Central Bank Licence No. 22/ASH/201410 dated 19 Thul-Qi'dah 1435H (corresponding to 14 September 2014G). The Company's headquarters and registered office are located in Al Thoumamah Road, Al Rabie District, P.O. Box 7071, Riyadh 13315, Kingdom of Saudi Arabia. As of the date of this Prospectus, the share capital of the Company is five hundred million Saudi Arabian Riyals (SAR 500,000,000) divided to fifty million (50,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (the "**Shares**").

The Company was established as a limited liability company on 7 Jumada al-Akhirah 1433H (corresponding to 28 April 2012G) under the name "Morabaha Marina Installments Company" and registered under Commercial Registration No. 1010337706, dated 14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G) with a capital of fifteen million Saudi Arabian Riyals (SAR 15,000,000), divided into one hundred and fifty thousand (150,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share. Pursuant to the partners' resolution dated 30 Rajab 1434H (corresponding to 9 June 2013G), the capital of the Company was increased from fifteen million Saudi Arabian Riyals (SAR 15,000,000) to thirty-three million Saudi Arabian Riyals (SAR 33,000,000) divided into three million three hundred thousand (3,300,000) shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new partners. On 27 Sha'ban 1435H (corresponding to 25 June 2014G), the Company was converted from a limited liability company to a closed joint stock company pursuant to Ministerial Resolution No. (211/Q), under the name "Morabaha Marina Financing Company" and its capital increased from thirty-three million Saudi Arabian Riyals (SAR 33,000,000) to one hundred twenty million Saudi Arabian Riyals (SAR 120,000,000), divided into twelve million (12,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new shareholders. Pursuant to the Company's Extraordinary General Assembly resolution dated 16 Thul-Qi'dah 1436H (corresponding to 31 August 2015G), the Company's capital increased from one hundred twenty million Saudi Arabian Riyals (SAR 120,000,000) to two hundred million Saudi Arabian Riyals (200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new shareholders. Pursuant to the Company's Extraordinary General Assembly resolution dated 16 Muharram Thul-Qi'dah 1437H (corresponding to 8 August 2017G), the Company's capital increased from two hundred million Saudi Arabian Riyals (200,000,000) to two hundred twelve million Saudi Arabian Riyals (SAR 212,000,000) divided into twenty-one million two hundred (21,200,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) through the distribution of bonus shares to the shareholders. Pursuant to the Company's Extraordinary General Assembly resolution dated 9 Muharram 1440H (corresponding to 19 September 2018G), the Company's capital increased from two hundred twelve million Saudi Arabian Riyals (SAR 212,00,000) to two hundred twenty-eight million nine hundred sixty thousand Saudi Arabian Riyals (SAR 228,960,000) divided into twenty-two million eight hundred ninety-six thousand (22,896,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 19 Thul-Hijjah 1440H (corresponding to 20 August 2019G), the Company's capital increased from two hundred twenty-eight million eight hundred ninety-six thousand Saudi Arabian Riyals (SAR 228,960,000) to two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000) divided into twenty-five million five hundred thousand (25,500,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 28 Sha'ban 1441H (corresponding to 21 April 2020G), the Company's capital increased from two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000) to two hundred eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000) divided into twenty-eight million fifty thousand (28,050,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 10 Ramadan 1442H (corresponding to 22 April 2021G), the Company's capital increased from two hundred eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000 to three hundred eleven million three hundred fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000) divided into thirty-one million one hundred thirty-five thousand five hundred (31,135,500) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 23 Rajab 1443H (corresponding to 24 February 2022G), the Company's capital increased from three hundred eleven million three hundred fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000) to five hundred million Saudi Arabian Riyals (SAR 500,000,000) divided into fifty million (50,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through the capitalisation of twenty-eight million twenty-one thousand nine hundred fifty Saudi Arabian Riyals (SAR 28,021,950) from the Company's retained earning account, the issuance of one million six hundred six thousand two hundred thirty (1,606,230) Shares and the purchase of these Shares by the Company for the purpose of allocating them to the Company's Employee Shares Programme and the issuance of fourteen million four hundred fifty-six thousand seventy-five (14,456,075) rights issue shares. Pursuant to the Company's Extraordinary General Assembly dated On 24 Muharram 1444H (corresponding 22 August 2022G), it was agreed that the Company's capital would be increased from five hundred million Saudi Arabian Riyals (SAR 500,000,000) to seven hundred fourteen million two hundred eighty-five thousand seven hundred twenty Saudi Arabian Riyals (SAR 714,285,720) divided into seventy-one million four hundred twenty-eight thousand five hundred seventy-two (71,428,572) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, and offering of such newly issued twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Shares, (representing thirty per cent. (30%) of the Company's share capital after the increase) was approved for public subscription. For further details, see Section 4.9 (Evolution of Capital).

As of the date of this Prospectus, the Company's capital is five hundred million Saudi Arabian Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share. The Company's capital after the Offering will be seven hundred fourteen million two hundred eighty-five thousand seven hundred twenty Saudi Arabian Riyals (SAR 714,285,720) divided into seventy-one million four hundred twenty-eight thousand five hundred seventy-two (71,428,572) Shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, as a result of the Company's capital increase through the offering of twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572 Shares, (representing thirty per cent. (30%) of the Company's share capital after the increase) for public subscription.

The initial public offering of the Company's Shares (the "**Offering**") will consist of twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) ordinary Shares (collectively, the "**Offer Shares**" and each an "**Offer Share**)". The Offering price will be Fourteen and Sixty Halalas Saudi Arabian Riyals (SAR 14.60) per Offer Share (the "Offer Price"), with each Offer Share carrying a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Offer Share. The Offer Shares represent thirty per cent. (30%) of the share capital of the Company following subscription. The Offering shall be restricted to the following two groups of investors (collectively, the "**Investors**"):

Tranche (A) Participating Parties: Comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions (as defined in Section 1 (*Definitions and Abbreviations*)) issued by the Capital Market Authority (the "**CMA**") (collectively referred to as the "**Participating Parties**" and individually referred to as a "**Participating Party**") (for further details, see Section 1 (*Definitions and Abbreviations*)). The number of Offer Shares to be provisionally allocated to the Participating Parties (collectively, the "**Participating Entities**" and each a "**Participating Entity**") is twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Offer Shares, representing one hundred per cent. (100%) of the Offer Shares. The final allocation will be made after the end of the Individual Investors' subscription (as defined in Tranche (B) below), using the discretionary allocation mechanism by the Bookrunner (as defined in Section 1 (Definitions and Abbreviations)) in coordination with the Company. Therefore, none of the Offer Shares may be allocated to some of the Participating Entities. The Bookrunner shall have the right, if there is sufficient demand by Individual Investors and in coordination with the Company, to reduce the number of Offer Shares allocated to Participating Entities to nineteen million two hundred eighty-five thousand seven hundred fifteen (19,285,715) Ordinary Shares, representing ninety per cent. (90%) of the Offer Shares.

Tranche (B) Individual Investors: Comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or the Cooperation Council for the Arab States of the Gulf (the "**GCC**") natural persons, in each case who have a bank account with a Receiving Agent and the right to open an investment account with a Capital Market Institution (collectively, the "**Individual Investors**" and each an "**Individual Investor**", and any such Individual Investor participating in the Offering together with the Participating Entities, the "**Subscribers**"). A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million one hundred forty-two thousand eight hundred fifty-seven (2,142,857) Offer Shares representing ten per cent. (10%) of the total Offer Shares will be allocated to Individual Investors. If the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookrunner may in coordination with the Company reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

The names and ownership percentages of the Substantial Shareholders (*i.e.*, those who own five per cent. (5%) or more of the Company's share capital prior to the Offering subscriptions) are listed on page (xi) of this Prospectus. Upon completion of the Offering, the Substantial Shareholders will, in aggregate, own 24.88% of the Shares and will consequently retain a controlling interest in the Company. The Company will use the Offering proceeds to support future growth in its financing activities by providing additional financing capacity that will allow it to provide financing to individuals and SMEs, after deducting the Offering expenses (for further details, see Section 8 (*Use of Proceeds*)). The Offering is fully underwritten by the Underwriter (for further details, see Section 13 (*Underwriting*)). The Substantial Shareholders will be subject to a lock-up period during which they will be prohibited from selling their Shares for a period of six (6) months from the date of commencement of trading of the Company's Shares on the Saudi Exchange ("**Tadawul**" or the "**Exchange**") (the "**Lock-up Period**") as specified on page (xiii). Following the end of the Lock-up Period, the Substantial Shareholders may dispose of their Shares. The Substantial Shareholders in the Company are Abdulrahman Mohammed Abdulrahman Al-Ghumlas, Talal Ibrahim Ali Al-Maiman, Sultan Maazi Fhaid AlOsaimi and Mohammed Othman Al-Abdullah AlKasabi. The details of their ownership percentages are set out in Table 2 (*Substantial Shareholders and Their Ownership in the Company as of the Date of this Prospectus*) of this Prospectus.

The Offering for Individual Investors will commence on 8/11/1444H (corresponding to May 28, 2023G) and will remain open for a period of (2) business days up to and including the closing day on 9/11/1444H (corresponding to May 29, 2023G) (the "**Offering Period**"). Subscription to the Offer Shares by the Individual Investors can be made through the internet, telephone banking, ATMs or other electronic channels offered by the receiving agents (the "**Receiving Agents**") listed on page (ix) during the Offering Period to their clients (for further details, see Section 17 (*Subscription Terms and Conditions*)). Participating Entities can bid for the Offer Shares through the Bookrunner within the book-building period before the Shares are offered to the Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares. A maximum of two hundred and fifty thousand (250,000) Offer Shares may be subscribed to by an Individual Investor; the minimum number of allocated Offer Shares will be ten (10) Offer Shares and the balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. If the number of Individual Investors exceeds two hundred and fourteen thousand two hundred and eighty-five (214,285), the Company will not guarantee the minimum allocation. The Offer Shares will be allocated at the discretion of the Lead Manager in coordination with the Company. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the relevant Receiving Agents. The final allocation shall be announced no later than 15/11/1444H (corresponding to June 4, 2023G) and excess subscription monies, if any, will be refunded no later than 25/11/1444H (corresponding to June 14, 2023G) (for further details, see "*Key Dates and Subscription Procedures*" on page (xiv) and Section 17 (*Subscription Terms and Conditions*)).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at general assembly meetings of the Company (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle their holders to receive dividends declared and distributed by the Company starting from the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for further details, see Section 7 (*Dividend Distribution Policy*)).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application for the listing of the Shares on Tadawul. This Prospectus has been approved and all of the required documents have been submitted to the relevant authorities. All of the requirements have been met and all of the relevant regulatory and corporate official approvals for the Offering have been obtained. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and the satisfaction of the necessary conditions and procedures (for further details, see "*Key Dates and Subscription Procedures*" on page (xiv)). Saudi natural persons, non-Saudi natural persons holding valid residence permits in the Kingdom, companies, banks and investment funds established in the Kingdom or in countries of the GCC, as well as GCC natural persons, will be permitted to trade in the Shares after trading starts on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the QFI Rules (all as defined in Section 1 (*Definitions and Abbreviations*)). Furthermore, non-GCC natural persons who are not residents in the Kingdom and non-GCC institutions incorporated outside the Kingdom (collectively, the "**Foreign Investors**" and each a "**Foreign Investor**") will be permitted to make indirect investments to acquire an economic interest in the Shares with a capital market institution licenced by the CMA to acquire, hold and trade the Shares on the Exchange on behalf of a Foreign Investor (the "**Capital Market Institution**"). Under such swap agreements, the Capital Market Institutions will be the registered legal owner of such Shares.

Investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors to be carefully considered before determining whether to subscribe for the Offer Shares, the "*Important Notice*" Section on page (i) and Section 2 (*Risk Factors*) of this Prospectus should be considered.

Lead Manager, Financial Advisor, Bookrunner and Underwriter

البلادالمالية
Albilad Capital

Receiving Agents

بنك البلاد
Bank Albilad

بنك الرياض
Riyad Bank

مصرف الراجحي
alrajhi bank

مصرف الإنماء
alinma bank

This Prospectus is dated 2 Jumada al-Akhirah 1444H (corresponding to 26 December 2022G)

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IMPORTANT NOTICE

This Prospectus contains detailed and accurate information related to the Company and the Offer Shares. When submitting an application for the Offer Shares, institutional and individual investors will be treated as applying solely on the basis of the information contained in this Prospectus, which is available at the websites of the Company (www.mrna.sa), the CMA (www.cma.org.sa), the Exchange (ww.saudiexchange.sa) and the Financial Advisor (www.albilad-capital.com). The Prospectus will also be published and made available to the public within a period of no less than (14) days prior to the start of the Offering, in accordance with the OSCO Rules issued by the CMA.

With respect to the Offering, Albilad Investment Company has been appointed by the Company as lead manager (the "**Lead Manager**"), financial advisor (the "**Financial Advisor**"), underwriter (the "**Underwriter**") and bookrunner (the "**Bookrunner**"). For further details, see Section 13 (*Underwriting*).

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA. The Directors (as defined below), whose names appear on page (iv), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus, and they confirm that according to their knowledge and belief, and after undertaking all reasonable enquiries, there are no other facts whose omission would make any statement contained herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, a substantial portion of the information in this Prospectus relevant to the markets and industry in which the Company operates is derived from external sources. While neither the Company, the Financial Advisor nor any of the Company's other advisors, whose names appear on pages (vii) and (viii) of this Prospectus (together with the Financial Advisor, the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company, the Substantial Shareholders nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political or any other factors, over which the Company has no control (for further details, see Section 2 (*Risk Factors*)). Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer Shares is intended to be, or should be construed as, or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Substantial Shareholders, the Receiving Agents or the Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, the financial situation or particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA-licenced financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual investment objectives, financial situation and needs, including the merits and risks involved in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision on whether to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is directed at, and may only be accepted by:

Tranche (A): Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions. (for further details, see Section 1 (*Definitions and Abbreviations*)).

Tranche (B): Individual Investors comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have a bank account with a Receiving Agent and the right to open an investment account with a Capital Market Institution. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for certain GCC investors, Qualified Foreign Investors, and/or certain other Foreign Investors through swap agreements. The Offering does not constitute an invitation to sell securities or induce the purchase of securities in any jurisdiction in which such offer or solicitation would be unlawful or prohibited. All recipients of this Prospectus must inform themselves of any legal restrictions relevant to the Offering and the sale of Offer Shares and observe all such restrictions. Both eligible Individual Investors and Participating Parties must read this Prospectus in full and seek advice from their attorneys, financial advisors and any professional advisors regarding statutory, tax, regulatory and economic considerations related to their investment in the Offer Shares, and they will personally bear the fees associated with that advice derived from their attorneys, chartered accountants and other advisors regarding all matters related to investing in the Offer Shares. There is no guarantee that any profits will be realised from an investment in the Offer Shares.

MARKET AND INDUSTRY DATA

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus represent the Company's estimates, using underlying data from independent third parties. Statistics, data and other information related to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets in this Prospectus are based on published and publicly available data obtained from multiple independent third-party sources.

In particular, unless otherwise specifically stated, the information in Section 3 (*Market Overview*) is derived from public sources and the market study report prepared in September 2022G (the "**Market Study Report**") by Sutherland Global Services (the "**Market Consultant**"), an independent third-party provider of strategic consulting services and digital transformation services for various sectors. For further details about the Market Consultant, visit its website (www.sutherlandglobal.com).

The Market Consultant has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. Research has been conducted with an overall industry perspective, and it may not necessarily reflect the performance of individual companies in the industry.

Neither the Market Consultant, nor does any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives, own any shares or any interest of any kind in the Company or the Subsidiary. As of the date of this Prospectus, the Market Consultant has given, and not withdrawn, its written consent to the use of its name and logo, and the market information and data supplied by it to the Company in the manner and format set out in this Prospectus.

The information provided in Section 3 (*Market Overview*) by the Market Consultant is based on secondary information available internally or in the public domain and should be read in conjunction with the same. Market estimates and assumptions are based on varying levels of quantitative and qualitative analyses, and actual results and future events could differ materially from such estimates, predictions and statements.

The role of the market consultant is only limited to providing market research, and the information provided by the Market Consultant derived from public data sources is not to be construed as investment, legal or any other type of advice about the Company.

Whilst the Directors believe that the information and data from third party sources contained in this Prospectus, including those derived from public sources or provided by the Market Consultant, are reliable, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Substantial Shareholders, and thus none of them bears any liability for the accuracy or completeness of such information and data.

FINANCIAL AND STATISTICAL INFORMATION

The Company's financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and the condensed consolidated interim financial statements for the six-month period ended 30 June 2022G were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**"), and in accordance with the International Accounting Standard 34 "Interim Financial Reporting" endorsed in the Kingdom, and were audited and reviewed by Ernst & Young Professional Services (Professional LLC) (the "**Auditors**"), as set out in the audit and review reports on these statements. Such statements are contained in Section 19 (*Financial Statements and Auditors' Report*).

The Company prepares its financial statements in Saudi Arabian Riyals. (For more details on the financial information of the Company, see Section 6 (*Management's Discussion and Analysis of Financial Condition and Results of Operations*)).

The financial and statistical information contained in this Prospectus is rounded off to the nearest integer. Accordingly, where numbers have been rounded up or down, there may be minor differences between the figures set out in this Prospectus, and the financial statements and certain financial amounts presented in this Prospectus may not correspond to the financial information included elsewhere in this Prospectus or may not add up. In some cases where amounts in this Prospectus are converted from USD to Saudi Arabian Riyals, the exchange rate shall be SAR 3.75 for each USD.

Unless otherwise expressly provided in this Prospectus, any references to "year" or "years" include references to Gregorian years.

FORECASTS AND FORWARD-LOOKING STATEMENTS

The forecasts provided in this Prospectus were prepared on the basis of assumptions based on the Company's information according to its market experience, as well as on publicly available market information. Future operating conditions may differ from such assumptions and consequently no affirmation, representation or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms, to the best of its reasonable knowledge, that the statements were prepared with the necessary due diligence.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words and terms, such as "intends", "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the views of the Company as of the date of this Prospectus with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the

Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail (for further details, see Section 2 (*Risk Factors*)). Should any of these risks or uncertainties materialise or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described as estimated, believed, expected or planned in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, it becomes aware: (i) of a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations; or (ii) of the occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or at all. Consequently, prospective investors should consider and review all forward-looking statements in light of these explanations and should not place undue reliance on them.

DEFINITIONS AND ABBREVIATIONS

For an explanation of certain defined terms and abbreviations used in this Prospectus, see Section 1 (*Definitions and Abbreviations*).

CORPORATE DIRECTORY

Company's Board of Directors

The Company is managed by a Board of Directors comprised of eight members in accordance with the Company's Bylaws, as is set out in the following table:

Table 1: Company's Board of Directors

				Direct Share Ownership		Indirect Share Ownership		
Name	Position	Nationality	Capacity	Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	Date of Appointment (1)
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	Chairman	Saudi	Non-Executive	10.46%	7.32%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Khalid Mohammed Ali Al-Onaizan	Deputy Chairman	Saudi	Independent	0.50%	0.35%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Waleed Yousef Abdulrazzaq Al-Ghumlas (2)	Executive Managing Director	Saudi	Executive	0.32%	0.23%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Abdullah Mohammed Abdulaziz Alrayes	Director	Saudi	Independent	-	-	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Ibrahim Abdullah Issa Al-Ghumlas	Director	Saudi	Independent	1.96%	1.37%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Fhaid Moazi Fhaid AlOsaimi	Director	Saudi	Non-Executive	1.73%	1.21%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Naif Talal Ibrahim Al-Maiman (3)	Director	Saudi	Non-Executive	0.35%	0.25%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Saad Abdulaziz Mohammed Al-Hoshan (4)	Director	Saudi	Non-Executive	1.60%	1.11%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)

Source: The Company.

(1) The dates listed in this table are the dates of appointment of the directors to their current positions on the Board of Directors. Their biographies in Section 5.2.4 (*Biographies of the Directors and the Secretary*) describe the dates of their appointment, whether on the Board of Directors or in any other position.

(2) Waleed Yousef Abdulrazzaq Al-Ghumlas joined the Company in 2014G as the Chief Executive Officer. In 2019G, the Board of Directors terminated the Chief Executive Officer position and merged the duties and responsibilities of the Chief Executive Officer with the Managing Director position. Therefore, Waleed Yousef Abdulrazzaq Al-Ghumlas was appointed as the Executive Managing Director of the Company on 2019G.

(3) As of the date of this Prospectus, Naif Talal Ibrahim Al-Maiman's father directly owns 5.0 per cent. of the shares in the Subsidiary.

(4) As of the date of this Prospectus, Saad Abdulaziz Mohammed Al-Hoshan directly owns 8.0 per cent. of the shares in the Subsidiary.

The Secretary of the Board of Directors is Essa Abdulrahman Essa Bin Ghumlas, appointed pursuant to a resolution by the Board of Directors dated 17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G) (for his biography, see Section 5.2.4.9 (*Essa Abdulrahman Essa Bin Ghumlas, Board Secretary*)).

COMPANY'S REGISTERED ADDRESS, REPRESENTATIVES, BOARD SECRETARY

Company

Morabaha Marina Financing Company
Al Thoumamah Road, Al Rabie District
P.O. Box: 7071
Riyadh 13315
Kingdom of Saudi Arabia
Tel: + 966 (11) 800 1111 810
Website: www.mrna.sa
E-mail: info@morabaha.com

Company's Representatives

Waleed Yousef Abdulrazzag Al-Ghumlas
Executive Managing Director
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Website: www.mrna.sa
E-mail: waleed@morabaha.com

Heba Badah Alshahrani
Head of Compliance and Anti-Laundry
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Kingdom of Saudi Arabia
Tel: + 966 (11) 800 1111 810 Extension: 2112
Website: www.mrna.sa
E-mail: heba.alshahrani@morabaha.com

Secretary of the Board of Directors

Essa Abdulrahman Essa Bin Ghumlas
Secretary of the Board of Directors
Morabaha Marina Financing Company
Al Thoumamah Road, Al Rabie District
P.O. Box: 7071
Riyadh 13315
Kingdom of Saudi Arabia
Tel: + 966 800 1111 810 Extension: 1159
Website: www.mrna.sa
Email: essa.ghumlas@morabaha.com

Stock Exchange

Saudi Exchange (Tadawul)
Tawuniya Towers, Northern Tower
King Fahad Road, Al Olaya 6897
Unit No. 15
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel: + 966 (11) 92000 1919
Fax: + 966 (11) 218 9133
Website: www.saudiexchange.sa
E-mail: csc@tadawul.com.sa

Share Registrar
Securities Depository Center Company (Edaa) Tawuniya Towers King Fahad Road, Al Olaya 6897 Unit No. 11 Riyadh 12211-3388 Kingdom of Saudi Arabia Tel: + 966 920026000 Website: www.edaa.com.sa E-mail: cc@edaa.com.sa

ADVISORS

Lead Manager, Financial Advisor, Bookrunner and Underwriter
Albilad Investment Company King Fahad Road P.O. Box 140 Riyadh 11411 Kingdom of Saudi Arabia Tel: + 966 (11) 920 003 636 Fax: +966 (11) 290 6299 Website: www.albilad-capital.com E-mail: investmentbanking@albilad-capital.com
Financial Due Diligence Advisor
KPMG Professional Services KPMG Tower – Riyadh Front - Airport Road P.O. Box 92876 Riyadh 11663 Kingdom of Saudi Arabia Tel: + 966 (11) 8748500 Fax: +966 (11) 8748600 Website: www.kpmg.com/sa E-mail: marketingsa@kpmg.com
Legal Advisors
Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation Sky Towers, North Tower, 2nd Floor 8899, King Fahd Road, Al Olaya P.O. Box 230020 Riyadh 11321 Kingdom of Saudi Arabia Tel: +966 (11) 272 0003 Fax: +966 (11) 237 0005 Website: www.statlawksa.com E-mail: capitalmarkets@statlawksa.com
Legal Advisor of the Financial Advisor, Bookrunner and Underwriter
The Law Office of Megren M. Al-Shaalan Business Gate, No.26, Zone C Airport Road P.O. Box 1080 Riyadh 11431 Kingdom of Saudi Arabia Tel: + 966 (11) 4167300 Fax: + 966 (11) 4167399 Website: www.alshaalanlaw.com E-mail: mas@alshaalanlaw.com

Market Consultant	
Sutherland Global Services Gateway Office Parks Second Floor, B2,14 GST Road Chennai, 600063 India Tel: + 91 (44) 71017886 Website: www.sutherlandglobal.com E-mail: info@sutherland.com	

Auditors	
Ernst & Young Professional Services (Professional LLC) P.O. Box 2732 Al Faisaliah Office Tower – 14th Floor King Fahad Road, Olaya Riyadh 11461, Kingdom of Saudi Arabia Tel: +966 (11) 215 9898 Fax: +966 (11) 273 4730 Website: www.ey.com E-mail: ey.ksa@sa.ey.com	

Note: All of the above-mentioned Advisors and Auditors have given and, as of the date of this Prospectus, have not withdrawn their written consent to the inclusion of their respective names, addresses, logos and statements attributed to each of them in the context in which they appear in this Prospectus, and neither they nor their employees (forming part of the engagement team serving the Company) nor any of their employees' relatives have any shareholding or interest of any kind in the Company or the Subsidiary as of the date of this Prospectus which would impair their independence.

Receiving Agents
Bank Albilad King Abdullah Road P.O. Box 140, Riyadh 11411 City: Riyadh Kingdom of Saudi Arabia Tel: +966 (11) 479 8888 Fax: +966 (11) 479 8505 Website: www.bankalbilad.com Email: customercare@bankalbilad.com
Riyad Bank Eastern Ring Road P.O. Box: 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 403 0016 Website: www.riyadbank.com E-mail: customercare@riyadbank.com
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Alinma Bank King Fahd Road, Al Anoud Tower P.O. Box 66674 Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 11 218 5555 Fax: +966 11 218 5000 Website: www.alinma.com Email: info@alinma.com

OFFERING SUMMARY

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the "*Important Notice*" Section on page (i) and Section 2 (*Risk Factors*) prior to making any investment decision with respect to the Offer Shares.

Company Name, Description and Establishment Information	The Company was established as a limited liability company on 7 Jumada al-Akhirah 1433H (corresponding to 28 April 2012G) under the name "Morabaha Marina Installments Company" and registered under Commercial Registration No. 1010337706, dated 14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G) with a capital of fifteen million Saudi Arabian Riyals (SAR 15,000,000), divided into one hundred and fifty thousand (150,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share. Pursuant to the partners' resolution dated 30 Rajab 1434H (corresponding to 9 June 2013G), the capital of the Company was increased from fifteen million Saudi Arabian Riyals (SAR 15,000,000) to thirty-three million Saudi Arabian Riyals (SAR 33,000,000) divided into three million three hundred thousand (3,300,000) shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new partners. On 27 Sha'ban 1435H (corresponding to 25 June 2014G), the Company was converted from a limited liability company to a closed joint stock company pursuant to Ministerial Resolution No. (211/Q), under the name "Morabaha Marina Financing Company" and its capital increased from thirty-three million Saudi Arabian Riyals (SAR 33,000,000) to one hundred and twenty million Saudi Arabian Riyals (SAR 120,000,000), divided into twelve million (12,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new shareholders. Pursuant to the Company's Extraordinary General Assembly resolution dated 16 Thul-Qi'dah 1436H (corresponding to 31 August 2015G), the Company's capital increased from one hundred and twenty-million Saudi Arabian Riyals (SAR 120,000,000) to two hundred million Saudi Arabian Riyals (200,000,000) divided into twenty-million (20,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new shareholders. Pursuant to the Company's Extraordinary General Assembly resolution dated 16 Muharram Thul-Qi'dah 1437H (corresponding to 8 August 2017G), the Company's capital increased from two hundred million Saudi Arabian Riyals (SAR 200,000,000) to two hundred twelve million Saudi Arabian Riyals (SAR 212,000,000) divided into twenty-one million two hundred thousand (21,200,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) through the distribution of bonus shares to shareholders. Pursuant to the Company's Extraordinary General Assembly resolution dated 9 Muharram 1440H (corresponding to 19 September 2018G), the Company's capital increased from two hundred twelve million Saudi Arabian Riyals (SAR 212,00,000) to two hundred twenty-eight million nine hundred and sixty thousand Saudi Arabian Riyals (SAR 228,960,000) divided into twenty-two million eight hundred ninety-six thousand (22,896,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 19 Thul-Hijjah 1440H (corresponding to 20 August 2019G), the Company's capital increased from two hundred and twenty-eight million nine hundred sixty thousand Saudi Arabian Riyals (SAR 228,960,000) to two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000) divided into twenty-five million five hundred thousand (25,500,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 28 Sha'ban 1441H (corresponding to 21 April 2020G), the Company's capital increased from two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000) to two hundred eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000) divided into twenty-eight million fifty thousand (28,050,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 10 Ramadan 1442H (corresponding to 22 April 2021G), the Company's capital increased from two hundred and eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000 to three hundred eleven million three hundred fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000) divided into thirty-one million one hundred thirty-five thousand five hundred (31,135,500) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 23 Rajab 1443H (corresponding to 24 February 2022G), the Company's capital increased from three hundred and eleven million three hundred fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000) to five hundred million Saudi Arabian Riyals (SAR 500,000,000) divided into fifty million (50,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalisation of twenty-eight million twenty-one thousand nine hundred fifty Saudi Arabian Riyals (SAR 28,021,950) from the Company's retained earning account, the issuance of one million six hundred six thousand two hundred thirty (1,606,230) Shares and the purchase of these Shares by the Company for the purpose of allocating them to the Company's Employee Shares Programme and the issuance of fourteen million four hundred fifty-six thousand seventy-five (14,456,075) rights issue shares.Pursuant to the Company's Extraordinary General Assembly dated On 24 Muharram 1444H (corresponding 22 August 2022G), it was agreed that the Company's capital would be increased from five hundred million Saudi Arabian Riyals (SAR 500,000,000) to seven hundred fourteen million two hundred eighty-five thousand seven hundred twenty Saudi Arabian Riyals (SAR 714,285,720) divided into seventy-one million four hundred twenty-eight thousand five hundred seventy-two (71,428,572) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, and an offering of such newly issued twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Shares, (representing thirty per cent. (30%) of the Company's share capital after the increase) was approved for public subscription. For further details, see Section 4.9 (*Evolution of Capital*).

Company's Activities	In accordance with the Bylaws, the Company's activities consist of the following: – productive asset financing and SME project financing; – financial leasing; and – consumer financing. In accordance with the main and branch Commercial Registrations, the Company's activities consist of the following: – productive asset financing – SME activity financing; – financial leasing; and – consumer financing.
Substantial Shareholders	The following table sets out the names and pre-Offering and post-Offering ownership percentages of Substantial Shareholders as of the date of this Prospectus:

Table 2: Substantial Shareholders and Their Ownership in the Company as of the Date of this Prospectus

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)[1]	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Abdulrahman Mohammed Abdulrahman AlGhamlas	5,231,809	10.46 %	52,318,090	5,231,809	7.32%	52,318,090
Talal Ibrahim Ali Al-Maiman	5,223,943	10.45%	52,239,430	5,223,943	7.31%	52,239,430
Sultan Maazi Fhaid AlOsaimi	4,739,870	9.48 %	47,398,700	4,739,870	6.64%	47,398,700
Mohammed Osman Al-Abdullah AlKasabi	2,581,786	5.16%	25,817,860	2,581,786	3.61%	25,817,860
Total	**17,777,408**	**35.55%**	**177,774,080**	**17,777,408**	**24.88%**	**177,774,080**

Source: The Company.

[1] The ownership percentages are rounded.

Company's Share Capital (as of the date of this Prospectus)	The Company's share capital prior to the Offering is five hundred million Saudi Arabian Riyals (SAR 500,000,000).
The Company's Capital (after the capital increase)	The Company's share capital after the Offering will be seven hundred and fourteen million two hundred eighty-five thousand seven hundred and twenty Saudi Arabian Riyals (SAR 714,285,720).
Total Number of Issued Shares (as of the date of this Prospectus)	The number of the Company's Shares prior to the Offering is fifty million (50,000,000) fully paid Shares.
Total Number of Issued Shares (after the capital increase)	The number of the Company's Shares after the Offering will be seventy-one million four hundred twenty-eight thousand five hundred seventy-two (71,428,572) Ordinary Shares.
Nominal Value per Share	SAR 10 per Share.
Offering	The initial public offering of the Company's Shares will consist of twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Ordinary Shares, representing thirty per cent. (30%) of the Company's capital after the Offering and at an Offer Price of Fourteen and Sixty Halalas Saudi Arabian Riyals (SAR 14.60) per Offer Share, by way of an increase of the share capital of the Company from five hundred million Saudi Arabian Riyals (SAR 500,000,000) to Seven hundred fourteen million two hundred eighty-five thousand seven hundred twenty-Saudi Arabian Riyals (SAR 714,285,720).
Total Number of Offer Shares	Twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Ordinary Shares.
Percentage of Offer Shares to the Total Number of Issued Shares	The Offer Shares represent thirty per cent. (30%) of the Company's share capital, following the capital increase (which represents forty-two point eighty-six per cent. (42.86%) of the Company's capital prior to the capital increase).
Offer Price	SAR (14.60) per Offer Share.
Total Value of Offer Shares	Three hundred twelve million eight hundred fifty-seven thousand one hundred fifty-one and Twenty Halala Saudi Arabian Riyals (SAR 312,857,151.20).
Use of Proceeds	The Net Offering Proceeds amounting to approximately two hundred eighty-five million two hundred fifty-five thousand nine hundred twenty Saudi Arabian Riyals (SAR 285,255,920) (after deducting the Offering expenses estimated at Twenty-seven million six hundred and one thousand two hundred and thirty and two hundred and sixty-three halalah Saudi Arabian Riyals (SAR 27,601,230.263)) will be distributed to the Company to support general and operational expenses and the future growth of financing activities by providing additional financing capacity that will allow the Company to provide financing to individuals and SMEs. (for further details, see Section 8 (*Use of Proceeds*)).
Total Number of Shares Underwritten	Twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Ordinary Shares.

Total Offering Amount Underwritten	Three hundred twelve million eight hundred fifty-seven thousand one hundred fifty-one and Twenty Halala Saudi Arabian Riyals (SAR 312,857,151.20).
Categories of Targeted Investors	Subscription to the Offer Shares is restricted to two groups of Investors, namely: – **Tranche (A) Participating Parties:** This tranche includes parties entitled to participate in the book-building process in accordance with the Book-Building Instructions (for more details, see Section 1 (*Definitions and Abbreviations*)); and – **Tranche (B) Individual Investors:** This tranche includes Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have a bank account with a Receiving Agent and the right to open an investment account with a Capital Market Institution. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
The Total Number of Shares Offered for Each Category of Targeted Investors	
The Number of Shares Offered for the Participating Parties	Twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Shares, representing one hundred per cent. (100%) of the Offer Shares. If there is sufficient demand from Individual Investors and the Participating Entities subscribe to all of the Offer Shares allocated to them, the Bookrunner has the right to reduce the number of Shares allocated to the Participating Entities to nineteen million two hundred eighty-five thousand seven hundred fifteen (19,285,715) Shares, representing ninety per cent. (90%) of the Offer Shares.
Number of Offer Shares Available to Individual Investors	A maximum of two million one hundred forty-two thousand eight hundred fifty-seven (2,142,857) Offer Shares, representing ten per cent. (10%) of the Offer Shares.
Subscription Method for Each of the Targeted Investors' Categories:	
Subscription Method for Participating Parties	Participating Parties as identified in Section 1 (*Definitions and Abbreviations*) may apply for participation in the book-building process by filling out a Bidding Participation Application that will be provided by the Bookrunner during the book-building process period. After provisional allocation, the Participating Entities shall complete the Subscription Application Forms that will be made available to them by the Bookrunner which the Participating Entities must fill out in accordance with the instructions mentioned in Section 17 (*Subscription Terms and Conditions*).
Subscription Method for Individual Investors	Subscription Application Forms will be provided during the Offering Period by the Receiving Agents. They must be completed in accordance with the instructions mentioned in Section 17 (*Subscription Terms and Conditions*). Individual Investors may also subscribe through the Internet, telephone banking, automated teller machines ("**ATMs**"), and any other electronic channels offered by the Receiving Agents that offer any or all such services to its customers, provided that: (i) the Individual Investor has a bank account at a Receiving Agent which offers such services; (ii) there are no changes in the personal information or data of the Individual Investor since his or her subscription in a recent initial public offering; and (iii) Individual Investors who are not Saudi or GCC natural persons have an account at one of the Capital Market Institutions which offer such services.
Minimum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Minimum Number of Offer Shares to be Applied for by Participating Entities	One Hundred Thousand (100,000) Shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	Ten (10) Shares.
Minimum Subscription Amount for Each of the Targeted Investors' Categories:	
Minimum Subscription Amount for Participating Entities	One million four hundred sixty thousand Saudi Arabian Riyals (SAR 1,460,000)
Minimum Subscription Amount for Individual Investors	One hundred forty-six Saudi Arabian Riyals (SAR 146).
Maximum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Maximum Number of Offer Shares to be Applied for by Participating Entities	Three million five hundred seventy-one thousand four hundred twenty-seven (3,571,427) Shares, and in respect of public funds, not exceeding the maximum limit for each participating public fund which is determined in accordance with the Book-Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Investors	Two hundred and fifty thousand (250,000) Shares.
Maximum Subscription Amount for Each of the Targeted Investors' Categories:	
Maximum Subscription Amount for Participating Entities	fifty-two million one hundred forty-two thousand eight hundred thirty-four Saudi Arabian Riyals (SAR 52,142,834) .

Maximum Subscription Amount for Individual Investors	three million six hundred fifty thousand Saudi Arabian Riyals (SAR 3,650,000)
Allocation and Refund of Excess Subscription Monies Method for Each of the Targeted Investors' Categories:	
Allocation of Offer Shares to Participating Entities	The final allocation of the Offer Shares to Participating Entities shall be made through the Bookrunner after the completion of the Individual Investors' subscription process as the Bookrunner deems appropriate in coordination with the Company, using the discretionary allocation mechanism. Therefore, none of the Offer Shares may be allocated to some of the Participating Entities. A total of twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Shares, representing one hundred per cent. (100%) of the Offer Shares shall be provisionally allocated to Participating Entities. If there is sufficient demand by Individual Investors for the Offer Shares, the Bookrunner, in coordination with the Issuer, shall have the right to reduce the number of Offer Shares allocated to the Participating Entities to nineteen million two hundred eighty-five thousand seven hundred fifteen (19,285,715) Offer Shares as a minimum, representing ninety per cent. (90%) of the Offer Shares.
Allocation of Offer Shares to Individual Investors	Allocation of the Offer Shares to Individual Investors is expected to be completed no later than 15/11/1444H (corresponding to June 4, 2023G). The minimum allocation per Individual Investor is ten (10) Offer Shares, and the maximum allocation per Individual Investor is two hundred and fifty thousand (250,000) Offer Shares, with the remaining Offer Shares, if any, being allocated on a pro-rata basis of the number of Offer Shares applied for by that Individual Investor to the total Offer Shares. If the number of Individual Investors exceeds Two hundred and fourteen thousand two hundred and eighty-five (214,285), the Company will not guarantee the minimum allocation of ten (10) Offer Shares for each Individual Investor. In this case, the Offer Shares will be allocated at the discretion of the Lead Manager in coordination with the Company.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers by the Lead Manager or the Receiving Agents, as applicable without withholding any charge or commission. The final allocation will be announced no later than 25/11/1444H (corresponding to June 14, 2023G). For further details, see "*Key Dates and Subscription Procedures*" on page (xiv) and Section 17 (*Subscription Terms and Conditions*).
Offering Period for Individual Investors	The Offering will commence on 8/11/1444H (corresponding to May 28, 2023G) and will remain open for a period of 2 Business days up to and including the Offering closing date which is 9/11/1444H (corresponding to May 29, 2023G). For further details, see "*Key Dates and Subscription Procedures*" on page (xiv).
Entitlement to Dividends	The Offer Shares will entitle their holders to receive any dividends declared and distributed by the Company starting from the date of this Prospectus and for subsequent financial years (for further details, see Section 7 (*Dividend Distribution Policy*)).
Voting Rights	The Company has one class of Shares only. None of the Shares carries any preferential voting rights. Each Share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the General Assembly. A Shareholder has the right to delegate another person, but not a Director or employee of the Company, to attend the General Assembly meetings (for further details, see Section 12.16 (*Summary of Bylaws*) and Section 12.17 (*Share Description*)).
Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders are subject to a Lock-up Period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange. They may not dispose of any of their Shares during such period. Following the end of the Lock-up Period, the Substantial Shareholders may dispose of their Shares (for further details regarding Substantial Shareholders, see Table 2 (*Substantial Shareholders and Their Ownership in the Company as of the Date of this Prospectus*) setting out the names as well as pre-Offering and post-Offering ownership percentages of Substantial Shareholders, reflecting also the New Shares post-Offering.
Listing of Shares	Prior to the Offering, the Shares have not been listed in the Kingdom or elsewhere. An application has been made by the Company to the CMA for the registration and offer of the Shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company has also submitted an application to the Exchange for the listing of its Shares on the Exchange in accordance with the Listing Rules. All of the relevant approvals required to conduct the Offering have been granted. All of the supporting documents requested by CMA and Tadawul have been met. It is expected that trading in the Shares will commence on the Exchange after the final allocation of the Offer Shares (for further details, see "*Key Dates and Subscription Procedures*" on page (xiv)).
Risk Factors	There are certain risks related to the investment in the Offer Shares. These risks can be categorised into: (i) risks related to the activities and operations of the Company; (ii) risks related to the market, industry and regulatory environment; and (iii) risks related to the Offer Shares. These risks are described in Section 2 (*Risk Factors*) and should be considered carefully prior to any investment decision being made in relation to the Offer Shares.
Offering Expenses	The expenses and costs associated with the Offering are estimated at around twenty-seven million six hundred one thousand two hundred thirty Saudi Arabian Riyals (SAR 27,601,230) and include the fees of the Lead Manager, Financial Advisor, the Bookrunner, and the Underwriter, the Legal Advisors, the Financial Due Diligence Advisor, the Receiving Agents and the Market Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering. They will be deducted from the Offering Proceeds.
Underwriter	**Albilad Investment Company** King Fahad Road P.O. Box 140 Riyadh 11411 Kingdom of Saudi Arabia Tel: + 966 920 003 636 Fax: +966 290 6299 Website: www.albilad-capital.com E-mail: investmentbanking@albilad-capital.com

Note: The "*Important Notice*" Section on page (i) and Section 2 (*Risk Factors*) should be read thoroughly prior to making an investment decision with respect to the Offer Shares under this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table 3: Expected Offering Timetable

Expected Offering Timetable	Date
Bidding and Book-Building Period for Participating Entities	A period of Five Business days commencing on 24/10/1444H (corresponding to May 14, 2023G), until the end of 28/10/1444H (corresponding to May 18, 2023G).
Subscription Period for Individual Investors	A period of 2 Business days commencing on 8/11/1444H (corresponding to May 28, 2023G), until the end of 9/11/1444H (corresponding to May 29, 2023G).
Deadline for Submission of Subscription Application Forms Based on the Number of the Offer Shares Provisionally Allocated for the Participating Entities	Day Wednesday 4/11/2023H (corresponding to May 24, 2023G).
Deadline for Payment of the Subscription Amount by Participating Entities Based on their Provisionally Allocated Offer Shares	Day Sunday 8/11/1444H (corresponding to May 28, 2023G).
Deadline for Submission of Subscription Application Forms and Payment of the Subscription Amount by Individual Investors	Day Monday 9/11/1444H (corresponding to May 29, 2023G).
Announcement of the Final Allocation of the Offer Shares	On or before Sunday 15/11/1444H (corresponding to June 4, 2023G).
Refund of Excess Subscription Monies (if any)	On or before Wednesday 25/11/1444H (corresponding to June 14, 2023G).
Expected Commencement Date for Trading the Shares on the Exchange	Trading of the Company's Shares on the Exchange is expected to start after completion of all of the relevant legal requirements and procedures. The trading commencement date of the Shares will be announced in local newspapers and Tadawul's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative and subject to change. Actual dates will be communicated on the websites of Tadawul (www.saudiexchange.sa), the Financial Advisor (www.albilad-capital.com) and the Company (www.mrna.sa).

How to Apply for the Offer Shares

Subscription to the Offer Shares is restricted to the following two groups of Investors:

- **Tranche (A): Participating Parties** comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions. (for further details, see Section 1 (*Definitions and Abbreviations*) and Section 17 (*Subscription Terms and Conditions*)).
- **Tranche (B): Individual Investors** comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have a bank account with a Receiving Agent and the right to open an investment account with a Capital Market Institution. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

(a) Participating Parties

Participating Parties may apply for participation in the book-building process by filling out the Bidding Participation Application that will be provided by the Bookrunner during the book-building process period and obtaining the Subscription Application Forms from the Bookrunner after the provisional allocation. The Bookrunner shall, after the approval of the CMA, offer the Offer Shares to the Participating Parties only during the book-building period. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunner and represents a legally binding agreement between the Company and the relevant Participating Entity submitting the same.

(b) Individual Investors

Subscription Application Forms for Individual Investors will be provided during the Offering Period by the Receiving Agents. Individual Investors can also subscribe through the internet, telephone banking, or ATMs of any of the Receiving Agents that provide some or all of these channels to Individual Investors, provided that:

- the Individual Investor has a bank account at a Receiving Agent which offers such services;
- there are no changes in the personal information or data of the Individual Investor since his or her subscription in a recent initial public offering; and
- the Individual Investors who are not Saudi or GCC natural persons have an account at one of the Capital Market Institutions which offers such services.

Subscription Application Forms must be filled out by each applicant according to the instructions mentioned in Section 17 (*Subscription Terms and Conditions*). An applicant must complete all of the relevant sections in the Subscription Application Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions is not met. After being submitted, the Subscription Application Form cannot be amended or withdrawn. If the Subscription Application Form is submitted twice, the second submission shall be considered null and void, and only the first submission shall be considered. Upon submission, the Subscription Application Form shall be considered to be a legally binding agreement by the relevant Subscriber and the Company (for further details, see Section 17 (*Subscription Terms and Conditions*)).

Excess subscription monies, if any, will be refunded by the Lead Manager or the Receiving Agents to the primary Individual Investor's account held with the Receiving Agent from which the subscription amount was debited in the first place, without withholding any charge or commission. Excess subscription monies will not be refunded in cash or to third-party accounts.

For further details regarding subscription by Individual Investors and the Participating Entities, see Section 17 (*Subscription Terms and Conditions*).

SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus. However, it does not contain all of the information that may be important to prospective investors. Therefore, a subscriber's decision should not be based solely on this summary. It must be treated as an introduction to this Prospectus, and persons wishing to subscribe for the Offer Shares are advised to read the entire Prospectus in full to ensure that any decision to invest in the Offer Shares by prospective investors is based on the consideration of this Prospectus as a whole. In particular, it is important for an investor to carefully consider the "*Important Notice*" Section on page (i) and Section 2 (*Risk Factors*) prior to making an investment decision with respect to the Offer Shares.

OVERVIEW OF THE COMPANY

History of the Company

The Company was established as a limited liability company on 7 Jumada al-Akhirah 1433H (corresponding to 28 April 2012G) under the name "Morabaha Marina Installments Company" and registered under Commercial Registration No. 1010337706, dated 14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G) with a capital of fifteen million Saudi Arabian Riyals (SAR 15,000,000), divided into one hundred and fifty thousand (150,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share. Pursuant to the partners resolution dated 30 Rajab 1434H (corresponding to 9 June 2013G), the capital of the Company was increased from fifteen million Saudi Arabian Riyals (SAR 15,000,000) to thirty-three million Saudi Arabian Riyals (SAR 33,000,000) divided into three million three hundred thousand (3,300,000) shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new partners. On 27 Sha'ban 1435H (corresponding to 25 June 2014G), the Company was converted from a limited liability company to a closed joint stock company pursuant to Ministerial Resolution No. (211/Q), under the name "Morabaha Marina Financing Company" and its capital increased from thirty-three million Saudi Arabian Riyals (SAR 33,000,000) to one hundred twenty million Saudi Arabian Riyals (SAR 120,000,000), divided into twelve million (12,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new shareholders. Pursuant to the Company's Extraordinary General Assembly resolution dated 16 Thul-Qi'dah 1436H (corresponding to 31 August 2015G), the Company's capital increased from one hundred twenty million Saudi Arabian Riyals (SAR 120,000,000) to two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new shareholders. Pursuant to the Company's Extraordinary General Assembly resolution dated 16 Muharram Thul-Qi'dah 1437H (corresponding to 8 August 2017G), the Company's capital increased from two hundred million Saudi Arabian Riyals (SAR 200,000,000) to two hundred twelve million Saudi Arabian Riyals (SAR 212,000,000) divided into twenty-one million two hundred thousand (21,200,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) through the distribution of bonus shares to shareholders. Pursuant to the Company's Extraordinary General Assembly resolution dated 9 Muharram 1440H (corresponding to 19 September 2018G) the Company's capital increased from two hundred twelve million Saudi Arabian Riyals (SAR 212,00,000) to two hundred twenty-eight million nine hundred sixty thousand Saudi Arabian Riyals (SAR 228,960,000) divided into twenty-two million eight hundred ninety-sixty thousand (22,896,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 19 Thul-Hijjah 1440H (corresponding to 20 August 2019G), the Company's capital increased from two hundred twenty-eight million nine hundred sixty thousand Saudi Arabian Riyals (SAR 228,960,000) to two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000) divided into twenty-five million five hundred (25,500,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 28 Sha'ban 1441H (corresponding to 21 April 2020G), the Company's capital increased from two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000) to two hundred eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000) divided into twenty-eight million fifty thousand (28,050,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 10 Ramadan 1442H (corresponding to 22 April 2021G), the Company's capital increased from two hundred eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000 to three hundred eleven million three hundred fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000) divided into thirty-one million one hundred thirty-five thousand five hundred (31,135,500) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. Pursuant to the Company's Extraordinary General Assembly resolution dated 23 Rajab 1443H (corresponding to 24 February 2022G), the Company's capital increased from three hundred eleven million three hundred fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000) to five hundred million Saudi Arabian Riyals (SAR 500,000,000) divided into fifty million (50,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalisation of twenty-eight million twenty-one thousand nine hundred fifty Saudi Arabian Riyals (SAR 28,021,950) from the Company's retained earning account, the issuance of one million six hundred six thousand two hundred thirty (1,606,230) Shares and the purchase of these Shares by the Company for the purpose of allocating them to the Company's Employee Shares Programme and the issuance of fourteen million four hundred fifty-six thousand seventy-five (14,456,075) rights issue shares. Pursuant to the Company's Extraordinary General Assembly dated On 24 Muharram 1444H (corresponding 22 August 2022G), it was agreed that the Company's capital would be increased from five hundred million Saudi Arabian Riyals (SAR 500,000,000) to seven hundred fourteen million two hundred eighty-five thousand seven hundred twenty Saudi Arabian Riyals (SAR 714,285,720) divided into seventy-one million four hundred twenty-eight thousand five hundred seventy-two (71,428,572) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, and an offering of such newly issued twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Shares, (representing thirty per cent. (30%) of the Company's share capital after the increase) was approved for public subscription. For further details, see Section 4.9 (*Evolution of Capital*).

Overview of the Company's Business

The Company provides services for financing leases, financing SMEs, financing individuals and financing production assets under Saudi Central Bank Licence No. 22/ASH/201410 issued on 19 Thul-Qi'dah 1435H (corresponding to 14 September 2014G).

The Company offers financing solutions through Tawarruq, Ijarah and Murabaha products for individuals and SMEs. As of the date of this Prospectus, the Company obtained all of the necessary licences from the Saudi Central Bank to provide its services in accordance with the Finance Companies Control Law. On 21 Thul-Qi'dah 1443H (corresponding to 20 June 2022G), the Company acquired eighty per cent. (80%) of the shares of Digital Payments Company for FinTech ("**Loop**" or "**Subsidiary**"), a major electronic money institution licenced by the Saudi Central Bank under Licence No. 41045238 issued on 03 Rajab 1441H (corresponding to 27 February 2020G) to provide payment services.

The Company provides financing through a network of 16 branches. In addition to its headquarters in Riyadh, it is located in 13 major and medium-sized cities in the Kingdom. The Company relies on various channels through the distribution network of its partners, in particular the Saudi Post and Riyad Bank, and through the SME Finance Portal of the General Authority for Small and Medium Enterprises (*Monsha'at*). The Company is also developing its digital channels to provide its financing solutions through the Company's website and its own smartphone app.

As of 30 June 2022G, the Company had 171 employees in the Kingdom, and its Subsidiary had 14 employees. As of the date of this Prospectus, neither the Company nor the Subsidiary owns any material assets outside the Kingdom.

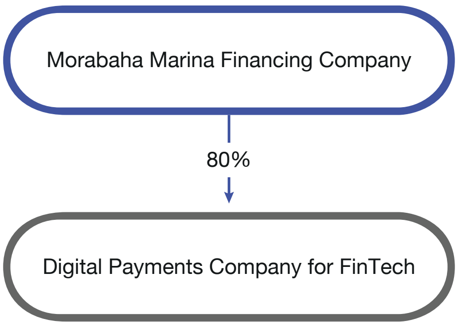
As of 31 December 2021G, the total assets of the Company amounted to SAR 1.0 billion, including net Islamic financing receivables of SAR 924.1 million. Shareholders' equity was SAR 365.9 million, including a capital of SAR 311.4 million and statutory reserves of SAR 17.3 million and a retained profit of SAR 37.3 million. The special commission income for the financial year ended 31 December 2021G was SAR 133.6 million, while the total comprehensive income for the year reached SAR 40.6 million and the basic and diluted profit per Share amounted to SAR 1.3.

As of 30 June 2022G, the Company's total assets were SAR 1.2 billion, including net Islamic financing receivables of SAR 1.0 billion. Shareholders' equity amounted to SAR 535.8 million. The special commission income for the six-month period ended 30 June 2022G was SAR 77.4 million, while the total comprehensive income for the period was SAR 26.4 million and the basic and diluted profit per Share amounted to SAR 0.55.

Ownership Structure

The Company directly owns eighty per cent. (80%) of the Subsidiary. The following chart illustrates the ownership structure of the Group as of the date of this Prospectus:

Exhibit 1: The Ownership Structure of the Group as of the Date of this Prospectus



Source: The Company.

The following table sets out the ownership structure of the Subsidiary, as well as the Company's shares in it as of the date of this Prospectus:

Table 4: Details of the Ownership Structure of the Subsidiary as of the Date of this Prospectus

Name of Subsidiary	Country of Incorporation	Direct Ownership (%)	Indirect Ownership (%)	Remaining Ownership
Digital Payments Company for FinTech	Kingdom of Saudi Arabia	80%	-	8% owned by Saad Abdulaziz Mohammed Al-Hoshan. 7% owned by Abdulaziz Mohammed Saleh AlHuwaerini. 5% owned by Talal Ibrahim Ali Al-Maiman.

Source: The Company.

As of the date of this Prospectus, the share capital of the Company is five hundred million Saudi Arabian Riyals (SAR 500,000,000), consisting of fifty million (50,000,000) ordinary Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share. The following table sets out the direct ownership structure of the Company pre- and post-Offering, reflecting also the New Shares post-Offering, as of the date of this Prospectus:

Table 5: Direct Ownership Structure of the Company Pre- and Post- Offering as of the Date of this Prospectus

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1)(2)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) (1)(2)	Overall Nominal Value (SAR)
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	5,231,809	10.46%	52,318,090	5,231,809	7.32%	52,318,090
Talal Ibrahim Ali Al-Maiman	5,223,943	10.45%	52,239,430	5,223,943	7.31%	52,239,430
Sultan Moazi Fhaid AlOsaimi	4,739,870	9.48%	47,398,700	4,739,870	6.64%	47,398,700
Mohammed Othman Al-Abdullah AlKasabi	2,581,786	5.16%	25,817,860	2,581,786	3.61%	25,817,860
Daoud Suleiman Ibrahim AlSabati	2,487,814	4.98%	24,878,140	2,487,814	3.48%	24,878,140
Rashid Rashid Saad Bin Owein	1,978,380	3.96%	19,783,800	1,978,380	2.77%	19,783,800
Treasury Shares	1,606,230	3.21%	16,062,300	1,606,230	2.25%	16,062,300
Kafou Commercial Investment Company	1,483,785	2.97%	14,837,850	1,483,785	2.08%	14,837,850
Abdullah Ahmed Abdullah Alfiddi	1,257,482	2.51%	12,574,820	1,257,482	1.76%	12,574,820
Salem Saeed Abdullah AlAyedh AlQahtani	1,236,488	2.47%	12,364,880	1,236,488	1.73%	12,364,880
Fahad Mohammed Saleh AlForayyan	1,023,574	2.05%	10,235,740	1,023,574	1.43%	10,235,740
Ibrahim Abdullah Issa Al-Ghumlas	977,730	1.96%	9,777,300	977,730	1.37%	9,777,300
Fhaid Moazi Fhaid AlOsaimi	865,541	1.73%	8,655,410	865,541	1.21%	8,655,410
Samir Mohamed Idris Mahmoud	839,179	1.68%	8,391,790	839,179	1.17%	8,391,790
Omar Mohammed Omar AlDhuwayyan	816,760	1.63%	8,167,600	816,760	1.14%	8,167,600
Saad Abdulaziz Mohammed Al-Hoshan	798,123	1.60%	7,981,230	798,123	1.11%	7,981,230
Majid Mubarak Said Bajowaiber	756,065	1.51%	7,560,650	756,065	1.06%	7,560,650
Rashid Mohammed Rashid AlSamil	746,119	1.49%	7,461,190	746,119	1.04%	7,461,190
Fahad Mohammed Saad Bin Qassim	725,907	1.45%	7,259,070	725,907	1.02%	7,259,070
Suleiman Abdulrahman Suleiman AlAmeer	617,487	1.23%	6,174,870	617,487	0.86%	6,174,870
Mohammed Abdulaziz Abdullah AlKhowaiter	593,003	1.19%	5,930,030	593,003	0.83%	5,930,030
Mohammed Abdulaziz Othman AlShabanah	546,441	1.09%	5,464,410	546,441	0.77%	5,464,410
Atiyah Mohammed Atiq AlAtwi	535,779	1.07%	5,357,790	535,779	0.75%	5,357,790
Naeem Abdulaziz Othman AlShabanah	529,362	1.06%	5,293,620	529,362	0.74%	5,293,620
Abdulrahman Sultan Abdulaziz AlSultan	525,360	1.05%	5,253,600	525,360	0.74%	5,253,600
Turki Maazi Fhaid AlOsaimi	494,595	0.99%	4,945,950	494,595	0.69%	4,945,950

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1)(2)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) (1)(2)	Overall Nominal Value (SAR)
Mnahi Saad Mnahi Alsaad AlQahtani	494,595	0.99%	4,945,950	494,595	0.69%	4,945,950
Othman Abdullah Abdulrahman AlNutheir	485,148	0.97%	4,851,480	485,148	0.68%	4,851,480
Hajref Maazi Fhaid AlOsaimi	483,938	0.97%	4,839,380	483,938	0.68%	4,839,380
Ahmed Abdulkarim Mohammed AlRasheed	480,066	0.96%	4,800,660	480,066	0.67%	4,800,660
Abdulaziz Mohammed Saleh AlHuwaerini	476,557	0.95%	4,765,570	476,557	0.67%	4,765,570
Mansour Zaid Ibrahim AlMahmoud	461,008	0.92%	4,610,080	461,008	0.65%	4,610,080
Tarek Burjes Abdulmohsen AlAbdulKarim	448,760	0.90%	4,487,600	448,760	0.63%	4,487,600
Abdulaziz Mohammed Abdulaziz AlRawwaf	357,743	0.72%	3,577,430	357,743	0.50%	3,577,430
Thamer Mohammad Hamad AlSalloum	348,982	0.70%	3,489,820	348,982	0.49%	3,489,820
Abdulrahman Mohammed Abdulmohsen Almotawwa	317,705	0.64%	3,177,050	317,705	0.44%	3,177,050
Hisham Samih Sultan AlHarithi	315,495	0.63%	3,154,950	315,495	0.44%	3,154,950
Huda Rashid Mohammed AlSaeed	314,532	0.63%	3,145,320	314,532	0.44%	3,145,320
Abeer Abdulaziz Abdullah AlKhoiter	271,502	0.54%	2,715,020	271,502	0.38%	2,715,020
Lama Abdulaziz Abdullah AlKhoiter	271,502	0.54%	2,715,020	271,502	0.38%	2,715,020
Khalid Mohammed Ali Al-Onaizan	250,437	0.50%	2,504,370	250,437	0.35%	2,504,370
Abdulrahman Abdullah Mohammed AlAmeer	247,298	0.49%	2,472,980	247,298	0.35%	2,472,980
Saud Fahad Abdulrahman AlMahmoud	231,735	0.46%	2,317,350	231,735	0.32%	2,317,350
Mohammed Abdullah Mohammed AlSmari	231,566	0.46%	2,315,660	231,566	0.32%	2,315,660
Naif Talal Ibrahim Al-Maiman	176,326	0.35%	1,763,260	176,326	0.25%	1,763,260
Abdullah Mohammed Abdullah AlAqeel	169,689	0.34%	1,696,890	169,689	0.24%	1,696,890
Assaf Abdullah Mohammed	165,566	0.33%	1,655,660	165,566	0.23%	1,655,660
Abdullah Saad Abdullah Bin Jawhar	161,064	0.32%	1,610,640	161,064	0.23%	1,610,640
Waleed Yousef Abdulrazzaq Al-Ghumlas	160,655	0.32%	1,606,550	160,655	0.23%	1,606,550
Yasser Abdullah Abdulaziz AlSalman	148,379	0.30%	1,483,790	148,379	0.21%	1,483,790
Mohammed Saad Mohammed AlMuhanna	148,379	0.30%	1,483,790	148,379	0.21%	1,483,790
Khalid Mohammed Fahad AlThuhaiban	146,416	0.29%	1,464,160	146,416	0.20%	1,464,160
Mansour Abdullah Fahad AlThunayan	137,433	0.27%	1,374,330	137,433	0.19%	1,374,330
Hind Abdullah Fahad AlThunayan	137,433	0.27%	1,374,330	137,433	0.19%	1,374,330
Laila Mohammed Abdullah AlDukhi	134,937	0.27%	1,349,370	134,937	0.19%	1,349,370
Mansour Suleiman Ibrahim AlMubrak	127,831	0.26%	1,278,310	127,831	0.18%	1,278,310
Mohammed Abdullah Ibrahim AlSayegh	120,486	0.24%	1,204,860	120,486	0.17%	1,204,860
Saleh Abdulaziz Mohammed AlHoushan	118,139	0.24%	1,181,390	118,139	0.17%	1,181,390
Turki Abdulaziz Mohammed Al-Hoshan	107,453	0.21%	1,074,530	107,453	0.15%	1,074,530
Areej Abdulaziz Abdullah AlKhoiter	101,814	0.20%	1,018,140	101,814	0.14%	1,018,140
Saad Mohammed Abdullah AlDukhi	100,025	0.20%	1,000,250	100,025	0.14%	1,000,250
Abdulatif Fouzan Fahad AlFahad	100,000	0.20%	1,000,000	100,000	0.13%	1,000,000
Mohammed Abdulaziz Mohammed AlHuwairini	95,311	0.19%	953,110	95,311	0.13%	953,110
Ibrahim Abdullah Mohammed Al Assaf	89,154	0.18%	891,540	89,154	0.12%	891,540
Abdulaziz Abdullah Mohammed Al Assaf	89,154	0.18%	891,540	89,154	0.12%	891,540
Aljoharah Abdullah Fahad AlThunayan	87,294	0.17%	872,940	87,294	0.12%	872,940

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) [1][2]	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) [1][2]	Overall Nominal Value (SAR)
Khalid Abdulrahman Abdullah Al-Muqrin	81,655	0.16%	816,550	81,655	0.11%	816,550
Abdulaziz Fahad Abdulaziz Al-Helwan	79,426	0.16%	794,260	79,426	0.11%	794,260
Yazeed Abdullatif AlShawair	79,426	0.16%	794,260	79,426	0.11%	794,260
Mohammed Abdulaziz Mohammed AlHoushan	77,952	0.16%	779,520	77,952	0.11%	779,520
Humoud Abdullah Fahad AlThunayan	71,218	0.14%	712,180	71,218	0.10%	712,180
Sheikha Ali Mohammed	64,653	0.13%	646,530	64,653	0.09%	646,530
Muneera Abdullah Fahad AlThunayan	61,218	0.12%	612,180	61,218	0.09%	612,180
Mohammed Abdullah Mohammed Al Assaf	61,175	0.12%	611,750	61,175	0.09%	611,750
Nadiah Mohammed Abdullah AlDukhi	60,000	0.12%	600,000	60,000	0.09%	600,000
Hanan Khaled Suleiman AlKhulaiwi	56,934	0.11%	569,340	56,934	0.08%	569,340
Muneera Abdullah Mohammed AlAssaf	49,846	0.12%	498,460	49,846	0.07%	498,460
Faisal Jameel Abdulsalam AlQadi	49,460	0.10%	494,600	49,460	0.07%	494,600
Fawzi Ibrahim Mohammed AlHussein	47,656	0.10%	476,560	47,656	0.07%	476,560
Ali Ibrahim Abdullah AlAjlan	46,000	0.09%	460,000	46,000	0.06%	460,000
Khalid Abdullah Mohammed Alhamdan	45,791	0.09%	457,910	45,791	0.06%	457,910
Mona Al-Hamidi Burgess AlMuammar	39,713	0.08%	397,130	39,713	0.06%	397,130
Mohammed Hamdan Hamdan Qureshi AlZahrani	39,713	0.08%	397,130	39,713	0.06%	397,130
Reem Fahad Abdullah Bin Baraka	32,585	0.07%	325,850	32,585	0.05%	325,850
Abdulrahman Naeem Abdulaziz AlShabanah	25,000	0.05%	250,000	25,000	0.03%	250,000
Abdulaziz Naeem Abdulaziz AlShabanah	25,000	0.05%	250,000	25,000	0.03%	250,000
Haila Abdullah Mohammed AlAssaf	24,923	0.05%	249,230	24,923	0.03%	249,230
Nasser Mohammed Sanad AlSanad	24,730	0.05%	247,300	24,730	0.03%	247,300
Mansour Suleiman Abdullah Bin Dakhil	24,730	0.05%	247,300	24,730	0.03%	247,300
Marwan Mohammed Abdulsalam AlQadi	24,197	0.05%	241,970	24,197	0.03%	241,970
Saud Sultan Abdulaziz AlSultan	23,763	0.05%	237,630	23,763	0.03%	237,630
Iman Abdulaziz Mohammed AlBahlal	19,396	0.04%	193,960	19,396	0.03%	193,960
Mohammed Sultan Abdulaziz AlSultan	19,396	0.04%	193,960	19,396	0.03%	193,960
Lamia Nasser Fahad AlBaker	18,000	0.04%	180,000	18,000	0.03%	180,000
One Vision Limited Company	17,253	0.03%	172,530	17,253	0.02%	172,530
Maram Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Saud Mohammed Abdulrahman AlDossari	15,885	0.03%	158,850	15,885	0.02%	158,850
Saleh Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Mai Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Abdullah Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Abdulrahman Abdulaziz Abdulrahman AlFayez	15,543	0.03%	155,430	15,543	0.02%	155,430
Mohammed Saad Ibrahim AlManae	14,900	0.03%	149,000	14,900	0.02%	149,000
Sheikha Mohammed Ahmed AlAqeel	10,000	0.02%	100,000	10,000	0.01%	100,000
Amal Abdulaziz Othman AlShabanah	10,000	0.02%	100,000	10,000	0.01%	100,000
Samar Abdulaziz Othman AlShabanah	10,000	0.02%	100,000	10,000	0.01%	100,000

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) [1][2]	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) [1][2]	Overall Nominal Value (SAR)
Faisal Ibrahim Nasser AlQahtani	9,326	0.02%	93,260	9,326	0.01%	93,260
Sara Abdulaziz Mohammed AlNasser	8,651	0.02%	86,510	8,651	0.01%	86,510
Saud Mohammed Saad AlAmmari	8,443	0.02%	84,430	8,443	0.01%	84,430
Zaid Mohammed Abdullah AlHazzani	7,784	0.02%	77,840	7,784	0.01%	77,840
Abdulaziz Ibrahim Nasser AlQahtani	5,000	0.01%	50,000	5,000	0.003%	50,000
Public	-	-	-	21,428,572	30%	214,285,720
Total	**50,000,000**	**100%**	**500,000,000**	**71,428,572**	**100%**	**714,285,720**

Source: The Company.

[1] The ownership percentages are rounded.

[2] As of the date of this Prospectus, none of the Company's current Shareholders have any indirect ownership in the Company.

Vision, Mission, and Strategy

Vision

The Company's vision is to be the best provider of financing services and digital financial solutions.

Mission

Keeping up with changes, developments and taking care of customer service to reach their aspirations with national competencies in the finance sector. To achieve reliable financing partnerships to drive development, support individuals in meeting their financial needs and empower institutions through innovative financing solutions and investment partnerships to reach their strategic goals.

Strategy

The Company has set key strategic objectives based on its strengths and market opportunities that align with its vision and mission. The Company's strategic objectives include strengthening its leadership position in the individual and SME sectors by developing a leading Shari'ah-compliant financing platform and becoming the partner of choice for its partners by providing flexible and innovative financing solutions. The Company seeks to add long-term value and make a positive social impact in line with the Saudi Vision 2030 by offering integrated solutions to its individual and SME customers as well as its creditors, shareholders, investors and other partners through a diverse network of partnerships. In addition to providing financing solutions on competitive terms by reducing the cost of financing, enhancing liquidity, maintaining the quality of its credit portfolio, financing promising sectors with high growth and enhancing digital distribution channels by investing in continuously improving its electronic systems and infrastructure.

Strengths and Competitive Advantages of the Company

The Company has developed competitive advantages and sustainable strengths that allow it to pursue opportunities in the market that are in line with its vision and mission. The following are the eight pillars of the Company's strengths and competitive advantages:

- **Strong track record in consumer and SME financing** - The Company has an established track record in the field of consumer finance and SME finance, with a unique and diversified credit portfolio consisting of individual and institutional clients. As of 30 June 2022G, Islamic financing receivables reached a total amount of SAR 1,044.4 million (before calculating the allowance for impairment losses), and the retail sector has reached SAR 518.6 million which accounts for 49.7 per cent. of the Islamic financing receivables, while the corporate sector, mainly micro, small and medium enterprises, accounted for 50.3 per cent. of the Company's credit portfolio amounting to SAR 525.8 million.
- **High quality portfolio with secured SME financing** - Islamic financing receivables from the SME Sector amounted to SAR 525.8 million as of 30 June 2022G and consisted of a high-quality secured credit portfolio. It should be noted that 56.8 per cent. of the SME financing receivables of SAR 298.6 million are secured by tangible collateral, including real estate or vehicles. An additional amount of SAR 161.8 million representing 30.8 per cent. of SME financing were secured by the Kafala programme, which was financed by the Saudi Central Bank at no cost under the Funding for Lending Programme. The remaining SME financing includes Islamic financing receivables secured by third-party guarantees which amounts to SAR 65.5 million.

- **A strong capital base and financing capacity providing greater room for growth** – The Company has a significant capital base that supports its organic growth. As of 30 June 2022G, the shareholders' equity in the Company amounted to SAR 535.8 million, consisting of share capital (net of treasury shares), statutory reserves, retained earnings and non-controlling interest, giving the Company a total financing capacity of SAR 1.6 billion based on the Saudi Central Bank's threshold ratio of 3.0x specified in the Implementing Regulations of the Finance Companies Control Law. The net Islamic financing receivables amounted to SAR 1.0 billion as of 30 June 2022G, representing a ratio of net Islamic financing receivables to shareholders' equity of 1.9x, providing the Company with an additional available financing capacity of approximately SAR 605.7 million without the need to raise additional capital.
- **Diversified source of funds and access to finance** – The Company has succeeded in growing organically through its funding and liquidity strategy, which provides it with strong access to financing through an ideal mix of bank borrowing, Sukuk and government financing. The Company relies on equity financing, debt financing and off-balance sheet financing. As of 30 June 2022G, the Company's total borrowings amounted to SAR 632.2 million, consisting of bank facilities worth SAR 322.7 million, Sukuk payable worth SAR 39.2 million and borrowings from Government entities worth SAR 270.3 million.
- **Strong partnership network** - The Company has developed strong relationships with banks, Government-related entities, capital market institutions and other suppliers. Banking relationships include Bank Albilad, Riyad Bank and Al Rajhi Bank. In addition, the Company has a proven track record of success with Government entities, such as the General Authority for Small and Medium Enterprises (Monsha'at), the Social Development Bank and Saudi Post.
- **Strong governance with highly qualified and experiemnced management** – As of the date of this Prospectus, the Company has 110 shareholders, of which only four shareholders own more than 5 per cent. of the share capital. Since its establishment, the Company had a diverse shareholder base and has been managed in accordance with the highest standards of corporate governance. The Shareholders' commitment to the growth of the Company's business is demonstrated by prioritizing the reinvestment of profits and capitalization over cash distributions, and by the shareholders' participation amountinmg to SAR 80.0 million in the financial year ended 31 December 2016G and SAR 144.6 million in the financial year ended 31 December 2022G. The Company's shareholder base is further supported by its Board of Directors, which has significant experience in Shari'ah banking, law and finance. The Board of Directors is comprised of a majority of non-executive members, including three independent members with a wide skillset and strong qualifications and expertise. In addition, the Board of Directors is supported by Board Committees consisting of qualified members with specialized expertise in financial services. The Board of Directors is complemented by a strong Executive Management team with extensive experience and market knowledge of the banking sector as well as an understanding of the business environment and regulatory framework of the Saudi Central Bank. Additionally, key executives such as the Executive Managing Director, the Vice Chief Financial Officer and Head of Risk, have been part of the Company since 2014G.
- **Strong profitability and resilient performance** - The Company is one of the fastest growing NBFIs in the Kingdom with a compound annual growth of net Islamic financing receivables reaching 25.1 per cent. As of 31 December 2019G, it increased from SAR 590.4 million to SAR 924.1 million as of 31 December 2021G. Total comprehensive income amounted to SAR 40.6 million for the financial year ended 31 December 2021G, representing a compound annual growth rate of 17.9 per cent. from SAR 29.1 million for the financial year ended 31 December 2019G. As of 30 June 2022G, Islamic financing receivables increased by 8.4 per cent. to SAR 1.0 billion compared to 31 December 2021G and comprehensive income for the six-month period ended 30 June 2022G increased by 36.2 per cent. to SAR 26.4 million compared to SAR 19.4 million for the six-month period ended 30 June 2021G.
- **The Saudi Central Bank licence to carry out the financing activities of the Company and provide payment services of the Subsidiary** - the Company is licenced by the Saudi Central Bank to provide leasing, small and medium enterprises (SME) and consumer finance and financing production assets pursuant to Saudi Central Bank licence No. 22/ASH/201410 dated 19 Thul-Qi'dah 1435H (corresponding to 14 September 2014G). In addition, the Subsidiary, Digital Payments Company for FinTech, obtained Central Bank Licence No. 41045238 dated 3 Rajab1441H (corresponding to 27 February 2020G) to provide payment services. The licences of the Company and the Subsidiary provide the opportunity to accelerate the digital transformation of the Company and enhance its list of services and solutions through unique and distinctive new products targeting the individuals and SME sectors, through integrated value-added financial solutions based on the collection of E-wallet and finance solutions, and providing financing solutions easily, securely and quickly.

Market Overview

The consumer and SME finance market in Saudi Arabia recorded double-digit growth between 2018G and 2020G, with total lending from non-real estate NBFIs increasing at a compound annual growth rate of 9.0 per cent. for individual financing and 23.6 per cent. for SME financing. Total lending by non-real estate NBFIs amounted to SAR 29.3 billion by the end of 2021G for individual financing and SAR 14.6 billion for SME financing. The growth was mainly attributed to various initiatives under the Saudi Vision 2030.

The Saudi Vision 2030 aims to diversify the economy by developing the non-oil sector. The development of the financial sector was one of the key focus areas and the Financial Sector Development Programme was launched in 2017G. It aims to create a diversified financial services sector which will support the national economy, expand sources of income and stimulate savings, finance and investments.

Key factors driving the financing sectors in the Kingdom include economic growth and favourable demographic dynamics, as well as various government initiatives aiming to diversify the Saudi economy and support the SME sector. The International Monetary Fund predicts nominal Saudi GDP to increase at a compound annual growth rate of 6.2 per cent. from 2020G to 2026G and expects the Saudi population to reach 39 million by 2026G, up from 35 million in 2020G. Additionally, around 69 per cent. of the Kingdom's population is below 39 years of age, a key demographic driving demand for consumer finance. The sector is also supported by an increase in labour force participation from 40.3 per cent. in the first quarter of 2017G to 49.8 per cent. as of the third quarter of 2021G, and a drop in unemployment from 12.7 per cent. to 11.3 per cent. over the period.

SMEs play a major role in developing the Kingdom's economy. According to the SME General Authority, SMEs accounted for 99.6 per cent. of private sector establishments in 2021G and employed more than 60 per cent. of private sector employees. Despite their significant contribution, SMEs still face significant challenges regarding access to finance. The total share of SME financing loans stood at 8.3 per cent. in 2020G, with the Government aiming to increase this percentage to 11 per cent. by 2025G and 20 per cent. by 2030G.

Several initiatives have been launched by the Government to support SMEs. These include the introduction of the *Kafalah* programme in 2004G and the establishment of the SME General Authority in 2016G, in addition to a number of other support programmes.

Demand for financing for individuals and SMEs is expected to increase, with NBFIs expected to capture a portion of the growth. Lending by NBFIs in the Kingdom is expected to increase at a compound annual growth rate of 5.4 per cent. for individual financing and 16.9 per cent. for SME financing from 2021G to 2025G.

Finance companies in the Kingdom are regulated by the Saudi Central Bank and can be broadly classified into real estate financing consumer financing, SME financing and other financing solutions. As of February 2022G, 40 NBFIs were licenced by the Saudi Central Bank, including 31 non-real estate NBFIs providing non-real estate financing to individuals and/or SMEs. These companies can be broadly classified into the following:

- **Bank Affiliated Companies:** NBFIs with significant ownership by banks or financial institutions and generally offering financing solutions that complement bank services and products.
- **Corporate Affiliated:** NBFIs with significant ownership by corporates, including vehicle agencies and /or retail groups and generally provide financing for products sold by their corporate affiliate.
- **Independent Companies:** NBFIs which are not affiliated with a bank or a corporate group and which provide a wide range of services targeting a variety of customers. Companies in this category are considered direct competitors to the Company.

As of 31 December 2021G, the Company's market share stood at 1.2 per cent. for individual financing and 3.2 per cent. for SME financing.

Going forward, the market will face some challenges with increased competition from bank affiliated entities and fintech players, as many companies registered a decrease in performance in 2020G and 2021G. As a result, significant opportunities exist for consolidation, partnerships and digitization. As a leading independent NBFIs with a high-quality credit portfolio, a strong track record in SME and individual financing and robust profitability, the Company, is well positioned to tap growth opportunities in the future. In this context, it acquired 80.0 per cent. of Loop, a major electronic money institution licenced by the Saudi Central Bank. Loop's main activity consist of financial services technology, electronic wallets, payment and financial settlement systems and related services.

SUMMARY OF FINANCIAL INFORMATION AND KEY PERFORMANCE INDICATORS

The Company's financial information set out below was derived from the audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and from the condensed consolidated unaudited interim financial statements for the six-month period ended 30 June 2022G. The Company's selected financial information and key performance indicators set out below should be read together with the information provided in Section 2 (*Risk Factors*) and Section 6 (*Management's Discussion and Analysis of Financial Position and Operating Results*) and the audited financial statements for the financial years ended 31 December 2019G, 2020G, and 2021G, as well as the condensed consolidated unaudited interim financial statements for the six-month period ended 30 June 2022G, as included in Section 19 (*Financial Statements and Auditors' Report*), as well as the financial information set out in any other part of this Prospectus.

Table 6: Summary of the Company's Financial Information for the Financial Years Ended 31 December 2019G, 2020G and 2021G, and the Six-month Period ended 30 June 2022G

Currency: SAR million	Financial Year Ended 31 December			Six-month Period Ended 30 June	
	2019G	2020G	2021G	2021G Unaudited	2022G Unaudited
Statement of Profit or Loss and Other Comprehensive Income					
Special commission income	108.3	105.6	133.6	60.8	77.4
Special commission allowance	(34.7)	(24.7)	(20.0)	(10.0)	(11.4)
Net income of special commissions	73.6	80.9	113.6	50.7	66.0
Other income	16.3	17.4	18.9	8.3	12.6
Total operating income	**89.9**	**98.3**	**132.4**	**59.1**	**78.6**
General and administrative expenses	(33.8)	(35.0)	(46.1)	(22.3)	(26.5)
Losses of a decrease in the value of Islamic financing debtors	(20.1)	(23.4)	(38.8)	(12.9)	(18.8)
Income before Zakat	**36.0**	**39.8**	**47.5**	**23.9**	**33.3**
Zakat	(6.6)	(5.9)	(6.6)	(4.5)	(6.9)
Net income year	**29.4**	**33.9**	**40.9**	**19.4**	**26.4**
Actuarial gains / (losses) from the remeasurement of staff members' specific benefit liabilities	(0.3)	0.1	(0.3)	-	-
Total comprehensive income / (loss)	**29.1**	**34.0**	**40.6**	**19.4**	**26.4**
Statement of financial position					
Total assets	**778.6**	**980.8**	**1.042.3**	**1042.3**	**1.222.4**
Total liabilities	487.2	655.4	676.4	676.4	686.6
Total shareholders' equity	291.3	325.3	365.9	365.9	535.8
Total shareholders' liabilities and equity	778.6	980.8	1.042.3	1042.3	1.222.4
Summary of statement of cash flows					
Net cash utilised in operating activities	(77.1)	(227.0)	(61.2)	(53.6)	(75.1)
Net cash utilised in investing activities	(1.8)	(2.8)	(1.3)	(0.2)	(7.9)
Net cash from financing activities	151.3	162.3	16.2	38.1	126.3
Cash increase / (decrease) and cash equivalents	72.4	(67.5)	(46.2)	(15.7)	43.3
Cash increase and cash equivalents at the beginning of the year / period	84.2	156.6	89.1	89.1	42.8
Cash and cash equivalents at the end of the year / period	**156.6**	**89.1**	**42.8**	**73.3**	**86.1**

Source: The audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and the condensed consolidated unaudited interim financial statements for the six-month period ended 30 June 2022G.

Table 7: The Group's Key Performance Indicators for the Financial Years Ended 31 December 2019G, 2020G and 2021G, and the Six-month Period Ended 30 June 2022G

	Display Unit	Year Ended 31 December			Six-month Period Ended 30 June
		2019G	2020G	2021G	2022G Unaudited
Net income / (Loss)	SAR million	29.1	34.0	40.6	26.4
Gross income margin (%)	%	68.0%	76.6%	85.0%	85.3%
Net profit margin (%)	%	26.9%	32.2%	30.3%	34.2%
Return on assets (%)	%	3.7%	3.5%	3.9%	2. 2%
Return on equity (%)	%	10.1%	10.4%	11.2%	4.9%
Net receivables of Islamic finance to loans	Once	1.3	1.3	1.4	1.6
Debt to equity	Once	1.6	1.9	1.8	1.2
Receivables for Islamic finance to equity	Once	2.0	2.4	2.5	1.9
Average borrowing rate	%	6.1%	3.6%	3.2%	3.3%
Average lending rate	%	21.0%	17.9%	16.5%	16.1%
Net profit margin difference	%	-	5.0%	(1.5%)	2.3%
Number of new financing contracts	#	10,552	9,336	8,014	4,441
New loan distributions	SAR million	375,5	548,9	504	306,1
Average amount of new financing	SAR '000	35,7	58,8	58,8	68,9

Source: The Group's information.

Indicators were calculated as follows: income margin (net special commissions income/special commissions income), net margin (gross global income/special commissions income), return on assets (gross global income/gross assets), return on shareholders' rights (gross comprehensive income/total shareholders' equity).

SUMMARY OF RISK FACTORS

Prior to making an investment decision with respect to the Offer Shares, prospective investors should carefully consider all of the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 (*Risk Factors*).

Risks Related to the Activities and Operations of the Company

- Risks Related to Credit Risk and Payment Default
- Risks Related to the Collection of Customers' Receivables
- Risks Related to the Enforcement of Collateral or Security Interest
- Risks Related to Unsecured Financing
- Risks Related to the Concentration of Financing Products Provided by the Company
- Risks Related to the Concentration of the Company's Business of Providing Financing Products in Individuals and SME Financing
- Risks Related to Material Concentrated Exposure to the Non-Bank Financing Industry and the Macroeconomic Environment in the Kingdom
- Risks Related to the Accuracy and Completeness of Information About Existing Customers and Applicants
- Risks Related to the Company's Financial Resources and Liquidity
- Risks Related to Working Capital
- Risks Related to Limited Lending Room Available as of 30 June 2022G
- Risks Related to the Fluctuation of Profit Rates and Financing Costs
- Risks Related to Leverage and Credit Ratings
- Risks Related to Financing
- Risks Related to Interpreting Shari'ah Principles
- Risks Related to Seasonal Factors on the Company's Revenues
- Risks Related to Challenges from Expansion into New Markets and Ancillary Businesses
- Risks Related to New Products
- Risks Related to the Company's Strategy and Its Failure to Successfully Implement Future Business Strategies
- Risks Related to the Acquisition and Integration of the Subsidiary
- Risks Related to Dependence on Third Parties, Suppliers, Service Providers and Strategic Partners
- Risks Related to Cybersecurity Attacks on Security and the Reliability of Technology Systems
- Risks Related to the Inability to Adequately Maintain the Confidentiality and Integrity of Customer and Employee Data
- Risks Related to the Financial Services Industry's Ongoing Improvements in Operational and Information Technology Infrastructure
- Risks Related to Risk Management Policies and Procedures
- Risks Related to the Outbreak of Infectious Diseases and Public Health Threats
- Risks Related to the Saudi Central Bank Support Programmes
- Risks Related to Reliance on Executive Management and Key Personnel
- Risks Related to Employee Misconduct and Errors
- Risks Related to Employing and Sponsoring Non-Saudi Employees
- Risks Related to Potential Zakat Liability and Tax
- Risks Related to the Change of the Applicable Accounting Policies
- Risks Related to the Use of Accounting Assumptions, Estimates and Judgments, and the Corresponding Errors
- Risks Related to the Conservative Opinion of the Subsidiary's Auditors
- Risks Related to the Accuracy of the Company's Impairment Allowance
- Risks Related to Related Party Transactions and Agreements
- Risks Related to the Engagement of Directors or Senior Executives in Businesses Competing with the Company's Business
- Risks Related to Newly Implemented Corporate Governance Rules
- Risks Related to the Failure by the Audit Committee, the Nomination and Remuneration Committee to Perform their Duties as Required
- Risks Related to the Lack of Experience in Managing a Listed Joint Stock Company

Risks Related to the Market, Industry, and Regulatory Environment

Risks Related to Offer Shares

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TABLES

EXHIBITS

1 DEFINITIONS AND ABBREVIATIONS

Admission	Admission of the Shares to full listing on the Exchange in accordance with the Listing Rules and, where context requires, an application to the Exchange for listing of securities.
Advisors	Advisors of the Company in relation to the Offering, whose names appear on pages (vii) and (viii) of this Prospectus.
Audit Committee	The Audit Committee of the Company.
Auditors	Ernst & Young Professional Services (Professional LLC), the external auditors of the Company.
Banking Committee	The Committee for Settlement of Banking Disputes.
Bidding Participation Application	The application submitted by the Participating Entities to the Bookrunners for participation in the book-building process, to be submitted no later than the last day of the book-building process period. This term includes, when applicable, the appended applications when the price range is changed.
Board of Directors or Board	The Board of Directors of the Company.
Book-Building Instructions	The Instructions for Book-Building Process and Allocation Method in Initial Public Offerings, issued pursuant to CMA Board Resolution No. 2-94-2016, dated 15 Shawwal 1437H (corresponding to 20 July 2016G), as amended by CMA Board Resolution No. 3-102-2019, dated 18 Muharram 1441H (corresponding to 17 September 2019G).
Bookrunner	Albilad Investment Company
Business Day	Any day (other than Fridays, Saturdays and official holidays) on which the Receiving Agents are open for business in the Kingdom.
Bylaws	The Bylaws of the Company, which are summarised in Section 12.16 (*Summary of Bylaws*).
Capital Market Institution	A Person authorised by the CMA to practice securities business.
Chairman	The Chairman of the Board of Directors.
Chief Financial Officer	The Chief Financial Officer of the Company.
CMA	The Capital Market Authority of the Kingdom.
CML	The Capital Market Law issued under Royal Decree M/30, dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), as amended.
Committees	The Audit Committee, the Shari'ah Committee, the Nomination and Remuneration Committee, the Risk and Credit Committee and the Executive Committee of the Company.
Companies Law	The Companies Law, issued under Royal Decree No. (M/3), dated 28 Muharram 1437H (corresponding to 10 November 2015G), as amended.
Company or Issuer	Morabaha Marina Financing Company.
Control	The ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (a) holding thirty per cent. (30%) or more of the voting rights in the Company; or (b) the right to appoint thirty per cent. (30%) or more of the administrative staff; and the word "controller" shall be construed accordingly.
Corporate Governance Regulations	The Corporate Governance Regulations, issued pursuant to CMA Board Resolution No. 8-16-2017, dated 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G), and amended pursuant to CMA Board Resolution No. 1-94-2022, dated 24 Muharram 1444H (corresponding to 22 August 2022G), as may be amended.
Directors (and each individually a Director)	The members of the Company's Board of Directors appointed by the General Assembly and whose names appear in Section 5 (*Organisational Structure and Corporate Governance*).
Debt Burden Ratio	The debt burden ratio by which the value of the financing that can be granted by finance companies and commercial banks to their individual customers is calculated, based on the per capital income available for debt repayment, based on the principles of responsible financing for individuals issued by the Saudi Central Bank.
Exchange or Tadawul	The Saudi Exchange (Tadawul).
Executive Committee	The Executive Committee of the Company.
Executive Management	The Senior Executives.
Extraordinary General Assembly	An Extraordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.

Financial Due Diligence Advisor	KPMG Professional Services.
Financial Institutions	Banks and financial services companies.
Financial Statements	The Company's financial statements for the financial years ended 31 December 2019G, 2020G and 2021G that were prepared in accordance with the IFRS, and the condensed consolidated interim financial statements for the six-month period ended 30 June 2022G that were prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" endorsed in the Kingdom, and were audited and reviewed by the Auditors in accordance with the audit report issued for them. Such statements are contained in Section 19 (*Financial Statements and Auditors' Report*).
financial year	The Company's financial year starting from 1 January to 31 December of each calendar year.
Finance Companies Control Law	Finance Companies Control Law issued under Royal Decree No. (M/51), dated 22 Sha'ban 1433H (corresponding to 12 July 2012G), as amended.
FinTech	The utilization of new technologies in financial services.
Foreign Investors	Non-GCC individuals living outside the Kingdom and non-GCC institutions incorporated outside the Kingdom who have the right to invest indirectly to acquire an economic benefit in the Offer Shares by entering into swap agreements with Capital Market Institutions to purchase shares listed on the Exchange.
G	The Gregorian calendar.
GASTAT	The General Authority for Statistics, a government agency in the Kingdom responsible for the implementation of statistical work, including conducting national surveys.
GCC	The Cooperation Council for the Arab States of the Gulf, consisting of the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.
GCC Corporate Investors	Any company with the majority of its share capital owned by GCC natural persons or governments and having the nationality of a GCC State according to the definition mentioned in the Resolution of the Supreme Council of GCC issued in the 15th session and approved by the Council of Ministers' Resolution No. 16 dated 20 Muharram 1418H (corresponding to 26 May 1997G), as well as GCC funds with the majority of its capital owned by GCC citizens or governments.
GCC Countries	The Gulf Cooperation Council countries.
GDP	Gross Domestic Product (the broadest quantitative measure of a nation's total economic activity, which represents the monetary value of all goods and services produced within a nation's geographical borders over a specified period of time).
GDP per Capita	A measure of average income per person in a country (it divides the GDP by the population).
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly of the Company's Shareholders.
GOSI	The General Organization of Social Insurance in the Kingdom.
Government	The Government of the Kingdom (and "Governmental" shall be interpreted accordingly).
Group	The Company and the Subsidiary.
H	The Hijri calendar.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards as endorsed in the Kingdom, and other standards and pronouncements issued by SOCPA.
Ijarah	An agreement whereby the Company, acting as a lessor, purchases or constructs an asset for lease according to the request and specifications of the customer (lessee), based on their promise to lease the asset for an agreed rent for a specific period. An *Ijarah* could end with the transfer of ownership of the leased asset to the lessee. Islamic financing receivables for Ijarah represent the net investment in leased assets for a specific period, which either approximates or covers a major portion of the estimated useful lives of these assets. The agreement includes a separate undertaking on the part of the Company to sell the leased assets to the lessee at the end of the lease.
Individual Investors	Individuals holding Saudi Arabian nationality, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have a bank account with a Receiving Agent and the right to open an investment account with a Capital Market Institution.
Investment Funds Regulations	The Investment Funds Regulations issued pursuant to CMA Board Resolution No. 1-219-2006, dated 3 Thul-Hijjah 1427H (corresponding to 24 December 2006G), based on the Capital Market Law promulgated by Royal Decree No. M/30, dated 02/06/1424H, as amended by CMA Board Resolution No. 2-22-2021 on 12 Rajab 1442H (corresponding to 24 February 2021G).
Investors	The Participating Parties and Individual Investors.
Financial Advisor	Albilad Investment Company.
Kingdom	Kingdom of Saudi Arabia.

Know Your Customer (KYC)	A process that helps commercial banks and NBFIs identify customers and their financial transactions. It includes making reasonable efforts to determine the true identity of the client holding the account, the source of the funds and the compatibility of the operations in the account relative to its business.
Labour Law	Saudi Arabian Labour Law issued under Royal Decree No. M/51, dated 23 Sha'ban 1426H (corresponding to 27 September 2005G), as amended.
Lead Manager	Albilad Investment Company
Legal Advisors	Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation.
Listing Rules	The Listing Rules approved by CMA Board Resolution No. 3-123-2017, dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G), as amended by CMA Board Resolution No. 1-19-2022 dated 12 Rajab 1443H (corresponding to 13 February 2022G).
Lock-up Period	The six-month period during which the Substantial Shareholders may not dispose of any of their Shares from the date on which trading of the Shares commences on the Exchange.
Main Market	The market in which the registered and offered shares are traded under Part IV of the Rules on the Offer of Securities and Continuing Obligations.
Executive Managing Director	The executive managing Director of the Company.
Market Consultant	Sutherland Global Services.
Market Study Report	The Market Study Report prepared exclusively for the Company by the Market Study Advisor in September 2022G.
MHRSD	The Saudi Arabian Ministry of Human Resources and Social Development.
MoC	The Saudi Arabian Ministry of Commerce.
MSMEs	Micro small and medium enterprises.
Murabaha	A contract whereby the Company sells a customer a commodity or an asset, which the Company has purchased and acquired based on the customer's promise to purchase such commodity or asset. The selling price is comprised of the cost plus an agreed profit margin
National Transformation Programme (NTP)	The programme developed to help realise the Saudi Vision 2030 and define the challenges that Government agencies in the economic and development sectors face.
NBFIs	Non-banking financial institutions.
Net Offering Proceeds	The Offering Proceeds net of expenses related to the Offering.
Nominal Value	SAR 10 per Share.
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company emanating from the Board of Directors.
Offer Price	Fourteen and Sixty Halalas Saudi Arabian Riyals (SAR 14.60) per Share.
Offer Shares	Twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Shares, representing thirty per cent. (30%) of the Company's share capital.
Offering	The initial public offering of twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) ordinary Shares with a value of ten Saudi Arabian Riyals (SAR 10) per Share, representing thirty per cent. (30%) of the Company's share capital, at an Offer Price of Fourteen and Sixty Halalas Saudi Arabian Riyals (SAR 14.60) per Share.
Offering Period	A period of 2 business days starting from 8/11/1444H (corresponding to 28/5/2023G), until the end of Offering on 9/11/1444H (corresponding to 29/5/2023G).
Offering Proceeds	The total value of the Shares subscribed for in the Offering.
Ordinary General Assembly	An Ordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Participating Entities	Entities involved in the book-building process from amongst the Participating Parties.

Participating Parties	In accordance with the Book-Building Instructions, the parties entitled to participate in the book-building process, as follows: (1) public and private funds that invest in securities listed on the Exchange, if permissible under the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Funds Regulations and the Book-Building Instructions; (2) Capital Market Institutions authorised by the CMA to trade in securities as principals, in compliance with the provisions of the Prudential Rules upon submission of a Subscription Application Form; (3) clients of a Capital Market Institution authorised by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; (4) legal persons allowed to open an investment account in the Kingdom, and an account with the Securities Depository Center, including foreign legal persons who are allowed to invest on the Exchange, in accordance with the Controls on Investment by Listed Companies in Exchange-Listed Securities set forth in CMA Circular No. 6/05158, dated 11 Sha'ban 1435H (corresponding to 9 June 2014G), issued pursuant to CMA Board Resolution No. 9-28-2014, dated 20 Rajab 1435H (corresponding to 19 May 2014G); (5) Governmental entities, any supranational authority recognised by the CMA, the Exchange, or any other stock exchange recognised by the CMA or the Securities Depository Center; (6) Government-owned companies, whether investing directly or through a portfolio manager; and (7) GCC companies, and GCC funds if permissible under the terms and conditions of such funds.
Person	A natural or a legal person under the laws of the Kingdom.
Prospectus	This document prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to CMA Board Resolution No. 1-40-2012, dated 17 Safar 1434H (corresponding to 30 December 2012G), as amended.
Public	Persons other than the following: (1) affiliates of the Issuer; (2) Substantial Shareholders of the Issuer; (3) Directors and Senior Executives of the Issuer; (4) Directors and Senior Executives of the Issuer's affiliates; (5) Directors and Senior Executives of the Issuer's Substantial Shareholders; (6) any relatives of the persons referred to in paragraphs (1), (2), (3), (4), or (5) above; (7) any company controlled by any person referred to in paragraphs (1), (2), (3), (4), (5) or (6) above; or (8) Persons acting in concert, with a collective shareholding of five per cent. (5%) or more of the class of shares to be listed.
QFI or Qualified Foreign Investor	A qualified foreign investor who is qualified in accordance with the QFI Rules to invest in listed securities. A qualification application must be submitted to a Capital Market Institution to evaluate and approve the application in accordance with the QFI Rules.
QFI Rules	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued pursuant to CMA Board Resolution No. 1-42-2015, dated 15 Rajab 1436H (corresponding to 4 May 2015G) and amended pursuant to CMA Board Resolution No. 3-65-2019, dated 14 Shawwal 1440H (corresponding to 17 June 2019G).
Receiving Agents	The Receiving Agents whose names appear on page (ix) of this Prospectus.
Related Party	It includes, in this Prospectus, the term "**Related Party**" or "**Related Parties**" in accordance with the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority issued by CMA Board Resolution No. 4-11-2004 dated 20 Sha'ban 1425H (corresponding to 4 October 2004G), as amended by CMA Board Resolution No. 5-5-2022 dated 2 Jumada al-Akhirah 1443H (corresponding to 5 January 2022G) as follows: (1) affiliates of the Issuer; (2) Substantial Shareholders of the Issuer; (3) Directors and Senior Executives of the Issuer; (4) Directors and Senior Executives of an affiliate of the Issuer; (5) Directors and Senior Executives of the Issuer's Substantial Shareholders; (6) any relatives of the persons described in paragraphs (1), (2), (3), (4), or (5) above; or (7) any company controlled by any person described in paragraphs (1), (2), (3), (4), (5) or (6).
Relatives	Husbands, wives and minor children. For the purposes of the Corporate Governance Regulations: (1) fathers, mothers, grandfathers and grandmothers (and their ancestors); (2) children and grandchildren and their descendants; (3) siblings, maternal and paternal half-siblings; and (4) husbands and wives.
Risk factors	A group of potential risks that should be understood and considered prior to making an investment decision in relation to the Offer Shares.
Risk and Credit Committee	The Risk and Credit Committee of the Company.

Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by CMA Board Resolution No. 3-123-2017 dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G) in accordance with the Capital Market Law promulgated by Royal Decree No. M/30 dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), and amended by CMA Board Resolution No. 1-94-2022 dated 24 Muharram 1444H (corresponding to 22 August 2022G).
SAR	The Saudi Arabian Riyal, which is the lawful currency of the Kingdom.
SAIBOR	The Saudi Arabian interbank offered rate.
Saudi Central Bank	The Saudi Central Bank.
Saudi Credit Bureau Company (SIMAH)	Saudi Credit Bureau Company (SIMAH) is a fiduciary entity responsible for providing commercial credit information services and consumer information in the Kingdom of Saudi Arabia.
Secretary	The Secretary of the Board of Directors.
Senior Executives	The members of the Executive Management whose names appear in Table 5.7 (*Details of Senior Executives*).
Shari'ah Committee	The Shari'ah Committee of the Company.
Shareholder	Any holder of Shares in the Company.
Shares	Ordinary shares of the Company, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share in the Company's capital issued from time to time.
SMEs	Small and medium-sized enterprises.
SOCPA	The Saudi Organization for Chartered and Professional Accountants.
Subscribers	The Participating Entities and Individual Investors participating in the Offering.
Subscription Application Form	The subscription application form to be used by Participating Entities and Individual Investors (as the case may be) to subscribe for the Offer Shares.
Subsidiary or Loop	Digital Payments Company for FinTech, the Subsidiary of the Company.
Substantial Shareholder	Each Shareholder who individually owns five per cent. (5%) or more of the Company's Shares.
Tawarruq	An agreement whereby the Company sells a commodity or an asset to a customer on a deferred payment basis. The Company's selling price is comprised of the cost plus an agreed profit margin. The customer sells the same commodity or asset to a third party at market price to obtain the required financing amount.
Underwriter	Albilad Investment Company.
Underwriting Agreement	The Underwriting Agreement entered into between the Company and the Underwriter in connection with the Offering.
Value Added Tax (VAT)	The Council of Ministers of the Kingdom resolved on 2 Jumada Al-Awwal 1438H (corresponding to 30 January 2017G) to approve the Unified GCC Value Added Tax Agreement, which came into effect on 14 Rabi' al-Thani 1439H (corresponding to 1 January 2018G), as a new tax to be added to the system of taxes and other duties to be applied by specific sectors in the Kingdom and in the other GCC Countries. The amount of this tax was initially five per cent. (5%), and a number of products (such as basic food, and health care and education services) are exempted from such tax. As of 1 July 2020G, VAT was further increased to fifteen per cent. (15%) by the Ministry of Finance of the Kingdom.
ZATCA	The Zakat, Tax and Customs Authority in the Kingdom.

2 RISK FACTORS

Prior to making an investment decision with respect to the Offer Shares, all prospective investors should carefully consider the following risk factors and the other information contained in this Prospectus. The risks and uncertainties described below are those that the Company currently believes could affect the Company and any investment in the Offer Shares. However, they do not necessarily comprise all risks affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Company is currently not aware of or that it currently believes are immaterial. The occurrence of any such risks and uncertainties could materially and adversely affect the Company's business, financial position, results of operations and/or prospects. As a result, the price of the Company's Shares could decline, the Company's ability to pay dividends could be impaired and/or investors may lose all or part of their investments.

The Company's Directors also confirm that, to the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus than those mentioned in this Section that may affect investors' decisions to invest in the Offer Shares. All prospective investors willing to subscribe to the Offer Shares should assess the risks related to the Offer Shares and the Offering in general, and the economic and regulatory environment in which the Company operates.

An investment in the Offer Shares is only suitable for investors who are able to evaluate the risks and benefits of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser duly licenced by the CMA for advice about investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority that could reflect their expected impact on the Company.

2.1 Risks Related to the Activities and Operations of the Company

2.1.1 Risks Related to Credit Risk and Payment Default

The Company is exposed to the risk of payment default by its customers as well as the Company's inability to successfully enforce any collateral or other security interest it may have to guarantee the payment of its financing and collect its dues. The Company is exposed to losses if customers who obtained loans fail to make timely payments. The Company's performance, revenues and profits depend on the solvency of its customers (consisting mainly of individual customers and SME customers) as well as the stability of their credit position.

Any payment defaults from the Company's customers may be the result of a number of factors affecting the financial condition of the Company's customers, including, but not limited to, loss of a major contractual relationship, a drop in profit margins or liquidity or bankruptcy with respect to SME customers and the loss of all or some sources of income, changes in incentives and allowances, or reductions of salaries and benefits with regards to individual customers.

In addition, any negative developments in the economy of the Kingdom generally, and most importantly, increases in financing costs, increases in unemployment or a substantial reduction in salaries of employees in the public sector, may cause higher delinquency rates resulting in increased financing losses, which could have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The customers' ability to perform their obligations under the contracts, including their ability to pay the Company or fulfil any indemnity obligations may also be impacted by economic or industry downturns or other adverse conditions (including the recent COVID-19 pandemic) in the financial services industry, in addition to its customers' respective industries. Any failure to make payments when due could have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The Company provides financing to SMEs and individual customers based on specific criteria, and conducts eligibility checks, debt burden analyses and credit using SIMAH ratings, credit scoring, application score cards, collateral checks and various in-house analysis prior to approval. In addition, and as per the Saudi Central Bank requirements, the Company periodically evaluates the customers' credit standing.

There can be no assurance that the Company's monitoring and risk management procedures will allow the Company to accurately assess the credit standing of its customers and set aside sufficient provisions to cover actual losses from defaults.

Moreover, for *Tawarruq* products, which consist of cash financing, the Company does not monitor the actual use of the financing amount once it is disbursed, which may limit the Company's ability to accurately rate its financing portfolio and its ability to take the required actions in a timely manner in the event of a deterioration in the credit status of its customers which would increase the likelihood of default. This would have a negative and material impact on the Company's business, financial position, operations' results and future expectations.

Any increase in defaults would result in an increase of nonperforming loans which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.2 Risks Related to the Collection of Customers' Receivables

The Company's revenue is dependent on the ability of its customers to repay the due amounts, as well as the ongoing stability of their credit status and the securities granted to the Company based on which it may collect its dues by enforcing such securities. In the event that the Company's customers default on payment or become bankrupt, this will affect their ability to repay their dues to the Company. In addition, the enforcement of the rights stipulated in the financing contracts entered into with customers by the Company may require incurring significant cost and time. As a result, the cost, time and resources utilized by the Company for the purpose of collecting debt, including, for example, initiating legal proceedings or hiring third party advisors, would impact its total revenues, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The management classifies Islamic financing receivables that are either not yet due or otherwise past due but for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing". Non-performing loans amounted to SAR 82.0 million, SAR 63.0 million, SAR 104.0 million and SAR 100.0 million, representing 13.4 per cent., 7.7 per cent., 10.8 per cent. and 9.6 per cent. of the total loan receivables as of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G, respectively. The decline in non-performing loans between 31 December 2019G and 31 December 2020G, has been attributed to the decline in SME non-performing loans resulting from the transfer of non-performing loans in the amount of SAR 66.6 million to repossessed assets. The Company would also have to resort to courts and incur additional costs to collect non-performing receivables (which are more than 90 days past due) (for further details about the collection cases initiated by the Company, see Section 12.15.1 (*Collection Cases Initiated by the Company*).

The Company's provisions against non-performing loans amounted to SAR 22.8 million, SAR 27.9 million, SAR 43.6 million and SAR 42.6 million as of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G, respectively (for further information about the Company's non-performing loans and aged receivables, see Section 6 (*Management's Discussion and Analysis of Financial Condition and Results of Operations*)).

2.1.3 Risks Related to the Enforcement of Collateral or Security Interest

As per the Company's credit policy and in line with the Saudi Central Bank regulations, SME financing, as well as individual financing amounting to SAR 0.1 million and above require third party guarantees or tangible pledges or collaterals. As of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G, SAR 240.0 million, SAR 389.0 million, SAR 508.0 million and SAR 526.0 million, representing 100.0 per cent., 100.0 per cent., 100.0 per cent. and 100.0 per cent., respectively, of the total SME financing receivables were secured by tangible collateral, Kafalah guarantees or personal guarantees, whereas SAR 30.3 million, SAR 21.7 million, SAR 24.3 million and SAR 66.0 million, representing 8.1 per cent., 5.0 per cent., 5.3 per cent. and 12.7 per cent., respectively, of the total financing for individual customers were secured by third party guarantees and promissory notes or tangible collaterals. In the event of non-payment, the Company may not be able to recover the full value of its secured exposure or enforce any security interest, collateral or other credit enhancements. Legal proceedings and the adequate preparation of legal files and documents would not prevent the Company from being exposed to enforcement risks, which are due to external factors and do not specifically apply to the Company.

Any assets provided as collateral may decrease in value due to various factors, such as depreciation and adverse conditions to the Kingdom's economy and the non-banking financing market within the Kingdom. To minimise the adverse effects resulting from a depreciation in the pledged assets' value as a security, the Company generally requires the pledged assets to cover 150.0 per cent. to 200.0 per cent. of the financing amount, whereby the Company re-evaluates the value of such assets by certified accountants on an annual basis. Nevertheless, the Company may still be exposed to potential losses due to a decline in the value of the assets provided as collateral in favour of the Company, or due to delays in the enforcement of such security upon the borrower's default, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

In addition, in the event of payment defaults, the Company may not be able to recover the full value of its secured exposure for reasons that are beyond its control, including future changes in requirements for submitting security documents and claims (which are provided by individual customers as security to the Company) to courts and other reasons such as the Company's delay in submitting promissory notes resulting in the expiry of their term. The Company's inability to enforce a security interest or repossess collateral may be due to external causes that are beyond the Company's control, such as future changes in the legal proceedings related to the enforcement of a security interest (provided by customers in connection with facilities granted to them by the Company) before the courts, or due to the Company's delay in submitting such promissory note before the expiry of its validity.

The Company has acquired real estate assets as a result of enforcing security it had obtained from SMEs. The Company has such assets valued by an external valuer according to their fair value on an annual basis. For example, the Company repossessed collateral, namely real estate, from a defaulting customer in the financial year ended 31 December 2019G, at a price of SAR 11.3 million on 60-month instalments. The value of instalments declined by SAR 0.6 million and SAR 0.2 during the financial years ended 31 December 2020G and 2021G, respectively, mainly due to the amortization of property sale instalments. Any significant decrease in the fair value of such assets or the Company's adoption of a different valuation methodology of assets which could result in a decrease in the value of such assets, would have a negative impact on the Company's business, financial position, results of operations and/or prospects.

2.1.4 Risks Related to Unsecured Financing

The Company requires third party guarantees or tangible pledges or collateral to provide financing to SMEs and individuals for amounts of SAR 0.1 million and above. No third-party guarantee or collateral is required for individuals if the financing amount granted to them is less than SAR 0.1 million.

As of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G, SAR 343.0 million, SAR 411.0 million, SAR 436.0 million and SAR 452.0 million, representing 56.0 per cent., 50.0 per cent., 45.0 per cent. and 43.0 per cent., respectively, of financings provided by the Company to its individual customers was unsecured. There was no unsecured SME exposure during such period.

The Company may not be able to recover its unsecured financing through its standard recovery proceedings and it remains exposed to risks of potential defaults and the inability to enforce any promissory notes which would result in an increase of non-performing loans. The Company's inability to enforce the promissory notes, or any changes in the regulatory framework available for enforcement such as, suspending customer's services or travel, and other enforcement measures would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.5 Risks Related to the Concentration of Financing Products Provided by the Company

The Company primarily offers three types of financing products, namely *Tawarruq*, *Ijarah* and *Murabaha*. During the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G, Tawarruq accounted for about 96.1 per cent., 98.3 per cent., 95.4 per cent. and 96.0 per cent., respectively, of the Company's financing portfolio. Such concentration is due to the fact that the Company's customers generally prefer *Tawarruq* products due to the general ease of execution of the underlying transactions therein, whereby the Company is only required to transfer cash to the customer's account, compared to *Ijarah* and *Murabaha* products, where the Company must initially purchase certain assets or products and rent/deliver, as applicable, the same to the customer, rather than directly delivering and depositing cash.

Consequently, should *Tawarruq* products become unavailable for any reason, or if customer preference shifts towards other financing products or different financing solutions, it would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.6 Risks Related to the Concentration of the Company's Business of Providing Financing Products in Individuals and SME Financing

The Company's business focuses on providing credit products principally to individuals, and SMEs. individual customers represented 60.9 per cent. (SAR 373.2 million), 52.7 per cent. (SAR 432.8 million), 47.5 per cent. (SAR 459.8 million) and 49.0 per cent. (SAR 518.6 million) of the total financing receivables for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G, respectively, whereas SME customers represented 39.1 per cent. (SAR 240.1 million), 47.3 per cent. (SAR 388.7 million), 52.5 per cent. (SAR 507.9 million) and 50.4 per cent. (SAR 525.8 million) of the total financing receivables for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G for the same periods, respectively. The demand for or profitability of the credit products the Company offers may be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences or financial conditions, regulatory restrictions which, among other things, affect the pricing of, and/or decrease customer access to, or demand for particular products or the availability of competing products. A significant reduction in the demand for, or the profitability of such products would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

In addition, the ability of borrowers in those two product segments to meet their payment obligations is relatively low compared to that of larger corporate borrowers, which exposes the Company to the higher credit risk of its customers. This could result in significant write-offs of financing receivables and an increase in provisioning for bad or doubtful debts, which would negatively affect the Company's financing covenants with its lenders, (for further details, see Section 12.7 (*Financing Agreements*)), limit the Company's ability to obtain additional funding and meet its obligations, which would have a material adverse effect on the Company's business, results of operations and financial condition.

Furthermore, individuals working in the public sector accounted for 95.3 per cent., 95.0 per cent., 94.2 per cent. and 94.2 per cent. of the Company's consumer loan portfolio, as of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G, respectively. The concentration of the Company's consumer loan customers in public sector employees exposes it to any Government action affecting the ability of its employees to meet their financial obligations, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.7 Risks Related to Material Concentrated Exposure to the Non-Bank Financing Industry and the Macroeconomic Environment in the Kingdom

In accordance with the licences granted to the Company by the Saudi Central Bank, the Company's operations are concentrated entirely in one industry and one country. Its non-bank financing activities are based entirely in the Kingdom and are regulated by the Financing Companies Law with its revenues derived entirely from customers based in the Kingdom. Accordingly, the risk of investing in the Company would be greater than investing in an entity that owns or operates a range of businesses in a range of sectors and geographies. In the event of a disruption to financing markets in the Kingdom or the general economic conditions in the Kingdom or macroeconomic conditions, this risk would cause the Company to experience a deterioration in earnings and reduced business activity, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The Company may face fluctuations in the number of financing applications it receives from potential customers and it may change its credit policy from time to time according to the prevailing economic conditions, which would affect the rate of financing applications approved out of the total number of applications in addition to the value of financing granted to clients, which in turn would have a direct impact on the Company's revenues and financing rates. The Company faced a decline in the number of its financing applications and booking rate, whereby the number of financing applications amounted to 22,522, 21,744, 20,744 and 12,898 in the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G, respectively. The booking rate in connection with the financing applications also witnessed a decline, as it amounted to 44.7 per cent., 42.7 per cent., 40.2 per cent. and 35.0 per cent. for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G, respectively, due to management's decision to implement a tighter credit policy prior to the issuance of loans in order to reduce the risk of default during the COVID-19 period. If the Company decides to adopt more conservative application processes or more stringent credit policies, this will have a material adverse effect on its business, financial position, results of operations and/or prospects.

2.1.8 Risks Related to the Accuracy and Completeness of Information About Existing Customers and Applicants

The credit history of the Company's customers is relatively limited and the Company's business depends on the accuracy and completeness of customer information regarding certain key elements such as credit assessment and risk management. In deciding whether to approve loans or to enter into contractual agreements with existing customers or applicants, the Company must rely on information and documentation furnished to it by existing customers or applicants and service providers (for example, SIMAH, Bayan Credit Bureau (Bayan) or other external rating and evaluation parties), including financial information and credit scores.

The Company is required to adopt Know Your Customer (KYC) policies and procedures in compliance with the Anti-Money Laundering and Anti-Terrorism Regulations applied by the competent authorities such as the Saudi Central Bank. The KYC procedures are initiated by the customer's completion and submission of an application to the Company before granting a facility. Failure to properly implement KYC procedures will result in the Company's non-compliance with the Saudi Central Bank's requirements under the anti-money laundering and anti-terrorism regulations, which may expose it to penalties or fines from the Saudi Central Bank, which may in turn have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The Company also has anti-money laundering and anti-terrorist financing systems in place, in order to identify potential risks and classify clients accordingly. The Company may also rely on the representations of existing customers and applicants, or agents as to the accuracy and completeness of that information and/or documentation. If any of the information and/or documentation collected from a customer is inaccurate (whether intentionally or otherwise) and such inaccuracy is not detected prior to the Company's disbursement or approval of the loans, the Company will generally bear the risk of loss associated with the inaccuracy of such information. The Company's controls and processes that are imposed for these purposes may not detect all inaccurate information and/or documentation provided by or on behalf of its existing customers and applicants. Any such inaccurate information and/or documentation could have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

Any failure in the Company's systems and auditing systems, which may arise for many reasons, including but not limited to, system and equipment malfunctions, natural disasters, external system failures, prolonged power outages, computer viruses and other external cyber-attacks, would pose a threat to the Company's information and its customers and the continuity of its activities during periods of outage to the electronic network at risk. The Company collects, transfers and processes customer data in the course of its normal course of business through information systems. The information that the Company or other parties that the Company contracts with for its services includes customer data, identity card numbers, dates of birth, and others. Some of this data is private and may be targeted by attacks from external parties, such as individual criminals and organized criminal groups, which may have a material adverse effect on the Company's business, financial position, results of operations and/or prospects (for further information, see Section 4.8.8 (*Information Technology Department*)).

2.1.9 Risks Related to the Company's Financial Resources and Liquidity

The Company is exposed to liquidity risks due to: (i) not having sufficient financial resources available to meet its payment obligations as they become due; or (ii) an increase in the cost of liquidity required. Such risks are associated with funding operations and could materialize when cash outflows to customers (financing receivable originations) are not aligned with cash inflows from customers (instalment payments and balance repayments) or when the Company relies on a particular source of financing (such as short-term or long-term) or other adverse market conditions. Such a decrease in liquidity would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects. The Company's financing receivables to shareholders' equity ratio (calculated as net receivables over equity) was 2.0x, 2.44x, 2.5x and 1.8x, whereas the ratio of financing to the shareholders' equity was 1.6x, 1.94x, 1.77x and 1.15x, as of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G, respectively (see Section 6.5 (*Key Performance Indicators (KPIs) and Non-IFRS Financial Indicators*)).

The Company faces potential liquidity risks because its assets and liabilities mature over different periods. It ensures that the maturity periods of its financing portfolio is four years with its liabilities to financial institutions, whereby the average maturity of its financing portfolio is four years. In the event of a change in the average maturity of the Company's assets or liabilities, the Company might face potential liquidity risks due to the lack of alignment between both maturity periods.

The Company's growth requirements may be adversely impacted due to its inability to obtain additional credit facilities or renew existing credit facilities in a timely and cost-effective manner. This may in turn adversely affect the Company's operations and its profitability, as well as its ability to expand its activities according to its strategy by forming a larger customer base, increasing its market share, launching competitive products and working on the application of financial technology; these requirements may also be adversely impacted due to the Company's inability to obtain additional credit facilities or renew its existing credit facilities in a timely and cost-effective manner, which in turn may adversely affect the Company's operations and its profitability. Early settlements of loans by customers will also lead to asset liability mismatches which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The Company can be impacted by the risk of deterioration of the financial situation of other commercial institutions, companies and banks. In the financial services sector, if a financial institution faces challenges, this may have an effect on other institutions in the industry as well. In addition, concerns about the stability or standing of a financial institution may expose other financial institutions to significant liquidity issues, losses or difficulties, as the financial and commercial stability of several institutions may be closely linked to other institutions in the industry as a result of credit, trading, offsetting or other relationships. A market perception of the lack of creditworthiness or questions about certain counterparts could lead to liquidity problems at the market level, which would adversely affect financial institutions with which the Company deals on a daily basis. Higher risks would have an adverse impact on the Company's ability to obtain funding, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The Company cannot ensure that it will be able to raise additional financing on acceptable terms, in a timely manner, or at all. The Company's failure to renew financing arrangements for existing funding or to obtain additional financing on acceptable terms and in a timely manner could adversely impact its ability to meet its obligations, which would in turn have a material adverse effect on the Company's business, financial position, results of operations and/or prospects (for further information about financing agreements, see Section 12.7 (*Financing Agreements*).

2.1.10 Risks Related to Working Capital

The Company has working capital management strategies that focus on maintaining an effective balance of both current assets (maturing within one year or less) and current liabilities (maturing within one year or less) on a maturity basis, in accordance with a ratio that limits risks related to working capital based on historical trends. These strategies aim to maintain an adequate cash flow to meet the Company's short-term debt and pay for its operating costs.

The Company's reliance on loans from commercial banks and government entities, as well as Sukuk issuances, to finance its working capital involves risks in finding favourable credit terms. If the economic situation becomes less favourable, the Company may have to accept stricter credit conditions or may be unable to utilize financing facilities. Moreover, a decline in the value of guarantees given through the Company's financing portfolio would negatively impact the Company's credit worthiness and impede its ability to obtain additional financing, which would have a material adverse effect on its business, financial position, results of operations and/or prospects.

2.1.11 Risks Related to Limited Lending Room Available as of 30 June 2022G

The Company's lending portfolio stood at 1.9 times its equity as of 30 June 2022G, with only 1.8 times its equity (SAR 552.0 million) available for further growth. According to the Implementing Regulation of the Finance Companies Control Law, the aggregate amount of finance offered by an NBFIs may not exceed threefold the capital and reserves of a company engaging in finance activities (other than real estate financing), except upon obtaining a no objection letter from the Saudi Central Bank. However, the Saudi Central Bank may raise the maximum limit of the aggregate amount of finance offered by an NBFIs to fivefold the capital and reserves of a company engaging in other finance activities (other than real estate financing), taking into account the financial position of the NBFI, its performance and market conditions. If the Company needs a non-objection letter, there is no guarantee that the Saudi Central Bank will provide it, which would limit the future growth of the Company and have a material adverse effect on its business, financial position, results of operations and/or prospects.

2.1.12 Risks Related to the Fluctuation of Profit Rates and Financing Costs

The Company's activities depend on obtaining financing from commercial banks and Government entities, as well as Sukuk issuances in order to finance the origination of new financing receivables extended to individuals and SMEs at a fixed profit rate. Profit rates on such financing mainly depend on the availability of liquidity and profit rates based on SAIBOR. The Company's existing income-generating assets consist of the financing portfolio, which represents financing extended to individuals and SMEs at a fixed profit rate. The Company partially finances its receivables portfolio through different borrowings obtained on varying terms, including fixed and floating rate facilities. Any increase in the reference rate underlying its current floating rate facilities would increase its finance charges and reduce its cash flows. Additionally, any increase in reference rates in the Kingdom such as SAIBOR would lead to a higher cost of funds for any future financing which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

As a result, the Company is exposed to pricing and maturity mismatches between its income generating assets and its borrowings. Interest rates are highly sensitive to many factors, including Governmental, monetary and tax policies, international domestic economic and political conditions, and other factors beyond the Company's control. For example, in response to the current inflationary environment, central banks in certain jurisdictions, including Saudi Arabia, have increased interest rates. On 16 March 2022G, 4 May 2022G, 15 June 2022G, 27 July 2022G, 21 September 2022G, 2 November 2022G and 14 December 2022G, the Saudi Central Bank decided to increase interest rates by 0.25 per cent., 0.5 per cent., 0.5 per cent., 0.75 per cent., 0.75 per cent. and 0.5 per cent., respectively. Central banks, including the Saudi Central Bank, may continue revising interest rates in the coming periods in light of the economic environment, further impacting the cost of financing.

There is no guarantee that the Company will be able to maintain its profitability by increasing the profit rates paid by its customers in order to compensate for any increase in the cost of financing it pays on its liabilities. In fact, any increase in financing costs may prevent the Company from maintaining profitability across all product lines, as it may not be able to pass such increase in pricing on to its customers, which would result in a shrinking of the Company's profit margins on credit products. Increasing financing costs would also make credit products in general less attractive to existing customers and applicants. On the other hand, the Company may not be able to take advantage of declining profit rates in the future, as it will lead to a lower profit margin. For more details on the impact of finance costs on the Company's profit margin and the Company's historical performance in relation to the gross profit margin and net profit margin, see Section 6 (*Management's Discussion and Analysis of Financial Condition and Results of Operations*). The Company may elect to hedge interest rate exposure from time to time, but such hedging may be costly and may not fully insulate it against increases in interest rates. As a Shari'ah-compliant institution, there is no assurance that the Company will be able to hedge any interest rate exposure. Therefore, any increase in interest rates and related financing costs may lead to reductions in the Company's profitability and cash flow, which would have a material adverse effect on its business, financial position, results of operations and/or prospects.

2.1.13 Risks Related to Leverage and Credit Ratings

The Company finances its business through obtaining financing from commercial banks and government entities, as well as Sukuk issuances. If the Company's gearing ratio increases, it may be unable to meet its obligations in times of financial crisis, which will adversely affect its business, financial position, results of operations, and prospects.

Overleverage also represents a risk to the Company's overall financial position and solvency, as recorded losses could result in an increase in the Company's liabilities compared to its assets, which would have an adverse impact on its financial position, thereby increasing the cost of financing from banks which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The Company is currently not rated by any credit rating agency. However, if the Company decides to obtain a credit rating or is required to do so due to new regulatory requirements, such rating may vary from time to time, due to a number of factors that influence the Company's credit standing and which may be beyond its control. The Company's credit ratings would affect the terms on which it can obtain financing, such as the profit rates, tenor, and other financing terms. Any deterioration in the Company's credit ratings given by a rating agency (if such rating is obtained) could result in increased financing costs and may limit the Company's access to finance or impact the Company's liquidity, which would limit its ability to conduct certain business activities and would also affect its profit margins, business, results of operations, cash flows and financial condition.

2.1.14 Risks Related to Financing

The Company relies on financing from commercial banks and Government entities, as well as Sukuk issuances to fund its operations. Its total borrowings amounted to SAR 467.0 million, SAR 631.2 million, SAR 649.3 million and SAR 632.2 million, corresponding to the debt-to-equity ratio of 1.6x, 1.94x, 1.77x and 1.18x. as of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G, respectively. The Company had no obligations under letters of credit or guarantees as of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G. For further details, see Section 6 (*Management's Discussion and Analysis of Financial Condition and Results of Operations*).

Certain of the Company's existing financing arrangements contain covenants that impose operating and financial restrictions on it. Such restrictions include: (i) the requirement to maintain certain current, maximum leverage ratios; (ii) restrictions on changes of control of the Company; and (iii) limitations on incurring further indebtedness. Such restrictions may affect the Company's flexibility in planning for, and reacting to, changes in its business or economic conditions and otherwise prohibit or limit its ability to undertake certain business activities without the consent of its lenders. For further details on the Company's financing agreements, see Section 12.7 (*Financing Agreements*). The Company's ability to comply with such covenants and restrictions may be affected by events beyond its control, and there is no guarantee that it would be able to obtain the lenders' consent to waive or amend covenants that are necessary or beneficial for the Company's business, which may have an impact on the Company's performance. Any request for waivers or amendments could result in increased costs to the Company, or lead lenders to modify the terms of the existing financing arrangements or impose additional operating and financial restrictions. If the Company is unable to comply with any of the covenants in its current or future financing arrangements and/or obtain a waiver or amendment, a default could occur under the terms of such agreements and could lead to the acceleration or enforcement of the repayment of such financing arrangements. In such circumstances, there can be no assurance that the Company would be able to access sufficient alternative funding to meet all such repayments. The Company's reliance on financing facilities to finance its business constitutes a risk in itself due to the possibility of their termination for violations of any of their conditions or the expiration of their respective terms, without the same being renewed. The occurrence of any of the above events would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

For its business expansion, the Company also relies, among other things, on its ability to secure additional financing. Its ability to obtain adequate external financing or refinance its existing facilities depends on several factors, including its financial performance and results of operations, as well as other factors beyond its control, such as macroeconomic conditions, financial market conditions, international interest rates, the availability of financing from banks or other financiers, investor confidence in the Company and economic and political conditions in the Kingdom. If the Company is unable to obtain required financing or refinance its existing facilities in a timely manner, at a reasonable cost, on acceptable terms, or at all, it may be required to scale back, defer, curtail or abandon its investments or any planned operations. This would have a material adverse effect on the Company's future strategy, business, results of operations, financial position and prospects.

In addition, there may be other significant negative consequences related to indebtedness, as well as a number of financial obligations, both current and future, in addition to some contractual obligations, including:

- allocation by the Company of a significant portion of the cash flow from operations to repay its debts and consequently a reduction of the funds available to sustain its operations or achieve its planned rate of growth, including limiting its ability to make investments into new facilities and resources to support the growth of its business;

- increasing the Company's vulnerability to adverse economic and financial services industry conditions, which could place it at a competitive disadvantage compared to its competitors that have relatively lower indebtedness;
- increasing the Company's cost of borrowing and causing it to incur substantial fees from time to time in connection with debt restructuring or refinancing, as the Company's external financing arrangements are greatly affected by interest rates, which are deemed highly sensitive to factors beyond its control, including Government, monetary and tax policies, as well as domestic and international economic and political circumstances. Higher funding rates and related finance charges could lead to reductions in the Company's cash flow. Accordingly, adverse fluctuations in interest rates would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects; and
- limiting the Company's flexibility in planning for, or reacting to, changes in its business and the financial services industry.

The occurrence of any of the aforementioned factors could have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.15 Risks Related to Interpreting Shari'ah Principles

All of the Company's financial services and products are in accordance with the principle of the Islamic Shari'ah and are vetted by the Company's Shari'ah Committee before they are offered to customers. Members of the Shari'ah Committee assess every product and service in light of the relevant Shari'ah principles according to their interpretation and understanding of the same. Many Shari'ah issues and principles are generally perceived as controversial, and therefore scholars may have different opinions about the same product or service. Hence, some Shari'ah scholars may form a view that some of the services and products offered by the Company are not in conformity with Shari'ah principles. Such views, if adopted by a substantial number of scholars, would have a material adverse effect on the Company's reputation, business, financial position, results of operations and/or prospects.

Further, in the event of legal proceedings and disputes involving the Company's products, and specifically their conformity with Shari'ah principles, brought before competent courts, such courts may also have interpretations of Shari'ah principles that are different than those of the Company's Shari'ah Committee which would have a negative impact on the Company's success in defending such disputes or successfully making claims of its own. This would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.16 Risks Related to Seasonal Factors on the Company's Revenues

The nature of the Company's operations in general makes it subject to seasonal variations, especially during summer breaks and official holidays, including Eid holidays. As such, the Company's revenues may be affected by seasonal variations and supply and demand for its services, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects. The financial sector, like other sectors, is affected by supply and demand factors, which vary according to seasonal cycles, as the demand for financing usually rises during the first and last quarters of the year, and usually decreases during the summer and official holidays, as well as during the month of Ramadan; thus, the Company's revenues could be affected by seasonal fluctuations and changes, supply and demand for its services, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.17 Risks Related to Challenges from Expansion into New Markets and Ancillary Businesses

While the Company's main activity is engaging in financing and lending activities, it is exploring expanding its reach into services that are complementary to its current activities, such as the provision of payment services and/or a potential expansion of its existing operations into neighbouring markets. Any expansion by the Company into new markets and services could result in challenges, including a lack of familiarity with the culture and economic conditions of new locations and markets, difficulties in staffing, training and management of new employees, lack of recognition and reputation in such new markets, lower margins, its ability to secure new contracts with current and new customers, obtain additional financing to finance the new operations, integrate them into its existing operations, and in general manage larger overall operations efficiently, while at the same time continuing to provide the Company's existing service offerings efficiently. Accordingly, the Company's revenue growth rates in previous periods should not be taken as an indication of its future growth rates. In addition, substantial competition already exists in neighbouring markets, and there can be no assurances that the Company's assessments of, and assumptions regarding, the market opportunities will prove to be correct, and actual results may significantly differ from its expectations. Any lack of competitive advantage could also expose the Company to unexpected market conditions and delays, financial losses or cash flow challenges. Moreover, the execution of the Company's business plan and growth strategy could create strains on its organizational, administrative and operational infrastructure. The Company's possible expansion of its service offering in familiar sectors to support its existing business may lead to quality issues that could affect its reputation and impact its financials. Any expansion into new markets would be subject to certain location-specific restrictions, including applicable laws and regulations in connection with the localisation or nationalisation of certain jobs and processes. The Company's failure to execute its business plan and growth strategy or to properly manage the expansion would have a material adverse effect on its business, financial position, results of operations and/or prospects.

2.1.18 Risks Related to New Products

As part of its vision, mission and strategy, the Company intends to provide new products, in addition to electronic and state of the art solutions to its customers, all of which will require authorization from the relevant regulators, including the Saudi Central Bank, in the form of a non-objection letter or otherwise. As these products and solutions may have not been tested earlier, the Company may not have the necessary prior experience in offering such new product once made available to customers. There is no guarantee that the Company will be able to provide the necessary expertise or training to ensure the success of new products or solutions, or compliance with applicable regulatory and licensing requirements. The Company's failure to successfully launch and continuously offer new competitive products would affect its success in implementing its expansion strategy which would have a material adverse effect on its business, financial position, results of operations and/or prospects.

If the Company fails to obtain the required approvals, including the Saudi Central Bank's non-objection letter, for offering any of its new products, the Company would have to suspend or cease the provision of such products, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects (for further details, see Section 2.2.8 (*Risks Related to Licences and Approvals*)).

The success of the Company's strategy is partly dependent on its ability to identify and bring to market new products utilizing various digital or online initiatives, and the required resources. If further resources are required, including financing for the purpose of meeting the costs of this strategy, the Company might not have sufficient financial resources. To the extent that additional equity or debt financing is necessary to complete the strategy and this remains unavailable or only available on terms that are unacceptable to the Company, then the Company could be compelled to either restructure or abandon a particular part of its strategy which could result in losses.

Furthermore, there can be no assurance any of the Company's future strategy and growth initiatives to deliver incremental profits for the Company or materially increase the size of its loan portfolio or customer base. There is also a risk that pursuing future growth strategies could incur losses which would have an adverse effect on the Company's results of operations.

2.1.19 Risks Related to the Company's Strategy and Its Failure to Successfully Implement Future Business Strategies

The future performance of the Company depends on its ability to implement its strategy and long-term business plan. Its success in implementing its growth strategies and expansion plans depends on its ability to diversify its funding sources beyond bank financing, to manage risks related to the opening of new branches, develop new applications, electronic (digital) platforms, introduce new services and innovative and attractive financing products, and improve the efficiency of its financial and administrative systems as well as its workforce in line with these expansions, without jeopardizing quality. The Company may not be able to successfully implement its business plan to achieve this strategy due largely to factors beyond its control, such as the state of the general economy, oil prices, financing costs and regulatory changes or the failure to obtain the required approvals from regulatory authorities (including the Saudi Central Bank), among others. These factors would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

There is no assurance that the Company's personnel or its existing systems, procedures and controls will be sufficient to support future expansion and consistent growth or that it will be able to obtain the necessary approvals for future growth plans in a timely manner or at all. In addition, expansion into new product lines and services in which the Company has limited experience could lead to errors and inefficiencies which could have an adverse effect on any expansion plans, the successful launch of new product lines, and which in turn would adversely affect the Company's results of operations and financial condition.

Furthermore, the Company's expansion plans are subject to specific timelines and may require additional funding to cover additional costs. Failure to meet such timelines or to obtain additional funding may result in missing the intended economic outcome of such growth and expansion plans. The Company's failure to implement its business plans and growth strategies for any reason and in a timely manner would have a material adverse effect on its business, financial position, results of operations and/or prospects.

Moreover, the expansion of the Company's loan portfolio at a rate beyond the organic growth rate that it is able to generate from its existing loan portfolio depends in large part upon its ability to obtain adequate funding. Any additional growth beyond organic growth depends, to a great extent, on the Company's ability to obtain adequate funding from a variety of sources, such as the capital markets (through Sukuk issuances or securitization transactions) and borrowing facilities. These sources of financing may not be available in the future in the amounts, at the pricing and/or on the terms the Company may deem acceptable/feasible. The credit and capital markets have experienced, and may continue to experience, high volatility and severe liquidity disruptions. The Company may be unable to finance the expansion of its lending operations, which would have a material adverse effect on its business, financial condition, results of operations and/or prospect.

2.1.20 Risks Related to the Acquisition and Integration of the Subsidiary

The Company acquired an 80.0 per cent. ownership stake in the Subsidiary in June 2022G (for further information about the acquisition, see "*Overview of the Company's Business*" on page (vi) and Section 4.2 (*Corporate History and Group Structure*)). The acquisition and integration of the Subsidiary involves a number of risks, including the following:

- using inaccurate estimates and judgments to evaluate credit, operations, management and market risks with respect to the Subsidiary and its business;
- failure to achieve expected revenues, earnings, costs savings or synergies from the acquisition of the Subsidiary;
- potential exposure to unknown or contingent liabilities of the Subsidiary, including compliance and regulatory issues. For example, the Subsidiary's the Saudi Central Bank-issued licence was suspended, and it remains to be suspended as of the date of this Prospectus;
- the time and expense required to integrate the operations and personnel of the Subsidiary;

- higher operating expenses relative to operating income from the new operations of the Subsidiary;
- effectively competing with the Subsidiary's payment system, with which the Company did not previously have any experience;
- losing key employees and customers;
- reputational issues if the Subsidiary's management does not align with the Company's culture and values;
- assuming the Subsidiary with internal control deficiencies, including four vacant executive positions (including the Chief Executive Officer) out of nine positions as of the date of this Prospectus; and
- potential impairment to goodwill.

The acquisition of the Subsidiary may, at least in the near term, negatively impact the Company's financial condition and earnings and, if not successfully integrated with the Company, may continue to have such effects over a longer period. The Company may not be successful in overcoming these risks or any other problems encountered in connection with the acquisition of the Subsidiary. The Company's inability to overcome these risks could have an adverse effect on its ability to implement its business strategy, which, in turn, could have a material adverse effect on its business, financial condition and results of operations.

2.1.21 Risks Related to Dependence on Third Parties, Suppliers, Service Providers and Strategic Partners

The Company engages third party service providers from time to time, including asset valuation services, marketing services and electronics services. If supply from such third parties is suspended or disrupted, or should there be regulatory restrictions or limits on supplying or outsourcing such services, the Company may face extended times for supplying required materials or difficulties in growing its service offering or be required to suspend or terminate certain services or agreements. This could have a negative impact on its operations and services or lead to increased costs associated with expanding and maintaining the Company's service offerings. Further, the Company does not guarantee that the quality or manner in which services are provided by third parties will meet the expected standards of its customers, and it may be held liable for any deficiency of services on the part of such service providers. If the contractual relationship with such service providers is discontinued or the Company fails to find alternative service providers, it could result in the suspension of the Company's operations.

The Company is exposed to the risk that threatened or actual legal proceedings, management misconduct, operational failures, negative publicity and press speculation, whether valid or not, may harm its reputation and create negative media coverage of some or all of its service providers. Such negative publicity could indicate, for example, the allegations that it, they or any of its products did not fully comply with applicable regulations or news that a regulator is conducting an investigation into or involving its (or their) affairs. The Company's reputation could also be adversely affected, for instance, if its products do not perform as expected.

The Company has entered into various contracts with service providers which are considered to be an integral part of the Company's strategies and objectives. However, agreements include varying terms and conditions, including optional renewal or termination terms in favour of both parties. Therefore, service providers may, at their own discretion, cease to provide the services agreed upon under the agreement or if the Company breaches any of its contractual obligations, it may not be able to receive any compensation for the losses incurred as a result of the interruption of its services thereunder.

If the Company is unable to renew such agreements with services providers on acceptable terms, and if it is unable to enter into new agreements with other service providers, this would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects (for further details, see Section 12.6 (*Material Agreements*)).

The Company cannot guarantee that it will be successful in continuing to receive uninterrupted and high-quality services from its service providers. Any disruption or inefficiency in the services provided by its third-party service providers or through outsourcing would affect its business and reputation.

2.1.22 Risks Related to Cybersecurity Attacks on Security and the Reliability of Technology Systems

The Company depends heavily on technology systems and networks that are managed by the Company or third-party service providers and equipment vendors to conduct their business and operations. Cybersecurity risks, while threats to such systems continue to grow in sophisticated ways and may be increasingly difficult to anticipate, detect, prevent or mitigate. If any of the security systems used by the Company for detecting and protecting against cybersecurity threats proves to be insufficient, the Company's business and financial systems could be compromised, confidential or proprietary information in the Company's possession could be altered, lost or stolen, or the Company (or its customers') business operations or safety procedures could be disrupted, degraded or damaged. A cybersecurity breach or failure could also potentially result in injury (financial, operational or otherwise) to people, loss of control of, or damage to, the Company (or its customers') assets, harm to the environment, reputational damage, breaches of laws or regulations, litigation and other legal liabilities. In addition, the Company may incur significant costs to prevent, respond to or mitigate cybersecurity risks or events and to defend against any investigations, litigation or other proceedings that may follow such events. Any failure or breach of the Company's systems could materially adversely impact its reputation, business, financial position, results of operation and/or cash flows, as well as its ability to service its indebtedness.

2.1.23 Risks Related to the Inability to Adequately Maintain the Confidentiality and Integrity of Customer and Employee Data

In its ordinary course of business, the Company collects, transfers and processes customer and employee information, whether maintained by the Company or other parties with which the Company contracts to obtain its services, including customer and employee data, ID cards numbers, birth dates, addresses and other private data. Some of this data is private and may be a target of external parties, such as individual criminals, organised criminal groups, "cyber hackers", and current or former disgruntled employees, and others. The Company's inability to maintain the confidentiality and integrity of customer and employee data would lead to a change in the behaviour of existing or potential customers in a manner that affects the Company's ability to retain its existing customers and attract new ones, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The Company must comply with relevant data protection and privacy laws and industry standards, including data protection requirements in the Kingdom. Those laws and standards impose certain requirements on the Company in respect of the collection, use, processing and storage of such personal data. The Company may also share customers' personal data with certain third parties, upon obtaining the Saudi Central Bank prior approval for sharing such information with third parties. Further, the Personal Data Protection Law was promulgated under Royal Decree No. M/19, dated 9 Safar 1443H (corresponding to 16 September 2021G), which was due to enter into force 180 days after the date of its publication in the Official Gazette (i.e., from 17 Safar 1443H (corresponding to 24 September 2021G)). This Law applies to all personal data processing by any means in the Kingdom, whether it relates to the data of a citizen or resident, and includes a number of requirements to protect the rights of personal data owners, which the Company must implement. On 19 Sha'ban 1443H (corresponding to 22 March 2022G), the Saudi Data and Artificial Intelligence Authority (SDAIA) announced that the competent authorities had decided to postpone the full enforcement of the Personal Data Protection Law until 25 Sha'ban 1444H (corresponding to 17 March 2023G). As a result, the Company has not assessed the impact of the Personal Data Protection Law on its operations, nor did it take adequate steps to ensure compliance therewith. If there is a significant impact of the Personal Data Protection Law and its implementing regulations, if the Company is required to change its operations to comply with the requirements of the Personal Data Protection Law, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The commitment to changing privacy and security laws may also lead to cost increases due to necessary changes in the laws, the imposition of new restrictions or controls on the Company's business models and the development of new administrative processes. These laws, conditions and regulations may impose further restrictions on the Company's collection of identity data in one or more of its databases, and their disclosure and utilization. Failure to adhere to the privacy laws, general requirements of the sector, or any security breach that involves the theft, loss or disclosure of personal, sensitive or confidential data without permission may result in fines, penalties, and lawsuits against the Company, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

In addition, the Company outsources various business activities to service providers in the Kingdom and abroad. These business activities primarily consist of a cyber security operations centre, Internal Audit and some marketing activities.

If the Company or any of the Company's service providers in relation to outsourced activities were to violate any of the regulations applicable to the Company, it could be subject to regulatory sanctions, including the revocation or suspension of its licence(s) from the Saudi Central Bank and/or liability for violations of data protection laws. Such sanctions would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.24 Risks Related to the Financial Services Industry's Ongoing Improvements in Operational and Information Technology Infrastructure

The financial services industry is characterised by continued improvements in operational and information technology infrastructure, including changes in use and customer requirements and choices, frequent product and service introductions employing new technologies, and the emergence of new industry standards and practices that could render the Company's existing technology and systems obsolete or less effective. There can be no assurance that the Company will be able to anticipate and respond to the demand for new services and technologies in a timely and cost-effective manner, or to adapt its infrastructure to technological advancements and changing standards. Failure to do so would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.25 Risks Related to Risk Management Policies and Procedures

Activities involving a significant amount of risk, such as lending activities, form an integral part of the Company's business. Some losses from such activities are generally inevitable. However, it is for the Company to balance the risks it takes with the returns it generates to ensure sustaining its operations and becoming successful, by diligently managing and controlling the associated risks. The Company has developed and implemented strategies, procedures and policies specific to its business for managing risks, such as the Company's credit policy, which includes credit risks, asset and liability management risks, market risks and operational risks. Policies for managing risks are based on the observation of historical market behaviours. The Company evaluates future market trends and economic changes and takes into consideration events that are most likely to occur in line with its future strategy planning and preparation of budgets and business plans, taking into consideration the best and worst case scenarios. Therefore, these policies may not be able to accurately predict future risks that could be greater than those anticipated. The nature of these risks and their consequences can rapidly change over time. Therefore, management's failure to adequately predict such risks may result in losses which may affect the Company's ability to implement its strategic goals.

Given the lack of available data, such information may not be accurate, complete, updated or properly assessed. The Company's policies, procedures and internal controls may not be effective in predicting all possible risks at all times, which could result in insufficient information to accurately assess and mitigate its exposure to certain risks. As a result, the Company's exposure to unknown risks would have a negative and material impact on its business, financial position, results of operations and/or prospects.

2.1.26 Risks Related to the Outbreak of Infectious Diseases and Public Health Threats

An outbreak of infectious diseases or any public health threat or fear may have a material adverse effect on the Company's business. In December 2019G, a new strain of coronavirus (COVID-19) was discovered in Wuhan, Hubei Province, China. This disease spread to most of the countries worldwide, which led to several countries, including the Kingdom, taking multiple measures to curb the spread of the coronavirus. The COVID-19 pandemic has caused severe disruptions to supply chains, business continuity and workforce availability, as most countries worldwide have instituted and may continue to institute, quarantine measures, lockdowns, travel restrictions or other measures aimed at limiting the spread of the pandemic. The COVID-19 pandemic has caused disruptions to businesses and economic activity globally, including a decline in demand for financing and lending services. It has had, and is reasonably likely to continue to have, a material adverse effect on the demand for the Company's services. Such effects have included, and could continue to include, adverse effects on revenue and net income, disruptions to operations, including restrictions on travel, shutdowns of business, including SMEs, decreases in customer demand, supply chain and vendor activity disruptions across industries, employee impacts from illness, school closures and other community response measures, which may lead to shortages of personnel who may be difficult or impossible to replace; and temporary closures of the Company's facilities or the facilities of customers and suppliers.

As a result of the outbreak of COVID-19 in the Kingdom and elsewhere, the Company is also subject to business continuity risks. Due to the COVID-19 pandemic all of the Company branches and head office were closed temporarily during the period from March 2020G until April 2020G, due to the Kingdom's temporary closure of non-vital private businesses, imposed during that time. All such branches have since reopened. For instance, loan applications declined from 22,522 for the financial year ended 31 December 2019G, to 21,910 for the financial year ended 31 December 2020G, to 20,744 for the financial year ended 31 December 2021G and to 12,898 for the six-month period ended 30 June 2022G, mainly due to lock-down and other restrictive measures imposed by the Government as a result of the COVID-19 pandemic, which resulted in a drop in branch and direct sales. In addition, the number of loan bookings declined from 10,522 for the financial year ended 31 December 2019G, to 9,311 for the financial year ended 31 December 2020G, to 8,013 for the financial year ended 31 December 2021G and to 4,481 for the six-month period ended 30 June 2022G. As a result, the booking rate declined from 44.7 per cent. for the financial year ended 31 December 2019G to 42.7 per cent. for the financial year ended 31 December 2020G, and 40.2 per cent. for the financial year ended 31 December 2021G due to the Company's decision to implement tighter credit policies during the same period in order to reduce the risk of default. The Company also increased its provision against financing receivables from SAR 22.8 million as of 31 December 2019G to SAR 27.9 million as of 31 December 2020G, to SAR 43.6 million as of 31 December 2021G, and to SAR 44.0 million as of 30 June 2022G, due to collection delays as well as collections from a higher number of non-performing loans.

The extent to which the Company's operating and financial results are affected by COVID-19 will continue to depend on various factors and consequences beyond the Company's control, such as the continuation of the pandemic, new waves of the coronavirus, new information that may appear regarding the severity of the coronavirus and additional actions by businesses and governments in response to the pandemic, especially within the geographic locations where the Company operates in the Kingdom, and the speed and effectiveness of these responses to combat the virus, including the effectiveness and timeliness of vaccinations, all of which remain highly uncertain at the time. COVID-19 and the volatile global economic conditions arising from the pandemic have aggravated and will continue to aggravate certain other risk factors included in this Section. The resurgence of the coronavirus in a number of countries, including new variants, and another extended duration of COVID-19 or another future disease could negatively impact the global economy and financial markets. If further outbreaks of COVID-19 or other diseases occur or increase, and restrictions which are to limit its spread continue, this could have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.27 Risks Related to the Saudi Central Bank Support Programmes

The COVID-19 disrupted global markets, as many geographies are experiencing issues due to the identification of multiple new variants of this infection, despite having previously controlled the outbreak through aggressive precautionary measures. In response to COVID-19, the Saudi Central Bank launched the Private Sector Financing Support Programme in March 2020G to provide the necessary support to SMEs which included, among other initiatives, the Deferred Payments Programme and the Funding for Lending Programme.

(a) Private Sector Financing Support Programme

The deferred payments programme was launched in March 2020G to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("*MSMEs*") and was further extended until March 2022G. The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021G this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by the Saudi Central Bank in this regard. The deferred payments programme allowed some of the Company's SME customers to defer repayments of the financing leading to a day one loss of SAR 17.4 million and SAR 3.5 million for the Company in the financial years ended 31 December 2020G and 2021G respectively, and a subsequent unwinding of SAR 13.2 million and SAR 7.7 million. In order to compensate for the related cost incurred by it, the Company received the option to defer some payments from its bank borrowings resulting in the Company recognizing a day 1 modification gain of SAR 14.3 million and SAR 2.1 million in the financial years ended 31 December 2020G and 2021G, respectively, and subsequently unwinding SAR 11.0 million and SAR 5.4 million over the same periods.

(b) Funding for Lending Programme

During the financial years ended 31 December 2020G and 2021G, the Company received interest-free financing of SAR 250.0 million from the Saudi Central Bank for granting credit facilities to eligible MSMEs under the Funding for Lending Programme at special rates. The benefit of the subsidized funding rate resulted in a day one gain of SAR 16.1 million and SAR 6.9 million in the financial years ended 31 December 2020G and 2021G, respectively, and a subsequent unwinding of nil and SAR 1.6 million over the same periods, while the impact of the special rates granted to the Company's SME customers resulted in a day one loss of SAR 15.3 million and SAR 7.3 million in the financial years ended 31 December 2020G and 2021G respectively, and a subsequent unwinding of SAR 0.9 million and SAR 7.3 million over the same period.

There is no assurance that the Saudi Central Bank will maintain or that the Company will be able to benefit from financial support under the Funding for Lending Programme in the future, or other support packages or obtain financing with subsidized rates that could lead to a higher special commission expense in the future, which would have an impact on the Company's business, financial position and results of operations.

2.1.28 Risks Related to Reliance on Executive Management and Key Personnel

The Company relies on the efforts, diligence, skill, network of business contacts and close supervision of its Executive Management team and other key personnel for the implementation of its strategy and its day-to-day operations. It is expected that the operating complexity of the Company's business and the responsibility of its Executive Management will continue to increase in the future. Competition for appropriately qualified personnel with the relevant expertise in the Kingdom is high. If one or more members of the Executive Management team or key personnel were to resign, the loss of such personnel could result in, among other things, a disruption in organisational focus, poor execution of operations, and a failure or delay in achieving some or all of its business strategies and may require the diversion of management resources. In addition, the appointment of any new member of the Executive Management is subject to the approval by the Saudi Central Bank, which further complicates and prolongs the hiring process. In addition, the Company's future success as it expands its scope of operations will depend, in part, on its ability to attract, retain and motivate qualified personnel. The loss of services of an Executive Management member or key employee could prevent or delay the implementation and completion of its strategic objectives and divert the management's attention to seek qualified replacements. This could adversely affect the Company's ability to manage its business effectively. Moreover, in 2019G the board of directors decided to cancel the position of the Chief Executive Officer and merge the Chief Executive Officer's responsibilities and duties with those of the Executive Managing Director. Accordingly, in 2022G the General Assembly reelected Waleed Yousef Abdulrazzaq Al-Ghumlas as a member of the Board of Directors for a period of three years ending with the end of the current term of the Board of Directors. Waleed Yousef Abdulrazzaq Al-Ghumlas was elected by the Board of Directors as the Executive Managing Director of the Company in 2019G, after obtaining the approval of SAMA. As a result, he is not an employee of the Company and there is no employment agreement concluded between him and the Company. The continuation of his services as Executive Managing Director is therefore linked to him continuing to be a Board member elected to the position of Executive Managing Director. There is no guarantee that he will not resign from the position of Executive Managing Director and/or Board member prior to the expiration of the current Board term, or that he will seek re-election as a Bord member and/or Executive Managing Director for the next Board term or that he will be elected as a Board member and/or Executive Managing Director for the next Board term. Losing the ability to hire and retain key executives and employees with high levels of skills in the relevant domains would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

In addition, demand for executives and management personnel is traditionally high and could exceed supply, particularly in the case of skilled executives with experience in managing public joint stock companies, particularly in the financial services industry. As a result, the Company may need to invest significant financial resources to attract and retain new employees and it may not realise returns on these investments. Moreover, where the demand for financing and lending services increases, shortages of qualified personnel globally could arise, leading to higher wages and preventing the Company from attracting qualified individuals in a cost-efficient manner.

The Company also relies on certain non-Saudi employees to provide technical and management expertise in its operations. Any changes in local laws and regulations which adversely impact expatriates may cause an out flux of workers from the Kingdom or expatriate workers opting to work in other countries, increasing the difficulty of the Company in retaining necessary non-Saudi employees and disrupting its operations. The Company also pays the costs for the required government fees for non-Saudi employees for work and residence permits required by that employee and, in some cases, their dependents. Should such fees be increased, the Company may be forced to bear the increased costs to retain the requisite non-Saudi employees for their technical and management expertise, resulting in an increase in the Company's costs and expenses, and adversely affecting its business, profits and results of operations.

Moreover, the Subsidiary has entered into an employment agreement with the acting Chief Executive Officer and compliance officer, pursuant to which it will pay him severance of SAR 1.0 million in the event of the termination of his employment without cause. In addition, according to the employment agreement with the Innovation and Business Development Manager, it will pay him severance of SAR 20.0 million in the event of the termination of his employment without cause prior to 2 Thul-Qi'dah 1446H (corresponding to 30 April 2025G). The payment of these severance benefits could have a material adverse effect on the Company's cash flows and results of operations.

While contracts are regularly reviewed, there can be no assurance that all or any potential increases in employee costs as a result of labour shortages, wage inflation or increased government fees would be passed on to the Company's customers. If such costs are not effectively passed on to its customers, the Company may be unable to retain adequate skilled personnel or experience increased costs, adversely affecting its results of operation.

2.1.29 Risks Related to Employee Misconduct and Errors

Employee misconduct or errors could lead to the Company being in violation of the applicable laws and regulations, which would result in regulatory sanctions being imposed on the Company by the competent regulatory authorities. Such sanctions would vary according to the misconduct or error and would cost the Company financial liability and serious damage to its reputation. Such misconduct or errors may be in the form of non-compliance with applicable laws or internal controls and procedures, including:

- culturally insensitive behaviour;
- misuse of bank information of the Company's customers, which would lead to fines imposed on the Company by the Saudi Central Bank and require the Company to indemnify whoever has been affected thereby;
- engagement in misrepresentation or fraudulent, deceptive or otherwise improper activities while marketing the Company's services to current or potential customers;
- non-compliance with applicable laws or internal controls and procedures, including failure to properly document transactions in accordance with the Company's standardized documentation and processes (or a failure to seek appropriate legal advice in relation to non-standard documentation, as required by the Company's internal policies) or to obtain proper internal authorization;
- claims arising out of actions or inactions of the Company's contracted manpower resources;
- errors and omissions of the Company's contracted manpower resources, particularly in the case of professionals such as accountants; or
- claims by the Company's customers related to the misuse of customers' proprietary information, misappropriation of funds or other criminal activity carried out by the Company's contracted manpower resources.

The Company may also face claims and litigation for the harm or other adverse effects caused by such errors (see also Section 2.1.44 (*Risks Related to Litigation*)). Such misconduct or errors would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.30 Risks Related to Employing and Sponsoring Non-Saudi Employees

As per the applicable laws and regulations of the Kingdom, a non-Saudi employee may only work for his/her sponsor. While as of the date of this Prospectus no employee of the Company or the Subsidiary works for another entity, if the Company breaches such rules or it has breached such rules in the past, it may be subject to fines and penalties imposed by the competent authorities, including financial or administrative penalties, such as preventing the Company from recruiting non-Saudi employees or from renewing the residencies of current employees. This may also lead to the Company losing a large number of its employees if the competent authorities decide to deport the violating employees, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The MHRSD officially announced the launch of the "Improving Contractual Relationships" initiative, which encompasses a number of policies and controls, including the replacement of the *kafalah* (sponsorship) system with an employment contract system between the employer and expatriate worker, effective as of 14 March 2021G. Under this initiative, the Kingdom strives to improve and promote the efficiency of the work environment, enhance the flexibility, effectiveness and competitiveness of the labour market and raise its attractiveness in line with international best practices, and activate contractual reference in the employment relationship between employers and employees based on a documented employment contract between them through the contract documentation programme. The job mobility service also allows expatriate workers to switch to another job upon the expiry of their employment contract without the employer's consent. Furthermore, the initiative also defines the mechanisms of mobility during the term of the contract, provided that the notice period and applicable controls are adhered to. The exit and return service allows expatriate workers to travel outside the Kingdom upon submitting an application, while notifying the employer electronically. The final exit service enables the expatriate workers to leave immediately upon the expiry of the contract, while notifying the employer electronically, without the employer's consent. There is also the option to leave the Kingdom where the worker bears all the consequences of the termination of the contract. All of these services are already available through Absher and MHRSD's Qiwa platform. As a result, the Company may be adversely affected if a large number of employees decide to switch to other companies, and the Company is not able to prevent them except to the extent permitted under their employment contracts. Hence, the Company may face difficulties in contracting with new employees to replace them. Should the Company lose a large number of its employees due to such employees switching to other companies and be unable to hire new employees to replace them, this would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.31 Risks Related to Potential Zakat Liability and Tax

The Company has submitted all of its Zakat returns, settled Zakat charges payable, and obtained certificates from the ZATCA for every year up to 31 December 2019G. It has also received Zakat assessments for every year until 2017G and paid all Zakat liabilities up to the same period. The ZATCA has not submitted the final assessments of Zakat or any additional requests or amendments regarding the assessment of Zakat liabilities of the Company for the financial years 2018G to 2021G. Accordingly, the final amount of potential Zakat liabilities of the Company for 2018G to 2021G remain uncertain (see Section 11 (*Declarations*)). The total value of Zakat and tax allocations amounted to nil, SAR 3.1 million, SAR 7.1 million and 7.0 million as of 31 December 2018G, 2019G, 2020G and 2021G, respectively. Where the final zakat or tax outcome is different from the amounts that were initially recorded, such differences will impact the zakat and tax provision in the year in which such determinations are recorded. These could negatively affect the Company's projected net income and retained earnings.

Should the ZATCA issue Zakat assessments on the Company and require it to pay additional Zakat amounts for the years for which the Company did not receive the final assessment and should the Selling Shareholders default on their undertaking to pay such additional amounts, it would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.32 Risks Related to the Change of the Applicable Accounting Policies

Saudi commercial banks and financial institutions were required to apply International Financial Reporting Standard 9 (IFRS 9) as of 1 January 2018G. The continuous application of these standards and any updates applicable to them may require additional provisions to meet the requirements of such standards and the Company's allocation of additional resources which would adversely affect the Company's net income and total assets. Any updates applicable to them may require additional provisions to meet the requirements of such standards and the Company's allocation of additional provisions, which would adversely affect the Company's net income and total assets. Furthermore, pursuant to the Company's accounting policy, non-performing receivables are written-off after 360 days past due for unsecured loans and 720 days past due for secured loans months from maturity.

On 8 Rabi' al-Thani 1442H (corresponding to 23 November 2020G), the Saudi Central Bank issued circular No. 42022533 introducing new Rules Governing Credit Risk Exposure Classification and Provisioning applicable to NBFIs, which came into force on 1 January 2022G, whereby the rules governing the write-off policy of financing assets shall be effective starting 31 December 2023G. The implementation of such rules by the Company will result in additional write-offs and provisioning which will have an adverse impact on its financial performance.

2.1.33 Risks Related to the Use of Accounting Assumptions, Estimates and Judgments, and the Corresponding Errors

In connection with the preparation of its financial statements, the Company uses certain accounting assumptions, estimates and judgments related to complex accounting matters, varying interpretations of which could significantly affect the Company's financial results. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Company's business, including but not limited to, proving the fair value of financial instruments and impairment of financial assets, leases and non-financial assets, all of which are highly complex and involve many subjective assumptions, estimates and judgments by the Company, creating room for errors. Changes in the underlying assumptions, estimates or judgments, as well as the corresponding errors, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

2.1.34 Risks Related to the Conservative Opinion of the Subsidiary's Auditors

The Company acquired an 80.0 per cent. ownership stake in Loop in June 2022G whose financial statements for the financial year ended 31 December 2021G included a qualified opinion of its external auditors. As of the date of this Prospectus, Loop is not considered a material subsidiary. If in the future it is considered a material subsidiary and its future interim or annual financial statements will include a conservative opinion, this could have an adverse effect on the Company's business, financial condition, results of operations and/or prospects.

2.1.35 Risks Related to the Accuracy of the Company's Impairment Allowance

The Company registers a provision for projected credit losses for all debits and other financial assets at a fair value through profit and loss. This provision is based on credit losses expected to arise throughout the asset's existence.

The Company has developed a policy of conducting assessments at the end of each reporting period as to whether the credit risk of a particular financial instrument has increased significantly since its first registration by examining the change in the risk of default over the remainder of the term of the financial instrument.

For financial assets where the Company does not have a reasonable expectation of full or partial recovery, the book value of the financial asset is reduced. The Company calculates projected credit losses based on the following probability weights to measure the expected cash flow deficit, discounted by an approximate ratio to the existing interest rate: (i) risk of default over a specified period of time (risk of default); (ii) exposure to risks of future default rates (exposure to risk of default); and (iii) loss arising in the event of a failure to pay at a given time (default resulting in losses), which represents the difference between accrued contractual cash flows and those expected by the Company, including those resulting from the monetization of any collateral or credit improvements that are an essential part of the financing agreement.

In estimating expected credit losses, the Company considers three cases (underlying condition, state of rise and state of decline). It also considers future statements in its assessment of the significant decline in its credit risk since its inception as well as the measurement of expected credit losses. Future reports will include elements such as experts' estimates and macroeconomic factors (such as unemployment, GDP growth, inflation, and profit rates) and economic prospects obtained from internal and external sources.

The allowance for impairment losses was SAR 22.8 million, SAR 27.9 million, SAR 43.6 million and SAR 42.7 million, as of 31 December 2019G, 2020G and 2021G, and 30 June 2022G, respectively. The increase in the depreciation provisions for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G was due to the Company's decision to increase the provisions in anticipation of a change in the regulations of the Saudi Central Bank in the financial year ended 31 December 2022G.

There is no guarantee that the Company will be able to accurately assess the expected credit losses or that its future estimates or statements used in its calculations will be realized. If the Company fails to set aside sufficient provisions to cover actual losses resulting from defaults, this will have a material adverse effect on its business, financial condition, results of operations and/or prospects.

2.1.36 Risks Related to Related Party Transactions and Agreements

In its ordinary course of business, the Company enters into agreements with certain Related Parties and/or affiliates, including Shareholders (see Section 12.12 (*Related Party Contracts and Transactions*)). All such transactions are entered into pursuant to written agreements governing the contractual relationship between the parties. All of the Company's transactions and agreements with the Related Parties are concluded on an arm's length basis. Such transactions and agreements with Related Parties currently in place, in which some Directors have a direct or indirect interest, were approved by the General Assembly at its meeting held on 14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G), as required.

Related Party transactions are reflected and recorded in the financial statements in accordance with IFRS endorsed in the Kingdom and standards and other pronouncements issued by SOCPA, as applicable (see Section 19 (*Financial Statements and Auditors' Report*)). There were no amounts payable to Related Parties by the Company during the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G. The total amount of trade receivables from Related Parties by the Company were nil, SAR 6.4 million, SAR 9.1 million and SAR 7.6 million during the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G, respectively, comprising 0.0 per cent., 0.7 per cent., 0.9 per cent. and 0.7 per cent., respectively, of the Company's total receivables in the same periods. The total value of revenues from transactions with Related Parties amounted to nil, SAR 0.3 million, SAR 0.7 million and SAR 0.3 million during the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G, respectively, comprising 0.0 per cent., 0.3 per cent., 0.5 per cent. and 0.4 per cent., respectively, of total revenues of the Company in the same periods.

If contracts and transactions with Related Parties are not executed in accordance with written agreements, concluded on an arm's length basis, or approved by the General Assembly (to the extent that any Director has a direct or indirect interest), this could have an adverse effect on the Company's business, financial condition, results of operations and/or prospects.

2.1.37 Risks Related to the Engagement of Directors or Senior Executives in Businesses Competing with the Company's Business

As of the date of this Prospectus, none of the Company's Directors or Senior Executives are participating in activities that compete with the Company. However, some of them may compete with the Company in the future either through their membership on boards of directors or ownership of businesses that fall within the scope of the Company's business, and such businesses are similar to, or directly or indirectly compete. The Directors and Senior Executives can access the internal information of the Company and may use that information for their own interests or to the detriment of the Company's interests and objectives. If the Directors and Senior Executives who have interests conflicting with those of the Company have a negative influence on the Company's decisions, or if they use the information available to them about the Company in a way that harms its interests, this will have a material adverse effect on the Company's business, results of operations, financial position and prospects.

As of the date of this Prospectus, none of the Directors or Senior Executives is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company or any similar obligation in relation to the Company's business. However, in order to engage in businesses competing with the Company, the Directors must obtain approval from the General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

2.1.38 Risks Related to Newly Implemented Corporate Governance Rules

Although the Company has been operating as a joint stock company since 27 Sha'ban 1435H (corresponding to 26 June 2014G), the Board of Directors only approved the internal Corporate Governance Manual on 3 Sha'ban 1443H (corresponding to 6 March 2022G). Such manual includes, among others, rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by the CMA. The Company's proper implementation of corporate governance will depend on the understanding of such rules and their proper implementation by the Board of Directors, its Committees and Senior Executives, as well as the proper training of the Board and the members of its Committees on corporate governance rules and procedures, independence requirements, rules related to conflict of interests and Related Party transactions. Failure to comply with the corporate governance rules, particularly the mandatory provisions of the Corporate Governance Regulations issued by the CMA, would subject the Company to regulatory penalties, which would have a material adverse effect on the Company's reputation, operations, financial position, results of operations and/or prospects.

2.1.39 Risks Related to the Failure by the Audit Committee, the Nomination and Remuneration Committee to Perform their Duties as Required

The Audit Committee was formed by a resolution of the General Assembly on 14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G), and the Nomination and Remuneration Committee was formed by a resolution of the Board on Thul-Qi'dah 1443H (corresponding to13 June 2022G). The charters of such Committees were adopted by resolutions of the General Assembly on 14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G, in accordance with the Corporate Governance Regulations and the Company's Corporate Governance Manual (for further details, see Section 5.3 (*Committees of the Board of Directors*)). Any failure by members of these committees to perform their duties and adopt a work approach that ensures the protection of the interests of the Company and its Shareholders could affect the Company's compliance with the Corporate Governance Regulations and continuous disclosure requirements issued by the CMA, and the Board of

Directors' ability to monitor the Company's business through these committees, which would have a material adverse effect on Company's business, financial position, results of operations and/or prospects.

2.1.40 Risks Related to the Lack of Experience in Managing a Listed Joint Stock Company

The Company has been operating as a closed joint stock company since 27 Sha'ban 1435H (corresponding to 26 June 2014G). Accordingly, the Senior Executives have limited or no experience in managing a publicly listed joint stock company and complying with the laws and regulations applicable to such companies. Once listed on the Exchange, the Company will have to issue its annual consolidated financial statements within a period of no more than three months from the end of each financial year and its quarterly consolidated financial statements within 30 days from the end of each quarter, in order not to be in violation of the laws and regulations applicable to companies listed on the Exchange. Therefore, if the Company fails to issue its annual consolidated financial statements within 90 days from the end of the Company's financial year, or fails to disclose and include material financial information in its consolidated financial statements, or fails to comply in a timely manner with any of the other laws, regulations and disclosure requirements applicable to listed companies, it will subject the Company to regulatory penalties and fines, which would result in decreased investor confidence and have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.41 Risks Related to Leasing of Branches and the Head Office

As of the date of this Prospectus, all of the Company's sites, including its 16 branches and three points of sale, as well as its head office are rented, with rental periods varying between one to five years. Therefore, the Company's inability to maintain the continuity of lease contracts for these sites, and to renew them on terms no less favourable than the current ones, would have a material adverse effect on its business, financial position, results of operations and/or prospects. The Company may, in some instances, be required to vacate all or a number of these sites upon short notice. This would also have a material adverse effect on its business, financial position, results of operations and/or prospects (for further information, see Section 12.11.2 (*Lease Agreements*)).

2.1.42 Risks Related to the Protection of the Company's Intellectual Property Rights

In marketing its services and products, the Company relies on its reputation that is associated with its trade name and brand, which supports its business and competitive position in the market. Consequently, the success of the Company depends largely on its ability to maintain and boost the strength and value of its trademark, which in turn depends on many factors, such as the Company's reputation, its financing products and the perception of its trademark. The Company has registered its "Morabaha Marina" trademark in the Kingdom (for further details, see Section 12.14 (*Intellectual Property*)). Its failure to adequately register its trademark would adversely affect the goodwill attached to it, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects. Further, it is difficult to control unauthorised use and other violations of the Company's intellectual property rights. If the Company fails to successfully protect its intellectual property rights for any reason, or if any third party misuses the Company's intellectual property or damages its reputation, the value of the Company's trademark may be harmed. Any damage to the Company's reputation could result in lower demand for its services, which could have an adverse effect on its business, results of operations, financial position and prospects.

In addition, the Company may from time to time be required to renew the registration of the trademarks, register new trademarks or initiate litigation to protect its rights to trademarks and other intellectual property. Third parties may also assert that the Company has infringed or otherwise violated their intellectual property rights, which could lead to litigation. Outcomes of litigation to confirm the Company's rights with respect to its intellectual properties are uncertain and could result in substantial costs and the allocation of financial resources to cover the expenses of such litigation, which would negatively affect the Company's income and profitability, regardless of whether it is able to enforce or defend its intellectual property rights. The occurrence of any of the above would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.43 Risks Related to Developing and Maintaining Favourable Brand Recognition, including Pursuant to Its Rebranding Strategy

The Company's business depends upon its favourable brand recognition in the Kingdom. It invests in promoting it, including through partnerships and advertising campaigns. Factors affecting brand recognition are often beyond the Company's control and its efforts to maintain or enhance favourable brand recognition, such as marketing and advertising campaigns, may not have their desired effects. The Company may not succeed in enhancing its brand and trademark and their contribution to increased sales and profits. The value of the Company's trademark and brand may be adversely affected by internal factors, such as the poor quality of services rendered by its employees and the mishandling of customer complaints, as well as external factors such embezzlement by third parties, infringement of or damage to the intellectual property rights of the Company, complaints, investigations or other statutory actions and illegal activities targeting the Company. In addition, negative publicity regarding the Company or any negative media coverage can damage the Company's reputation and brand and can result in a loss of customers. Furthermore, the Company may be exposed at any time to negative comments or publicity on social media, including blogs, social networks and other types of web platforms, which could have a negative impact on its reputation and image.

Moreover, to reflect its growth strategy, the Company introduced a new logo in December 2022G as part of its rebranding strategy. The Company plans to invest significant resources to promote its new logo but it cannot be predicted how such marketing efforts will be received and there is no guarantee that it will be able to achieve or maintain brand recognition or status under its new logo comparable to the recognition and status it previously enjoyed. The rebranding strategy may not produce the expected benefits, or it may involve substantial costs or may not be received favourably by customers.

The inability of the Company to properly manage and address the above factors and events, its inability to prevent them or its inability to successfully implement its rebranding strategy would have a material adverse impact on its brand and trademark, which would result in fewer new customers or the departure of existing customers and consequently a decline in revenues. This would, in turn, have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.1.44 Risks Related to Litigation

As the Company operates within the finance sector, it may be involved as a claimant or defendant in legal and regulatory proceedings in the normal course of its business with multiple parties, including suppliers, customers, employees or regulatory authorities. Any unfavourable outcome in such lawsuits and regulatory proceedings would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The Company may become involved in additional lawsuits that are outside its normal course of business. Any unfavourable outcome in such litigation and regulatory proceedings would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require the Company to devote substantial resources to defend against these claims, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects (for further information, see Section 12.15 (*Litigation*).

As of the date of this Prospectus, no cases have been filed against the Company, while the Company has filed 1,821 cases against third parties, related to collection claims against the Company's clients in the retail sector with the total amount claimed by the Company amounting to a total of approximately SAR 20.9 million. These claims are still pending and under procedure (for further details on the Company's litigation, see Section 12.15 (*Litigation*)).

2.1.45 Risks Related to the Adequacy of the Company's Insurance Coverage

The Company maintains different types of insurance policies covering its business operations and assets, including property insurance, borrowers' life insurance, medical insurance for its employees and motor insurance. However, the Company's insurance coverage thereunder may not be adequate at all times and in all circumstances, and the limit of insurance coverage may not be sufficient in all events to pay for the claims related to the insured risks. The Company might not be able to successfully substantiate its claims according to the insurance policies in effect because of the exclusions or conditions of insurance coverage. This would cause the Company to be liable for paying for accident-related losses (which may be difficult for the Company to estimate), which would also have a material adverse effect on the Company's business and operating and financial results. There can be no assurance that the Company's insurance policies will continue to be available on commercially reasonable terms, or at all. The occurrence of an uninsured or uninsurable loss could result in the loss of all or part of the capital invested in or unrecoverable costs incurred to rectify the loss or pay compensation and anticipated future revenues relating to any operation or process that is damaged or destroyed. The Company may also remain liable for any debt or mortgage, indebtedness or other financial obligations related to the relevant operation or process. The occurrence of any such event could have a material adverse effect on the Company's business, financial position, results of operations and/or prospects (for further details on insurance policies, see Section 12.10 (*Insurance Policies*)).

In addition, if the Company's insurance policies are not renewed within the current scope of coverage and under commercially acceptable terms, or if they are not renewed at all, or if there is no insurance or insufficient insurance covering the different aspects of the Company's business, this would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.2 Risks Related to the Market, Industry and Regulatory Environment

2.2.1 Risks Related to General Economic Conditions

General economic conditions could have a material adverse effect on the Company's business, financial position, results of operations and/or prospects. Declines in consumer confidence and/or consumer spending, changes in unemployment, significant inflationary or deflationary changes or disruptive regulatory or geopolitical events, including the on-going armed conflict in Ukraine, could contribute to increased volatility and diminished expectations for the economy, including the market for the Company's services, and lead to demand or cost pressures that could negatively and adversely impact the Company's business, financial position, results of operations and/or prospects. The Saudi economy may be adversely affected by tightening global economic conditions and external shocks, including financial market volatility, trade disruptions and protectionist trade policies or threats thereof. In particular, a global shift in policies, including towards protectionism, with lower global growth due to reduced trade, migration and cross-border investment flows, could slow non-oil growth in the Kingdom. These conditions could affect all of the Company's business segments. Examples of such conditions could include:

- a general or prolonged decline in, or shocks to, regional or broader macro-economies;
- regulatory changes that could impact the markets in which the Company operates; and
- deflationary economic pressures, which could hinder the Company's ability to operate profitably in view of the challenges inherent in making corresponding deflationary adjustments to its cost structure.

Customer demand can also be impacted by the conditions in capital markets, as a result of the general level of commercial activity and economic conditions. Limitations regarding the availability of capital or higher costs of capital may cause companies to make additional reductions to their demand for financing and lending services, including the capability to bear the associated costs for financing and lending, even if economies experience positive growth. Any such reduction in the demand for financing and lending services generally, and the Company's services specifically, would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The nature of these types of risks makes them unpredictable and difficult to plan for or otherwise mitigate, compounding their potential material adverse impact on the Company's business, financial position, results of operations and/or prospects.

2.2.2 Risks Related to Political Instability and Security Concerns in the Middle East Region

The Company's assets, operations and customer base are situated in the Kingdom. The wider Middle East region is subject to several geopolitical and security risks that may impact the geographies in which the Company operates. Moreover, as the political, economic and social environments in the Middle East region remain subject to continuing development, investments in the Middle East region are characterised by uncertainty. Any unexpected changes in the political, social, economic or other conditions in the Middle East region may have a material adverse effect on the markets in which the Company operates, its ability to retain and attract customers in such regions, and investments that it has made or may make in the future, which in turn would have a material adverse effect on its business, financial position, results of operations and/or prospects.

2.2.3 Risks Related to Competition in the Financial Services Industry

The industry in which the Company operates is highly competitive and the competitive conditions are expected to continue. The Company's ability to compete depends on many factors, including its reputation, the quality of its services, product innovation, execution ability, pricing, sales efforts and the talents and capabilities of its employees. In particular, the Company competes with other financial services businesses, including established local and international commercial banks and financing companies operating in the Kingdom, and competitors which are part of larger financial services groups and may therefore have greater access to capital, financial or other resources than the Company. Furthermore, competition might lead to pressure on financial margins. There have also been recent mergers in the financial services industry in Saudi Arabia and there may be more in the future. If competitors merge, the combined businesses may gain economies of scale and develop new products. As a result, they may be able to compete more effectively on the basis of product offerings and price.

In addition, the Company may enter into lower profit rate financing or lending agreements or more flexible agreements in response to market conditions, such as the COVID-19 pandemic or in the case of seasonal demand, which reduces the revenues the Company could earn from such agreements. If the Company is unable to compete with its competitors, its revenue and profitability may suffer.

As of the date of this Prospectus, the Saudi Central Bank's website provides that 36 commercial banks are licenced to operate in the Kingdom;11 of them are local banks, 22 are foreign banks, and 3 are digital banks. Furthermore, 48 financing companies (including the Company) are licenced by the Saudi Central Bank to conduct one or more financing activities, of which seven are licenced to finance real estate activities, and 41 of which are non-banking financing companies. Additional local and foreign banks and companies may be licenced in the future, which would result in increased competition within the financing sector.

The Company relies on its own pricing policies, which are reviewed periodically based on the pricing adopted by competitors, and if competition intensifies in the sector and the Company is forced to reduce the profit rates paid by customers, this will impact the Company's ability to realize revenue/income negatively. The Company's future performance depends on its ability to earn, maintain and increase its market share in the finance sector by expanding its branches, digital presence, services and marketing. Decreased demand for the Company's services for any reason would adversely affect its financial results. If the Company does not succeed in achieving its expansion strategy, the demand for its services will decrease, which would have a negative impact on its financial results.

The competition the Company faces depends on many factors, including, its financial position, geographical coverage, outreach to potential customers, compliance with Shari'ah principles and terms of financing products offered to customers in comparison with what banks and other financing companies offer, including premium charges, administrative fees, grace periods, type of guarantees and the ability to adapt to new market trends (such as subsidy and Government backed loans to SMEs and individuals).

To the extent that the Company does not successfully compete in terms of the development of its customer base, new product offering, pricing, performance, distribution channels or service, its business, financial position, results of operations and/or prospects would be materially and adversely affected as a result.

2.2.4 Risks Related to Changes in the Regulatory Environment

The Company and its operations are subject to a wide range of laws and regulations, including those relating to financial services, labour (including Saudization), tax and Zakat and health and safety. The compliance costs associated with these laws and regulations are substantial and possible future laws and regulations and changes to existing laws and regulations could result in additional compliance expenses, potentially increased capital expenditures, and restrictions on, or suspensions of, certain operations.

In recent years, there has been increased regulation of the financial services industry in the Kingdom and globally, which has imposed substantial new or more stringent rules in different areas such as internal practices, capital requirements, procedures and rules, disclosure requirements, financial reporting, corporate governance, auditor independence, equity compensation plans, distribution fees dividends, and money laundering and terrorist financing. The Company cannot guarantee that the compliance, audit and reporting systems it has established in accordance with the Saudi Central Bank's regulations and requirements (which are subject to extensive oversight by regulatory authorities, including periodic examination) will, at all times, be fully effective. Compliance with those requirements depends on the Company's ability to attract and retain qualified personnel to manage and monitor such systems and procedures. In the event of actual or alleged non-compliance with regulations, the Company may be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or lawsuits, including, but not limited to, claims by customers for damages, and/or even the loss of the Company's licence(s) issued by the Saudi Central Bank (for more details, see Section 12.5 (*The Saudi Central Bank Regulations Violations*)). Any of these factors would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

On 17 May 2018G, the Saudi Central Bank issued its Responsible Lending Principles for Individual Customers, imposing the adoption of transparent procedures, checking of the customer's credit history and the use of certain calculation methods. One of these principles sets certain debt burden ratios of monthly disposable income beyond which banks and NBFIs cannot lend to their individual consumers. The Company, as well as other NBFIs, benefit from higher debt burden ratios while lending to consumers compared to banks. The limit imposed on banks is capped at 33.0 per cent. (if there is no mortgage) and 45.0 per cent. (if there is a mortgage) of the individual's income allocated to debt repayment. NBFIs, including the Company, are allowed to go over this regulatory limit by providing financing up to 65.0 per cent. of the debt burden ratio in the event that real estate financing or government real estate support is available (up to the income of twenty-five thousand Saudi Riyals (SAR 25,000) per month) and for income of more than (SAR 25,000 per month) it can go up to 65.0 per cent. For instance, the amendments to the debt burden ratio implemented by the Saudi Central Bank in the year 2019G resulted in a decline in the average loan size from (SAR 57,198) per booking as of 31 December 2018G to (SAR 40,017) per booking as of 31 December 2019G.

Any future amendment of such principles or ratios in a manner that imposes more stringent and protective measures on the Company would have a material and direct impact on the Company's business, financial position and results of operations. In addition, any breach of such requirements may expose the Company to various restrictions and penalties. The Company's inability to maintain satisfactory capital adequacy and lending ratios, currently or in the future, may affect its ability to provide its services or the manner through which it conducts its business. This would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

The Company is also subject to the Anti-money Laundering and Anti-terrorism Laws and other related regulations. These laws and regulations require the Company to adopt and implement certain KYC policies and procedures and to report suspicious transactions to the relevant authorities. Compliance with this general regulatory framework is expensive and labour-intensive. Failure to comply with any applicable laws, regulations, rules or contractual compliance obligations could result in investigations, information gathering, public censures, financial penalties, disciplinary measures, liability and/or enforcement actions being brought against the Company, including the revocation, suspension or non-renewal of licences or permissions that the Company needs to conduct its business. Any damage to the Company's reputation could deter customers from choosing it as their non-banking finance provider. Any such developments could impair the Company's ability to conduct its business and would have a material adverse effect on its business, financial position, results of operations and/or prospects.

On 12 April 2018G, the Saudi Central Bank announced the issuance of the Regulatory Rules and Procedures for Collection from Individual Customers, which apply to banks and NBFIs operating in Saudi Arabia. These new regulatory rules and procedures impose certain limitations on the manner in which banks and NBFIs collect their debts from their customers. Banks and NBFIs are not able to deduct due amounts from the customers' accounts or offset any debt against the credit balance, unless ordered by a court or consented upon in writing by the customer. This will limit the Company's ability to collect any outstanding payments swiftly, or at all and could have an adverse effect on the Company's business, financial position and results of operations.

In assessing a loan application, the Company relies in part on the applicant's credit score provided by outside services providers such as SIMAH and Bayan Credit Bureau (Bayan)or other external application evaluation regulations used by credit information companies. A change in such service providers' scoring calculation methodology in the future resulting in a lower credit score would have an adverse impact on the Company's ability to maintain and grow its loan portfolio, which would have an adverse effect on the Company's business, financial position and results of operations.

2.2.5 Risks Related to the Development of the Non-Banking Financial Sector

The growth of the non-banking financing sector in Saudi Arabia may not be as projected by the Company, as a result of several factors, the most important of which is the ability of NBFIs to compete with commercial banks, the diversity of products and the ease of procedures for obtaining financing, in addition to a number of factors that are beyond the Company's control, including any slowdown or downturn in the economic conditions in the Kingdom. Any negative impact on the non-banking financing sector would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.2.6 Risks Related to Zakat and Income Tax Calculation Mechanism Change

The ZATCA issued Circular No. 6768/16/1438 on 5 Rabi' al-Awwal 1438H (corresponding to 5 December 2016G) requiring Saudi companies listed on the Exchange to calculate income and Zakat on the basis of the nationality of their shareholders and the actual ownership of Saudi and GCC citizens and other nationals as described in the "Tadawulaty" platform at the end of the year. Prior to the issuance of this Circular, companies listed on the Exchange were generally subject to payment of Zakat or tax on the basis of the ownership of their founders in accordance with their articles of association. The effect of listed shares in determining the base of Zakat was not taken into account. This Circular was to be applied in the financial year ended 31 December 2016G and subsequent years. However, the ZATCA issued its Letter No. 12097/16/1438 on 19 Rabi' al-Thani 1438H (corresponding to 17 January 2017G), postponing the application of the Circular for the financial year ended 31 December 2017G and the coming years. Until the ZATCA issues guidelines regarding the mechanics and procedures for implementing the Circular, the implementation of such Circular in practice, including the final requirements to be met, remains under consideration, in particular the rules subjecting all non-GCC residents who are shareholders in Saudi-listed companies to income tax and applying withholding tax to dividend distributions to non-resident shareholders, regardless of their nationality. The Company has not assessed the financial impact of this Circular, nor did it take adequate steps to ensure compliance therewith. If the financial impact of this Circular, upon application, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will adversely affect its business, the results of operations, financial position and prospects.

2.2.7 Risks Related to Non-Compliance with Value Added Tax Regulations

The VAT Law came into force on 1 January 2018G, imposing a 5.0 per cent. VAT on a number of products and services. The Ministry of Finance increased the VAT to 15.0 per cent. as of 1 July 2020G. Given the relatively recent application of the VAT Law and the recent increase in the VAT rate, it is possible that violations or mistakes in its application could be made by the Executive Management or the Company's employees. This may increase the operating costs and expenses borne by the Company, expose the Company to fines or penalties, or lead to damage to its reputation. Moreover, if the Company is unable to increase its prices to offset any future increase in the VAT, its margins will be negatively affected. If the VAT increase is passed on to the Company's customers, the demand for its products may decline. The Company is also subject to VAT in other jurisdictions where it operates and where similar VAT-related risks exist. Any of the above risks would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.2.8 Risks Related to Licences and Approvals

To carry out and expand its business, the Company needs to maintain or obtain a variety of licences, certificates, permits and approvals from regulatory, legal, administrative, tax, Zakat and other authorities and agencies in the Kingdom, including without limitation, the Saudi Central Bank licences, commercial registration certificates, municipality licences and civil defence permits. The processes for obtaining these licences, certificates, permits and approvals are often lengthy and most of them are subject to conditions under which they can be suspended or terminated if the licencee fails to comply with certain requirements. The relevant licences and permits must remain valid at all times to evidence the Company's ongoing compliance with applicable laws and regulations. As of the date of this Prospectus, neither the Company nor the Subsidiary have any missing or expired licenses (see Section 12.4 (*Government Consents, Licences and Certificates*)), There is no guarantee that when renewing or modifying the scope of a licence, certificate or permit, the relevant authority will renew it or that it will not modify it, or impose conditions that would adversely affect the Company's performance if it did renew or modify it. The Company's inability to maintain or obtain the relevant licences, permits and approvals may result in the suspension of the Company's business, which would have an adverse effect on the Group's business, financial condition, results of operations and/or prospects.

2.2.9 Risks Related to Increases in Government Fees Applicable to Non-Saudi Employees

The Government has approved several resolutions intended to implement comprehensive reforms in the Saudi labour market, with additional fees being imposed on each non-Saudi employee working for Saudi entities and companies as of 1 January 2018G, and on the residence permit issuance and renewal fees of non-Saudi employee families, which came into force as of 1 July 2017G. Such fees have increased gradually from SAR 4,800 to up to SAR 9,600 annually for each employee during the year 2020G. As a result, the Government fees paid by the Company for its non-Saudi employees were SAR 0.1 million, SAR 0.1 million, SAR 0.2 million SAR 0.2 million, for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G, respectively. As any further increase in residence permit issuance and renewal fees will increase the cost of living, non-Saudi employees may seek employment opportunities in other countries with a lower cost of living. In such cases, it may be difficult for the Company to retain its non-Saudi employees and if it is unable to replace them by properly qualified Saudi employees, the Company may be forced to incur additional Government fees related to the issuance and renewal of residence permits for non-Saudi employees and their family members. This could have a material adverse effect on the Company's operations, financial position, results of operations and/or prospects. See also Section 5.11 (*Employees*) for a discussion of the achieved Saudization by the Company.

2.2.10 Risks Related to Non-Compliance with the Saudization Requirements

Compliance with Saudization requirements is a Saudi regulatory requirement, under which all companies in the Kingdom, including the Company, are required to employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies on the basis of each company's activities. Moreover, the MHRSD approved a new amendment to the "Nitaqat" programme under the name of "Nitaqat Mawzon" (Balanced Nitaqat) in July 2016G to improve market performance and development and to eliminate the non-productive Saudization. While such amendment was to come into effect on 12 Rabi al-Awwal 1438H (corresponding to 11 December 2016G), the MHRSD postponed the programme until further notice in response to private sector demands for additional time to achieve the Saudization rate. As of the date of this Prospectus, no new implementation date has been set. Under the "Nitaqat Mawzon" programme, points would be calculated based on five factors: (i) the Saudization rate; (ii) the average wage for Saudi workers; (iii) the percentage of female Saudization; (iv) job sustainability for Saudi nationals; and (v) the percentage of Saudi nationals with high wages. To date, the existing framework of the "Nitaqat" programme remains in place, and entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudization" over a 26-week period. The Company has not taken any measures to improve its Saudization rating in anticipation of the formal implementation of the "Nitaqat Mawzon" programme. Therefore, the Company may be unable to promptly respond to a new implementation deadline of the "Nitaqat Mawzon" programme, which would negatively affect the Company's ability to comply with Saudization requirements. This would have an adverse effect on the Company's financial position, result of operations and/or prospects. Moreover, pursuant to the Implementing Regulation of the Finance Companies Control Law, at least 50.0 per cent. of all employees of an NBFIs must be Saudi nationals when the NBFI starts operations (applying to all departments and organizational levels). The percentage of Saudi nationals of total human resources must be annually increased by five per cent. of all employees until 75.0 per cent. has been reached. The Saudi Central Bank may determine the minimum required annual increase thereafter. The Company was compliant with the above Saudization requirements as of 30 June 2022G in the "Nitaqat" programme within the "Platinum" category (with a Saudization percentage of 89.0 per cent.).

In the event of non-compliance with the applicable Saudization requirements, the Company would be subject to penalties by Governmental entities, such as the suspension of work visa requests and of transfers of sponsorship for non-Saudi employees, exclusion from Government loans and participation in Government tenders. As a result, the Company may not be able to continue to recruit or maintain the required percentage of Saudization. In addition, it may not be able to recruit the required number of Saudi nationals under favourable conditions. Although the Company predominantly relies on qualified Saudi employees for all Executive Management positions with the exception of the CFO, a Bahraini, approximately 23.8 per cent. of the Company's employees across various departments are non-Saudis. Further, the Company may elect to rely on qualified non-Saudi employees with relevant industry-specific experience in running the operations of the Company in the future. Therefore, any changes in local regulations which adversely impact expatriates may cause the departure of these expatriate employees from the Kingdom and may result in a possible disruption in the Company's operations. Moreover, the Company is sensitive to the costs of total salaries and related benefits, which amounted to SAR 20.2 million, SAR 22.2 million, SAR 28.9 million and SAR 16.4 million for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G, respectively, representing approximately 60.0 per cent., 67.0 per cent., 63.0 per cent. and 59.0 per cent. of operating costs for the same periods. There may be a significant increase in costs of salaries if the Company hired a larger number of Saudi employees. The occurrence of any of the above would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects (for further details, see Section 5.11.2 (*Saudization*)).

2.2.11 Risks Related to Compliance with the New Companies Law

The Government issued a new Companies Law, which shall come into force on 26 Jumada al-Akhirah 1444H (corresponding to 19 January 2023G). The new Companies Law contained new requirements, which include the obligation to formally register all corporations, including unincorporated joint ventures, the regulation and codification of share option arrangements, and the imposition of certain prerequisites for the distribution of dividends. The Company is in the process of implementing the new Companies Law on its operations. Due to the novelty of the new Companies Law, there is no guarantee that the Company will fully comply with the new Companies Law within the required legal period. In the event of any breach of the new Companies Law, it would materially and adversely affect its business, financial position, results of operations and/or prospects.

2.2.12 Risks Related to De-Pegging the Saudi Riyal Exchange Rate from the U.S. Dollar and its Re Pegging at a Different Rate

The Company relies on its operations on the Saudi Riyal only. The Saudi Central Bank's peg of the Saudi Riyal to the U.S. dollar has been maintained at the same exchange rate as the U.S Dollar. However, there can be no guarantee that the U.S. dollar peg will be maintained in the future, or that the peg will retain its current rate in the future or that the exchange rate will maintain its current exchange rate. Any de-pegging of the Saudi Riyal from the U.S. Dollar or its re-pegging at a different rate could result in significant fluctuations in the exchange rate of the Saudi Riyal against the U.S. dollar, which would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.2.13 Risks Related to Changes in Laws and Government Policies in the Kingdom

The Company and its businesses are subject to the supervision of a number of governmental bodies in the Kingdom, including but not limited to the Saudi Central Bank, the Ministry of Commerce, the municipalities, the Ministry of Human Resources and Social Development, Civil Defence, CMA, the Exchange (post listing) and others. The legislative and regulatory environment in the Kingdom is witnessing the rapid issuance of regulations and regulations, meaning that they are more vulnerable to change and development. The cost of complying with such new regulatory environment is high. If existing regulations change or new laws or regulations related to financing are issued, the Company may have to make a change in its services or financing products to meet the requirements of these laws, resulting in additional costs to be incurred by the Company, which would have a negative impact on the Company's operations, financial position and expectations.

Given the nature of its business, the Company is required to be in continuous compliance with applicable laws and regulations. Accordingly, if the Company fails to comply with these laws and regulations continually, it will be subjected to fines or penalties imposed by the relevant supervisory authorities, which would result in a reduction of its revenue growth or the suspension of its work or licences. Furthermore, the new laws, regulations and instructions would have an impact on the Company's cash flow and its collection and financing operations would have a material adverse effect on its business, financial position, results of operations and/or prospects.

On 7 Thul-Hijjah 1439H (corresponding to 18 August 2018G), the Bankruptcy Law issued by Royal Decree No. (M/50) dated 28 Jumadah al-Ula 1439H (corresponding to 14 February 2018G) came into force. The law is designed to regulate bankruptcy procedures such as preventative settlements, financial reorganizations, liquidations, preventive settlements of small debtors, financial reorganizations of small debtors, liquidations of small debtors, and administrative liquidations. However, the law and its practical features have not been tested extensively, as it is relatively new. Nonetheless, the law includes certain provisions that may affect the Company's ability to collect from its customers in default. For instance, some bankruptcy rules may apply to a segment of the Company's individual customers who represent more than approximately 60.9 per cent., 52.7 per cent. 47.5 per cent. and 49.6 per cent. of the Company's credit and finance portfolio for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G, respectively. Additionally, the law provides the option to persons in default and lenders to reach an agreement to protect the person in default from bankruptcy, which involves the rescheduling of the debt or even a reduction of the loan amount due. All such factors could affect the Company's ability to fully collect amounts due and to compete with other creditors on such collections. This would have a material adverse effect on the Company's business, financial position, results of operations and/or prospects.

2.3 Risks Related to Offer Shares

2.3.1 Risks Related to Effective Control by the Current Shareholders after the Offering

Following the Offering, the Current Shareholders will own 70.0 per cent. of the Company's Shares. As a result, they will have the ability to significantly influence the Company's business through their ability to control decisions and actions that require Shareholders' approval, including, without limitation, the election of directors, significant corporate transactions, dividend distributions and capital adjustments. In cases where the interests of the Current Shareholders conflict with the interests of minority Shareholders (including the Subscribers), the minority Shareholders may be disadvantaged and the Current Shareholders may otherwise exercise their control over the Company in a manner that would have a material adverse effect on its business, financial position, results of operations and/or prospects.

2.3.2 Risks Related to the Absence of a Prior Market for the Offer Shares

Currently, there is no public market for the Company's Shares, and there is no guarantee or confirmation that an active and liquid market for the Shares after the Offering will exist and continue. If an active and liquid market is not developed, the price of the Shares could be adversely affected, leading to a complete or partial loss of Subscribers' funds in the Company, which would adversely and substantially affect expected returns for Subscribers.

2.3.3 Risks Related to Selling a Large Number of Shares on the Exchange

The sale of a substantial number of the Shares on the Exchange following the completion of the Offering or the perception that such sales will occur could adversely affect the market price of the Shares. Upon the successful completion of the Offering, the Substantial Shareholders will be subject to the Lock-up Period following the Offering, during which they may not dispose of any Shares. However, the sale of a substantial number of Shares by the Substantial Shareholders following the Lock-up Period, or the perception that such sales will occur, could have an adverse effect on the price of the Company's Shares on the Exchange.

2.3.4 Risks Related to the Issuance of New Shares

If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares will adversely affect the share price in the market or dilute the Current Shareholders' ownership percentage in the Company, if they do not subscribe to such newly issued Shares.

2.3.5 Risks Related to Fluctuations in the Market Price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Company, the prospects for the Company's businesses, the sector in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Subscribers may not be able to sell their Shares after the Offering at the Offer Price or at a higher price. Furthermore, the Company's share price may be highly volatile or unstable due to several factors, including the following:

- negative variations in the Company's operating performance and improved performance of its competitors;
- actual or anticipated fluctuations in its quarterly or annual operating results;
- publication of negative research reports by securities analysts about the Company or its competitors or the financial services industry;
- the public's negative reaction to the Company's press releases and other public announcements;
- the resignation or retirement of key personnel;
- negative important and strategic decisions by the Company or its competitors, and negative changes in business strategy;
- changes in the regulatory environment affecting the Company or the financial services industry;
- changes in adopted accounting rules and policies;
- terrorist acts, acts of war or widespread civil unrest;
- natural and other disasters; and
- changes in general market and economic conditions.

The occurrence of any of these risks or other factors could cause the market price of the Shares to decline significantly.

From time-to-time, stock markets witness extreme price and volume fluctuations. Periodic and constant market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares and higher price volatility if the trading volume of the Shares is low, which would have an adverse effect on the Subscribers' investments in the Company's Shares.

2.3.6 Risks Related to the Distribution of Dividends

The future distribution of dividends will depend on, inter alia, future earnings, financial position, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. Moreover, the Company may not be able to pay dividends, and the Board of Directors may not recommend, and the Shareholders may not approve, the payment of dividends. The Company may become subject to the terms of its future credit financing agreements further restricting dividend payments. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for the dividend distribution. If the Company does not pay dividends on the Shares, the Shareholders may not receive any return on their investment in the Shares, unless they sell the Shares at a price higher than the price at the time of purchase. For further details regarding the dividend policy of the Company, see Section 7 (*Dividend Distribution Policy*).

3 Market Overview

The information in this Section is derived from the market study report (the "**Market Study Report**") prepared by the Market Consultant (Sutherland Global Services Private Limited) exclusively for the Company in September 2022G. The Market Consultant provides advisory services in the field of market research and digital transformation services. It is located in Chennai, India, and was established in 1986G. For more information about the Market Consultant, see its website (www.sutherlandglobal.com).

The Market Consultant prepared the Market Study Report in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. Research was conducted with a general industry perspective, and it may not necessarily reflect the performance of individual companies in the industry.

The information provided in this Section by the Market Consultant is based on an analysis of data from primary and secondary sources and a range of knowledge available internally or in the public domain and should be read in conjunction with the same. Quantitative market information was sourced from interviews by way of primary research and therefore, the information may vary due to possible changes in the business and industry climate. Market estimates and assumptions are based on varying levels of quantitative and qualitative analysis, and actual results and future events could differ materially from such estimates, predictions or statements. Nothing in the Market Study Report constitutes valuation or legal advice.

Industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent to any survey of market size. External sources have been used for some of the information about the competitors, who have not been contacted to verify the accuracy or the completeness of the information included herein. Also see "*Market and Industry Data*" on page (ii) and "*Forecasts and Forward-Looking Statements*" on page (ii).

Neither the Market Consultant nor any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives, own any shares or any interest of any kind in the Company or its Subsidiaries. As of the date of this Prospectus, the Market Consultant has given, and not withdrawn, its written consent to the use of its name, logo, statements, market information and data supplied by it to the Company in the manner, format and wording set out in this Prospectus.

The Board of Directors believes that the information and incoming market study data in this Prospectus which are obtained by other sources, including those derived from public sources or obtained by the Market Consultant, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of such information or data.

3.1 Saudi Arabian Economy Macroeconomic Overview

The Kingdom's economy is set to register strong economic growth in 2022G following uncertainties and volatilities faced in 2020G amid the COVID-19 pandemic and low oil prices. The International Monetary Fund predicts the economy will grow by 4.8 per cent. in 2022G on the back of recovery in oil prices and Government efforts to achieve greater economic diversification through the Saudi Vision 2030 programme. In the future, economic growth will be driven by continued implementation of Vision Realisation Programmes under the larger umbrella of the Saudi Vision 2030.

The following table summarises the key macroeconomic indicators for the financial years ending 31 December 2016G to 31 December 2026G:

Table 3.1: Key Macroeconomic Indicators for the Financial Years Ending 31 December 2016G – 31 December 2026G

Indicator	2016G	2017G	2018G	2019G	2020G	2021G	2022GF	2023GF	2024GF	2025GF	2026GF
Nominal GDP (SAR bn)	2,419	2,582	2,949	2,974	2,625	3,126	3,901	3,832	3,852	3,921	4,022
Real GDP (year-over-year Growth)	1.6%	(0.7%)	2.4%	0.3%	(4.1%)	3.2%	7.6%	3.6%	2.7%	2.7%	2.7%
GDP per Capita (SAR)	76,083	79,177	91,644	88,069	75,332	91,636	1,07,847	1,03,876	1,02,386	1,02,155	1,02,725
Private Consumption per Capita (SAR)	32,574	32,614	33,617	33,995	32,565	36,582	37,179	37,406	37,884	38,514	39,442
Government Revenues (SAR bn)	519	692	906	927	782	930	1,045	968	992	-	-
Government Expenditure (SAR bn)	831	930	1079	1059	1076	1,015	955	941	951	-	-
Fiscal Deficit/ Surplus (% of GDP)	(12.9%)	(9.2%)	(5.9%)	(4.5%)	(11.2%)	(2.7%)	2.5%	0.7%	1.1%	-	-
Consumer Price Index (Annual & Change)	2.0%	(0.8%)	2.5%	(2.1%)	3.4%	3.1%	2.5%	2.0%	2.0%	2.0%	2.0%
Population (Mn)	31.8	32.6	33.4	34.2	35.0	34.1	36.2	36.9	37.6	38.4	39.1

Source: IMF World Economic Outlook April 2022G, SAMA Annual Statistics 2021G, GASTAT Population Estimates in the Midyear of 2021G, MoF Budget Statement FY2022G, the Market Study Report.

3.1.1 Gross Domestic Product (GDP)

The Kingdom is the largest economy in the Middle East, a G20 member and a major player in the global oil market. Its economy is mainly influenced by oil and by Saudi Vision 2030 a long-term diversification plan introduced in 2016G to promote the development of non-oil sectors. Since the launch of Saudi Vision 2030 in 2016G, the non-oil sector's GDP contribution has increased from around 56.0 per cent. in 2016G to 60.0 per cent. in 2021G.

Real GDP expanded at a 0.7 per cent. compound annual growth rate between 2016G and 2019G, before contracting by 4.1 per cent. in 2020G owing to lower oil prices coupled with oil production cuts and a slowdown in the non-oil economy amid the Covid-19 pandemic. Oil forms a major segment of the economy and any major fluctuations in oil production and demand has an impact on the Kingdom's economy. However, in 2021G, real GDP grew by 3.2 per cent. with the easing of pandemic-induced lockdowns.

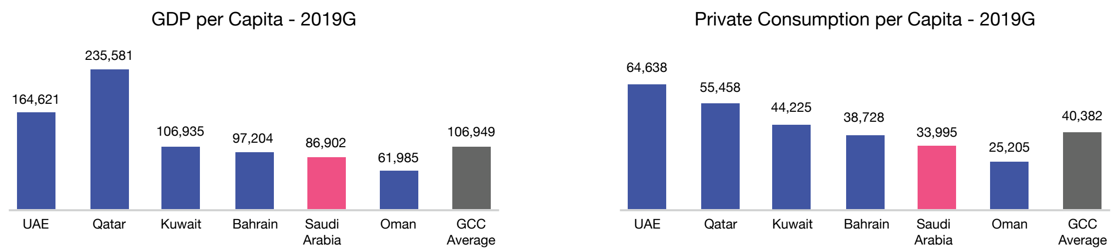
Going forward, the International Monetary Fund projects real GDP to expand by 7.6 per cent. in 2022G due to growth in the non-oil sector amid recovery in sectors such as real estate, manufacturing, wholesale and retail trade and restaurants and hotels. The growth is also expected to be driven by the government's focus on investment and economic diversification strategies, with significant investments being made by the Public Investment Fund (PIF) and other entities across the hydrocarbon and non-hydrocarbon sectors. Recovery in oil demand will further drive growth.

3.1.2 Per Capita GDP and Private Consumption

From 2016G to 2019G, per capita GDP and private consumption expenditure increased at a 4.5 per cent. and 1.4 per cent. compound annual growth rate, respectively, before declining in 2020G owing to the negative impact of the pandemic. In 2021G, per capita GDP and private consumption increased by 21.6 per cent. and 12.3 per cent., year-over-year, respectively, amid recovery after the pandemic peaked. Going forward, per capita GDP and private consumption are expected to rise at an average annual rate of 4.3 per cent. and 3.2 per cent., respectively, between 2021G and 2026G due to positive social reforms, coupled with economic reforms under Saudi Vision 2030.

The following exhibit compares the per capita GDP and private consumption of the Kingdom and other GCC countries as of 31 December 2019G:

Exhibit 3.1: GCC Countries – GDP and Private Consumption Per Capita (in SAR) as of 31 December 2019G



Source: IMF and World Bank.

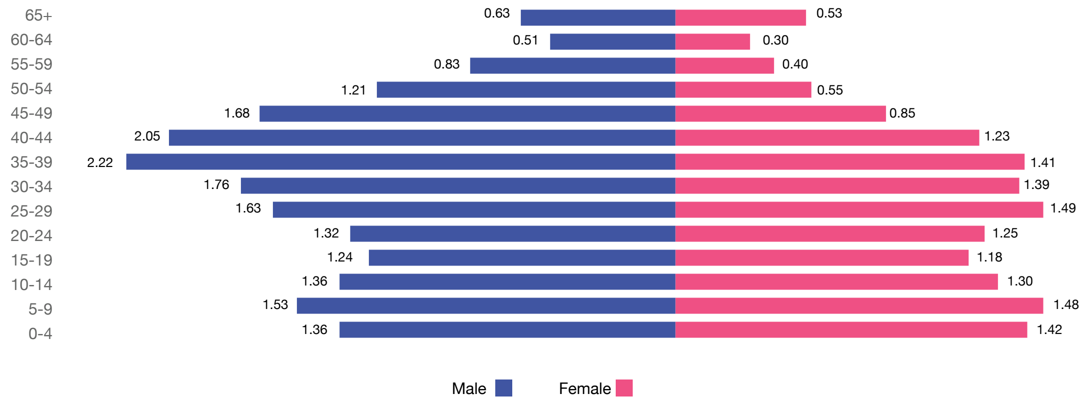
In 2019G, per capita income and private consumption in the Kingdom were lower than the GCC average. The Government focus on the non-oil sector is expected to provide increased employment opportunities, leading to higher income and a better standard of living, thereby resulting in higher spending, improving the economy and expanding employment opportunities that are expected to increase private consumption in the medium term.

3.1.3 Population

In 2021G, the total population of the Kingdom stood at 34.1 million, increasing at a 1.4 per cent. compound annual growth rate from 2016G to 2021G. The population is expected to rise at a 1.9 per cent. compound annual growth rate from 2021G to 2026G to reach 39.1 million. Males comprised 57.8 per cent. of the population compared to 42.2 per cent. for females due to the presence of a large number of male expatriates working in the country.

The below exhibit shows the breakdown of the population by number and gender in different age groups as of 30 June 2021G:

Exhibit 3.2: Population by Age and Gender (in millions)



Source: GASTAT Population Estimates in the Midyear (2021G).

The Kingdom is a relatively young country with 69.1 per cent. of the population under the age of 39. As of 2021G, around 38.0 per cent. of the population was comprised of expatriates.

3.1.4 Employment Overview

The labour force participation rate among Saudi nationals has improved from 40.3 per cent. in the first quarter of 2017G to 49.8 per cent. in the third quarter of 2021G. This rise can be attributed to various policies introduced under the 'Saudization' initiative. Another key factor for the increasing labour participation rate among Saudi nationals is higher participation from the female workforce. In the first quarter of 2017G, the female labour force participation rate was only 17.4 per cent. however, the rate improved to 35.6 per cent. in the fourth quarter of 2021G.

3.1.4.1 Unemployment Rate

The Saudization initiatives have reduced the unemployment rate among Saudi nationals. The unemployment rate decreased from 12.7 per cent. in the first quarter of 2017G to 11.8 per cent. in the first quarter of 2020G. In the second quarter of 2020G, the unemployment rate increased as businesses shut down amid the pandemic. In the third quarter of 2021G, the Kingdom recorded an unemployment rate of 11.3 per cent., the lowest since 2017G. The female unemployment rate among nationals also declined from 33.0 per cent. in the first quarter of 2017G to 21.9 per cent. in the third quarter of 2021G.

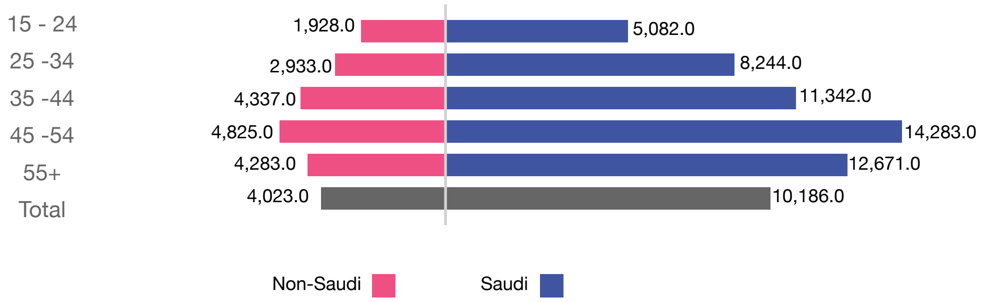
In 2021G, the Government announced plans to create an additional 340,000 jobs for Saudi nationals by 2024G. To achieve this, it has already fixed Saudization ratios in several sectors, including information technology and communications (25.0 per cent. of available jobs will be reserved for Saudi nationals) and Accountancy (30.0 per cent. jobs will be reserved for Saudi nationals).

3.1.4.2 Average Monthly Wages

In the fourth quarter of 2021G, the average monthly wage of employed personnel in the country stood at SAR 6,380—with Saudi nationals earning an average of SAR 10,186 and expats SAR 4,023.

The following exhibit shows the average monthly wages earned by Saudi and Non-Saudi nationals across different age groups:

Exhibit 3.3: Fourth Quarter 2021G Average Monthly Wages (SAR), by Nationality and Age Group



Source: GASTAT Labour Market Statistics, Fourth Quarter of 2021G.

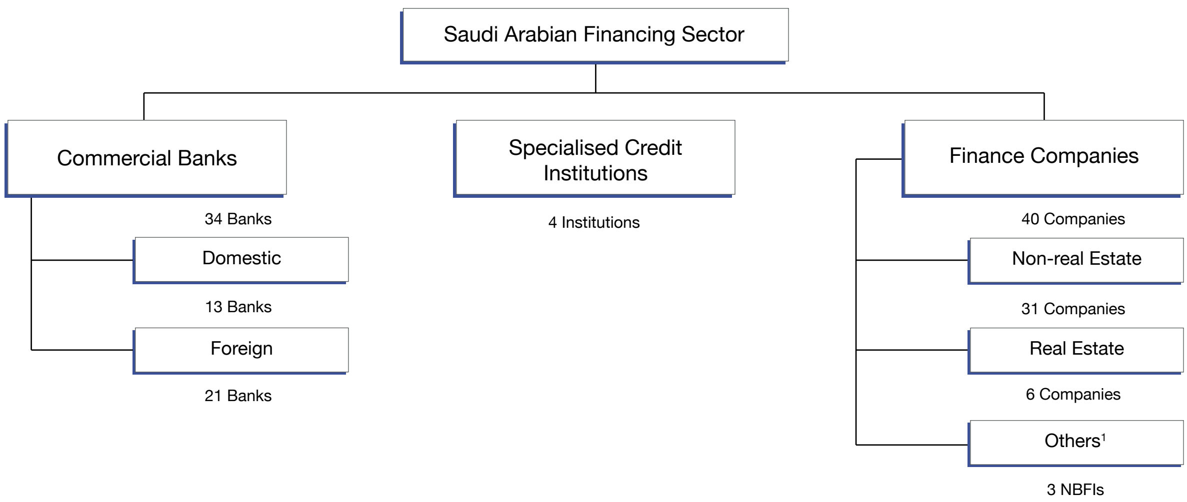
3.2 Financial Sector Overview

3.2.1 Financial Sector Institutions

The Kingdom's financial sector is comprised of banks, NBFIs and specialised credit institutions. As of 2021G, total assets managed by the financial sector were worth SAR 3.54 trillion and posted a 9.2 per cent. compound annual growth rate over 2018G (SAR 2.72 trillion). Commercial banks (Saudi domestic banks and branches of foreign banks) managed 89 per cent. of the total financial assets, followed by specialised credit institutions (9.0 per cent.) and NBFIs (2.0 per cent.).

The below exhibit shows the structure of the Saudi financial sector and the number of licenced entities as of 31 December 2021G:

Exhibit 3.4: Financial Sector Institutions Chart



[1] "Others" includes one real estate refinance and two microfinance companies

3.2.1.1 Commercial Banks

As of 2021G, 34 commercial banks have licences to operate in the Kingdom. Of these banks, 13 are domestic Saudi banks (two licenced digital banks are yet to commence operations) and 21 are licenced branches of foreign banks (six foreign digital banks are yet to start operations). The assets of commercial banks were worth SAR 3,277.8 billion in 2021G.

3.2.1.2 Specialised Credit Institutions

Specialised credit institutions provide medium- and long-term interest-free loans for development projects across sectors such as agriculture and construction. They include the Agriculture Development Fund, the Social Development Bank, the Saudi Industrial Development Fund and the Real Estate Development Fund. In the fourth quarter of 2020G, the assets of specialised credit institutions were worth SAR 323.0 billion.

3.2.1.3 NBFIs

There are 40 licenced NBFIs operating in the Kingdom. These include a real estate refinance company (Saudi Real Estate Refinance Company), two microfinance companies, six real estate NBFIs and 31 companies offering non-real estate finance. In 2021G, the assets of all NBFIs stood at SAR 66.9 billion.

3.2.2 Non-real Estate NBFIs Licenced by the Saudi Central Bank

Out of the total 40 NBFIs operating in the Kingdom, six are classified as real estate NBFIs and 31 are classified as non-real estate NBFIs. The table below lists the non-real estate NBFIs operating in the Kingdom:

Table 3.2: List of Licenced NBFIs

Companies Licenced to Provide Real Estate Finance		
Amlak International Company	Dar Al Tamleek Company	Saudi Home Loans Company
Deutsche Gulf Finance	Abdul Latif Jameel United Real Estate Finance	Bidaya Home Finance
Companies Licenced to Provide Non-real Estate Finance		
Morabaha Marina Finance Company	Tayseer Arabian Company	Al Amthal Financing Company
Nayifat Finance Company	Osoul Modern Finance Company	Saudi Finance Company
Saudi Fransi for Finance and Leasing	Gulf Lifting Financial Leasing Company	Tamwily International Company
Matager Finance Company	Raya Financing Company	Emkan Finance
United Company for Financial Services (Tas'heel Finance)	Abdul Latif Jameel United Finance Company	Yanal Finance (formerly Saudi ORIX Leasing)
Quara Finance Company	Aljabr Financing Company	AJIL Financial Services Company
Al Jasriah Company	Al Yusr Leasing and Financing	Tawkelat Financing Company
Gulf Finance Saudi Arabia	Dar Aletiman Al Saudi	National Finance Company
Ijarah Finance	Al Raedah Finance	Kirnaf Finance
American Express Company	Taajeer Finance Company	Tamweel Al-Oula
National Home Finance Company		

Source: The Saudi Central Bank.

In April 2022G, the Saudi Central Bank announced amendments to the implementing regulations of the finance laws applicable in the Kingdom, including revoking Article 4 of the implementing regulation of the Real Estate Finance Law, and the amendment to Article No. 16 of the implementing regulation of the Finance Companies Control Law.

The amendments remove the prohibition on combining any real estate finance and non-real estate finance activities, and permit the Saudi Central bank to restrict licencing with special conditions.

3.2.3 Importance of NBFIs

NBFIs play an important role in credit intermediation, along with the banking sector. The sector is comprised of specialised financing companies active in specific market segments such as real estate, automotive, equipment, consumer and microfinancing. These companies were designed to complement banks and provide financial services to individuals and companies.

NBFIs add another layer in the financial system, as they can protect the economy from financial shocks and help it to recover (from those shocks). Additionally, the regulations for NBFIs are more flexible than those for commercial banks, allowing NBFIs to cater to the financing needs of a larger market.

As per the Saudi Central Bank regulations, consumer financing is capped based on debt burden ratio and monthly disposable consumer income. The limit imposed on banks is capped at 33.0 per cent. (if there is no mortgage financing) and 45.0 per cent. (if there is a mortgage financing) if the individual's income can be allocated to debt repayment. However, NBFIs are allowed to exceed this regulatory limit. In 2019G, as per the 'Responsible Financing Principles' issued by the Saudi Central Bank under Circular No. (46538/99), the following debt burden thresholds were implemented:

Table 3.3: Debt Burden Thresholds as per the Saudi Central Bank Instructions

Salary Range	In case of no real estate finance	In case of real estate finance	In case of real estate finance under the mortgage loan programme
<SAR 15,000	Up to 45.0% of total salary	Up to 55.0% of total salary	Up to 65.0% of total salary
SAR 15,000–25,000	Up to 45.0% of total salary	Up to 65.0% of total salary	Up to 65.0% of total salary
>SAR 25,000	As per credit policies of the lender		

Source: The Saudi Central Bank.

The less-stringent rules permit NBFIs to provide higher financing. Furthermore, banks are ill-equipped to finance SMEs due to stringent regulations and high documentation, which is difficult for many SMEs to provide. As a result, NBFIs provide an alternative financing venue for SMEs.

3.2.4 Financial Sector Development Programme

In April 2017G, the Council of Economic and Development Affairs launched the Financial Sector Development Programme, one of the many delivery programmes to help achieve the Saudi Vision 2030 objectives. The key role of the programme is to create a diversified financial services sector that will support the national economy, expand sources of income and stimulate savings, finance and investments.

The current phase (2020G-2025G) of the programme will focus on strengthening financial institutions to support the private sector and increase SME financing. It also aims to boost the share of non-cash transactions in the economy from 36.0 per cent. in 2019G to 70.0 per cent. by 2025G. Some of the programme highlights (based on the three main pillars) are mentioned below:

Table 3.4: Financial Sector Development Programme Highlights

Pillars	Objectives
Help financial institutions support private sector growth	Includes several initiatives such as expansion of financial products and services, development of an innovative financial infrastructure, prudent risk management in the insurance sector and development of talent
Form an advanced capital market	Aims to make the Saudi financial market more attractive to local and international investors with various initiatives encompassing diversified investment products and legislation
Promote and aid financial planning	Enhancing the demand and supply sides of savings to bolster the Kingdom's savings ecosystem; this includes creating incentives to offer a diverse range of lucrative and safe saving products and promoting financial literacy and planning

Source: www.vision2030.gov.sa

The following are some key targets that the programme aims to achieve by 2025G:

Exhibit 3.5: Key Targets of Financial Sector Development Programme

3,515
billion SAR

In banking assets
by 2025G

80.8%*

Increase in market value (as a percentage of GDP) of the Tadawul stock market by 2025G (*Ex Aramco)

30

Emerging companies (such as financial technology companies) will drive innovation and competition by 2025G

11.0%

Increase in the share of financing SMEs from banks by 2025G

46.0%

Improve share of listed micro and small cap companies by 2025G

70%

Growth in the share of cashless operations to develop digital infrastructure by 2025G

3.2.5 Regulatory Overview

The Saudi Central Bank regulates the financial sector in the Kingdom. It is also authorised to extend licences to companies to engage in one or more financial activities in line with the local finance laws and regulations.

In 2012G, the Saudi Central Bank became responsible for supervising and overseeing NBFIs under the Finance Companies Control Law issued by Royal Decree No. M/51 dated 13/08/1433H. In November 2014G, the Saudi Central Bank announced the full implementation of the law. This legislation allowed new financing and leasing companies to operate and compete in the finance market. Finance companies are privately held and primarily focus on real estate and leasing operations.

3.2.5.1 The Saudi Central Bank

The Saudi Central Bank issues licences to all financial institutions in the Kingdom which specify the type of finance products these companies can provide. However, the Saudi Central Bank can also limit a company's business within a specific area in the country. The Finance Companies Control Law (Royal Decree No. M/51 dated 13/8/1433H) states that companies can be licenced for the following activities:

- real estate finance;
- productive assets finance;
- small and medium enterprise (SME) finance;
- finance lease;
- credit card finance;
- consumer finance;
- microfinance; and
- others (as approved by the Saudi Central Bank).

As specified by the Saudi Central Bank, an NBFIs may not engage in activities other than financing or directly or indirectly acquiring other entities engaged in non-finance activities. The same applies for trading in currencies, gold, precious metals, securities real estate, wholesale or retail trading.

3.2.5.2 Key Regulatory Developments

To help the economy grow and ensure financial stability, the Saudi Central Bank has issued several new rules and regulations. The following are the recent regulatory updates from the Saudi Central Bank:

(a) Debt-based Crowdfunding

In December 2020G, the Saudi Central Bank established licensing procedures and requirements for companies to engage in debt-based crowdfunding activities. The objective of this regulation is to attract a new segment of investors and companies to work under the Saudi Central Bank's supervision and develop the finance sector by introducing modern financing products.

(b) Deposit Taking Finance Companies

In November 2020G, the Saudi Central Bank issued deposit taking regulations, wherein NBFIs can receive savings and time deposits from non-individual customers to grant loans, credit and advances (out of these deposits) once they are classified as a deposit taking finance company. The Saudi Central Bank has introduced governance and risk management requirements such as minimum capital and liquidity that need to be fulfilled for carrying out deposit taking activities.

(c) Credit Risk Exposures Classification and Provisioning

The Saudi Central Bank issued rules for the classification of credit risk exposures and provisions in November 2020G. These rules list the requirements with respect to expected credit losses provisions and practices to be adopted by NBFIs for credit risk assessment and measurement. They also provide quantitative and qualitative thresholds to classify credit risk exposures and cover guidelines for restructured/rescheduled loans, forborne loans, write-offs, etc.

(d) Liquidity Risk Management Rules

The Saudi Central Bank issued liquidity risk management regulations for NBFIs in 2021G. These guidelines establish a governance structure that can manage liquidity risk. NBFIs are required to have a liquidity risk management framework including liquidity risk management strategies, policies and procedures, stress testing and scenario analysis. They also cover requirements for contingency funding plans and internal controls related to liquidity risk.

(e) Mandatory permit for Buy Now, Pay Later companies

The Saudi Central Bank made it mandatory for all buy now, pay later companies to obtain permits before offering their services in the Kingdom. These companies needed to apply for permits by 4 December 2021G to continue offering services in the Kingdom. The regulation comes amid growing demand from industry experts to regulate the deferred payment sector.

3.2.6 Government Initiatives

The Government has launched specific initiatives to support and develop the SME and financial sectors and boost the demand for financial products. Some of these initiatives are as follows:

3.2.6.1 KAFALAH Programme

The *Kafalah* programme was launched in 2004G by the Saudi Industrial Development Fund and Saudi banks. It aims to overcome obstacles faced by SMEs that are economically viable, but do not have the ability to guarantee financial institutions. With the help of this programme, an SME can obtain the required financing from all Saudi banks and a few NBFIs, by guaranteeing a portion of the financing.

In 2020G, the total financing under this programme increased by 156.0 per cent. year-over-year to reach SAR 12.3 billion, benefitting 5,720 companies as opposed to 2,777 companies in 2019G. The rise was due to the implementation of the SME Guaranteed Financing to overcome the financial and economic impact of the pandemic.

3.2.6.2 The General Authority for Small and Medium Enterprises (***Monsha'at***)

Monsha'at was established in 2016G to regulate, support, develop and sponsor the SME sector in line with global best practices. Monsha'at aims to diversify funding sources provided to SMEs, support initiatives within the venture capital sector, develop policies and standards to fund small and medium projects, establish companies that specialise in funding and encourage banks and NBFIs to invest and fund enterprises.

Monsha'at activities are categorised into the following four strategic pillars:

- promote entrepreneurship to increase the rate of establishing new companies;
- facilitate the growth of businesses by addressing the basic needs of SMEs;
- develop capabilities and competitiveness of SMEs; and
- open different funding sources for SMEs.

In 2021G, *Monsha'at* enabled SAR 11.0 billion through Funding Gate, an online platform for SME financing established in 2019G. It also invested SAR 1.3 billion through the Saudi Venture Capital Company.

3.2.6.3 Impact of COVID-19

COVID-19 was declared a pandemic by the World Health Organisation in March 2020G. Since then, it has spread at an alarming speed, infecting millions and halting economic activities worldwide. Countries imposed stringent restrictions on movement to contain the spread of the virus, and thus disrupting the global supply chain. The global economy growth contracted by 3.2 per cent. in 2020G after increasing by 2.8 per cent. in 2019G due to rapid spread of the virus and the subsequent economic downturn. This damage was largely driven by a decrease in demand and limited supply movement. The effect of the pandemic pushed economies around the world into recession.

In line with the global impact, the Saudi economy also suffered amid COVID-19. The pandemic weighed on both the oil and non-oil sectors and delayed investment projects, creating large shortfalls in fiscal and external positions. The Saudi economy contracted by 4.1 per cent. in 2020G due to dip in global oil demand and restricted growth in non-oil sectors because of curbs on movement to contain the virus spread.

To support the Saudi economy during the crisis, Government agencies announced a series of support packages (totalling around SAR 229.0 billion) in the private sector. Some of the major initiatives initiated by the Government are highlighted below:

- SAR 70.0 billion in fiscal initiatives such as exemption from the expat levy (for three months) and postponement of some Government dues;
- a SAR 70.0 billion package to support the private sector;
- around SAR 50.0 billion to ensure that Government dues to the private sector are paid in a timely manner;
- a wage subsidy of 60.0 per cent. (up to SAR 9,000 per employee/month) for Saudi employees in the private sector for three months, with a ceiling of around SAR 9.0 billion. Further, the Human Resource Development Fund allocated SAR 5.3 billion to support private sector enterprises to hire and train nationals;
- tax-related measures such as extending deadlines for filing tax returns and paying those taxes so that there are no lapses in the payment of taxes; and
- the allocation of SAR 13 billion by the Social Development Bank to help citizens, families and small establishments cope with the consequent economic impact.

The Saudi Central Bank also announced several measures as part of the Government's efforts to combat the financial and economic impact of COVID-19 on the private sector, particularly on the SME sector. Through the Private Sector Financing Support Programme, the Saudi Central Bank injected SAR 50.0 billion into the banking sector to enhance liquidity and help banks provide credit facilities to the private sector. The programme helps the private sector promote economic growth through the following measures:

(a) Deferred Payments Programme

Since launch of the programme in March 2020G, the Saudi Central Bank deposited around SAR 30.0 billion, helping banks and financing companies delay the payment of dues from SMEs for a period of six months, which was further extended to 30 June 2022G.

(b) Guaranteed Financing Programme

During the financial year ended 31 December 2020G, the Saudi Central Bank deposited around SAR 6.0 billion for banks and insurance companies to relieve SMEs from the financial burden of the *Kafalah* programme in order to minimise financing costs and support finance expansion. This programme guarantees 95.0 per cent. of the loan subject to approvals and provides additional support in enhancing the creditworthiness of micro companies.

(c) Funding for Lending Programme

The Saudi Central Bank provided concessional finance of around SAR 13.2 billion for SMEs through low-cost loans from banks and NBFIs. In addition, the Saudi Central Bank allocated more than SAR 800 million for the point-of-sale and e-commerce fees of all stores and companies in the private sector for 3.0 months during the pandemic.

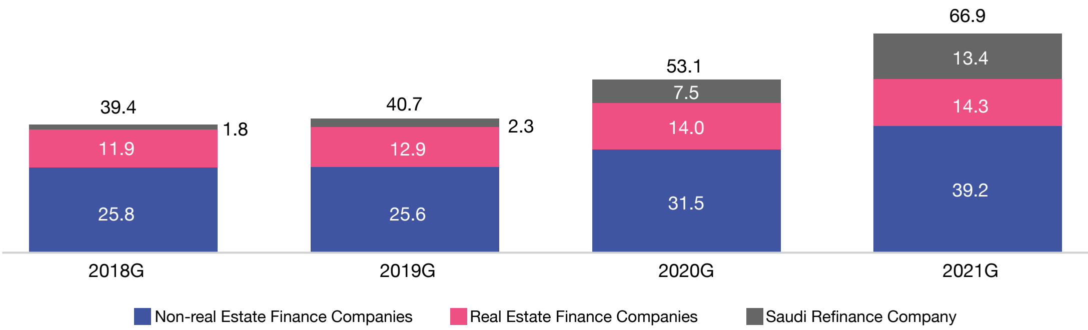
The Government continued lending to the private sector to reduce the impact on economic activities due to COVID-19. The Government lent around SAR 204.0 million to 12 projects across sectors such as healthcare, education and training, hospitality and tourism. It also postponed the collection of instalments due in 2020G– 2021G.

3.2.7 NBFIs Market Size

3.2.7.1 Total Assets

The following exhibit summarises the total assets of NBFIs for the years ending 31 December 2018G to 31 December 2021G:

Exhibit 3.6: Asset Size of NBFIs for the Years Ending 31 December 2018G to 31 December 2021G (SAR billions)



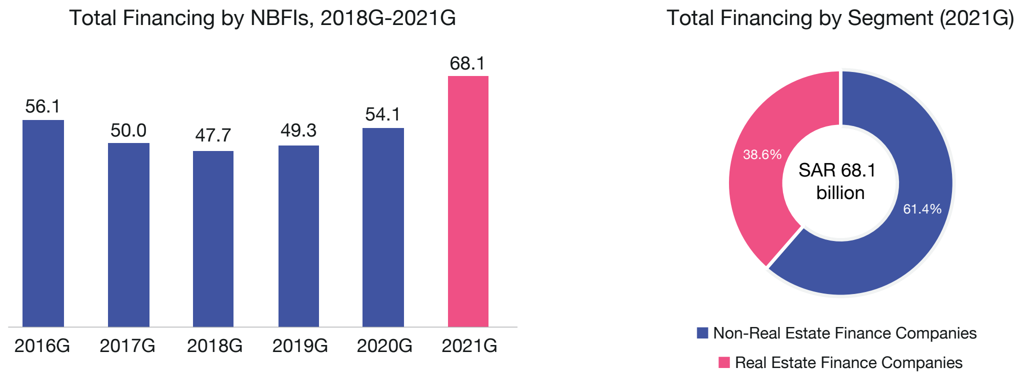
Source: The Saudi Central Bank, Monthly Bulletin June 2022G

In 2021G, total assets of NBFIs increased by 26.1 per cent. compared with 2020G. This was driven by a rise in the assets of Saudi Refinance Company (78.2 per cent. year-over-year) and non-real estate companies (24.3 per cent. year-over-year). Total Financing by the Saudi Refinance Company increased with higher demand for mortgages driven by a low interest rate environment in the Kingdom.

3.2.7.2 Total Financing

The following exhibit shows the total financing extended by NBFIs as of 31 December 2016G to 31 December 2021G and the percentage share of real estate and non-real estate NBFIs as of 31 December 2021G:

Exhibit 3.7: Total Financing Extended by NBFIs as of 31 December 2016G to 31 December 2021G (SAR billion)



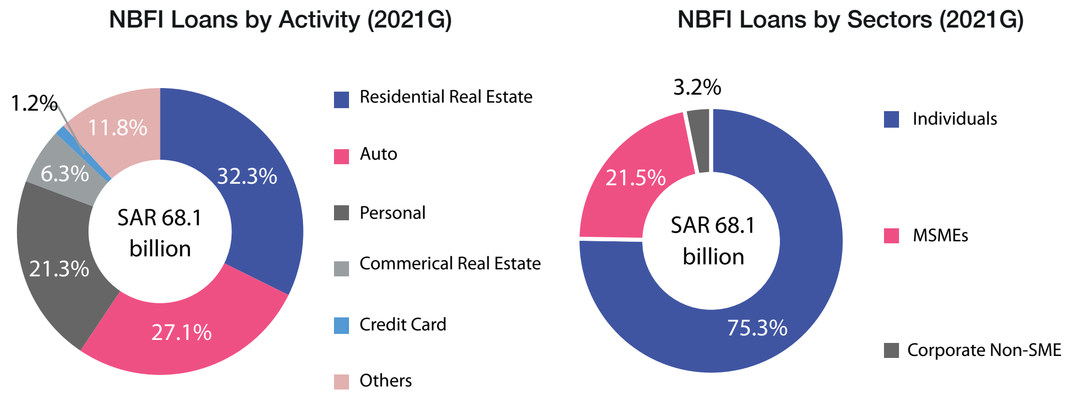
Source: The Saudi Central Bank, Monthly Bulletin June 2022G.

Since 2018G, total financing extended by NBFIs has steadily increased. Of the total financing provided by NBFIs as of 2021G, individuals accounted for around 75.3 per cent. and the SME and corporate segments accounted for the remaining 24.7 per cent.

In 2021G, financing for individuals increased by 26.9 per cent. year-over-year on the back of an increase in personal finance and residential real-estate finance. Consumer spending in the Kingdom increased to SAR 333.6 billion in the fourth quarter of 2021G driven by increased household spending in the Kingdom.

The following exhibit shows the share of NBFIs lending by activity and sector as of 31 December 2021G:

Exhibit 3.8: NBFIs Lending by Activity as of 31 December 2021G



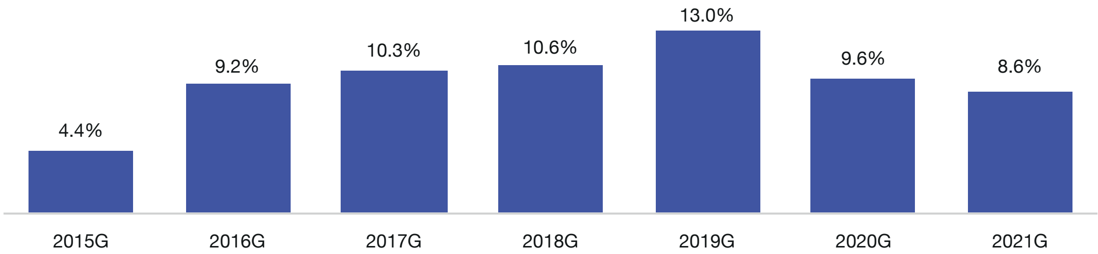
Source: The Saudi Central Bank, Monthly Bulletin June 2022G.

Real estate lending (including residential and commercial real estate) accounted for around 38.6 per cent. of total lending by NBFIs, followed by auto loans (around 27.1 per cent.). Individuals accounted for 75.0 per cent. of total loans compared to 22.0 per cent. for Micro, small and medium enterprises.

3.2.7.3 Non-performing Loans

The following exhibit shows the non-performing loans ratios for NBFIs as of 31 December 2015G – 31 December 2021G:

Exhibit 3.9: Non-performing Loans Ratios for NBFIs as of 31 December 2015G – 31 December 2021G

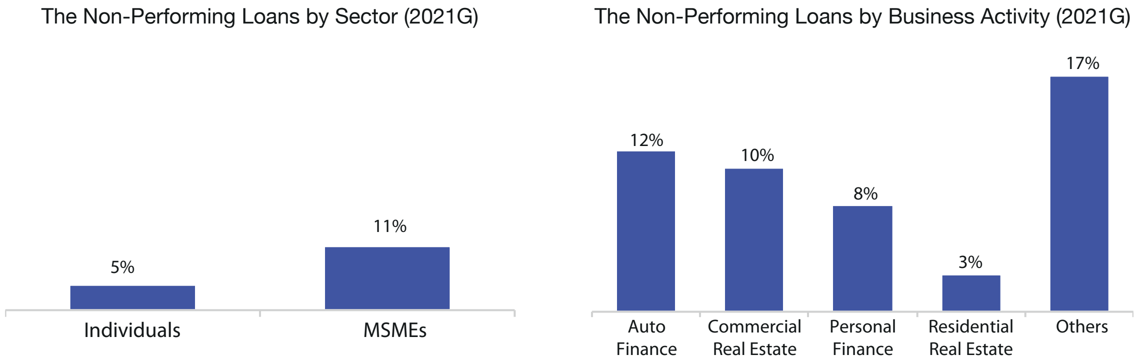


Source: The Saudi Central Bank, Financial Stability Report 2021G.

Non-performing loans of NBFIs decreased from 9.6 per cent. in 2020G to 8.6 per cent. in 2021G due to Government initiatives, such as the Saudi Central Bank's deferred payments programme for SMEs during the COVID-19 pandemic. This programme allowed the NBFIs to defer payment of dues by SMEs, resulting in a decrease in bad debts.

The following exhibit shows the segmentation of non-performing loan ratios for NBFIs by sector and business activity in 2021G:

Exhibit 3.10: Segmentation of Non-performing Loans by Sector and Business Activity as of 31 December 2021G



Source: The Saudi Central Bank, Financial Stability Report 2022G.

The non-performing loans ratio for MSMEs decreased from 15.7 per cent. in 2020G to 11.2 per cent. in 2021G on the back of Government support packages received during the pandemic (Deferred Payment Programme). Non-performing loans for individuals stood at 4.5 per cent. in 2021G, a marginal decrease of 0.6 per cent. from the previous year.

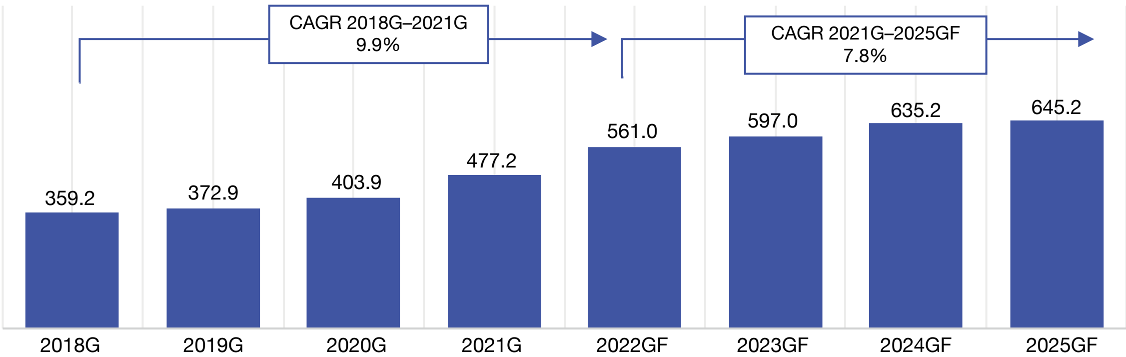
The non-performing loans ratio for auto loans stood at 11.8 per cent., a 3.5 per cent. year-over-year decrease. The non-performing loans ratio for commercial real estate also fell by 2.1 per cent. to reach 10.5 per cent. in 2021G and non-performing loans for residential real estate remained stable at around 3.0 per cent.

3.3 Demand for Financing Products

3.3.1 Consumer Financing by Commercial Banks and NBFIs (excluding real estate finance)

The below exhibit shows the growth of total consumer financing extended by commercial banks and NBFIs (excluding real estate NBFIs) during the fiscal years ending 31 December 2018G – 31 December 2021G and forecasted growth between 31 December 2022G and 31 December 2025G:

Exhibit 3.11: Consumer Financing by Commercial Banks and NBFIs (excluding real estate finance) – (31 December 2018G – 31 December 2025GF)



Source: The Saudi Central Bank, Monthly Bulletin June 2022G, the Market Study Report.

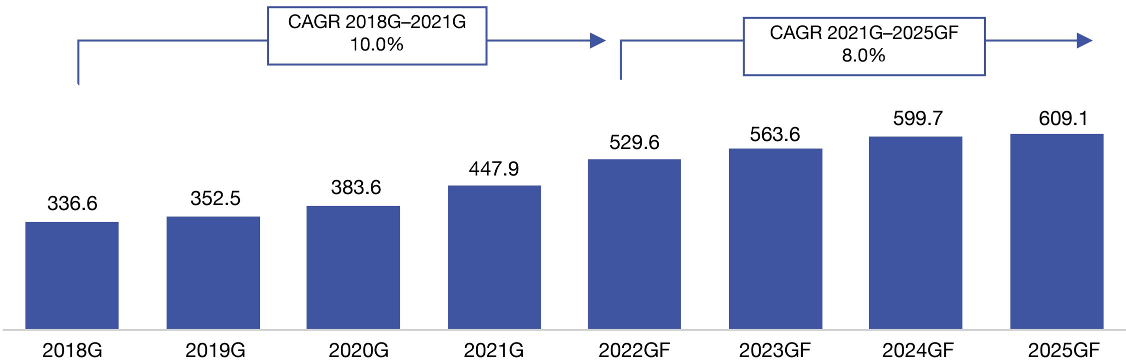
The total consumer finance extended by commercial banks and non-real estate NBFIs was worth SAR 477.2 billion as of 31 December 2021G, rising at a compound annual growth rate of 9.9 per cent. from 2018G to 2021G. Commercial banks dominate the consumer financing market and accounted for around 93.9 per cent. of the total consumer finance provided as of 31 December 2021G.

Between 2021G and 2025G, the consumer finance market is expected to rise at a compound annual growth rate of 7.8 per cent. to reach SAR 645.2 billion, driven by increased demand for consumer finance from both commercial banks and non-real estate NBFIs.

3.3.1.1 Consumer Loans by Commercial Banks (excluding real estate financing)

The below exhibit shows growth of the total consumer financing extended by commercial banks (excluding real estate finance) during the years ending 31 December 2018G to 31 December 2021G and forecasted growth between 31 December 2022G and 31 December 2025G:

Exhibit 3.12: Consumer Loans by Commercial Banks (excluding Real Estate financing) (SAR billion) (31 December 2018G – 31 December 2025G)



Source: The Saudi Central Bank, Monthly Bulletin June 2021G, the Market Study Report.

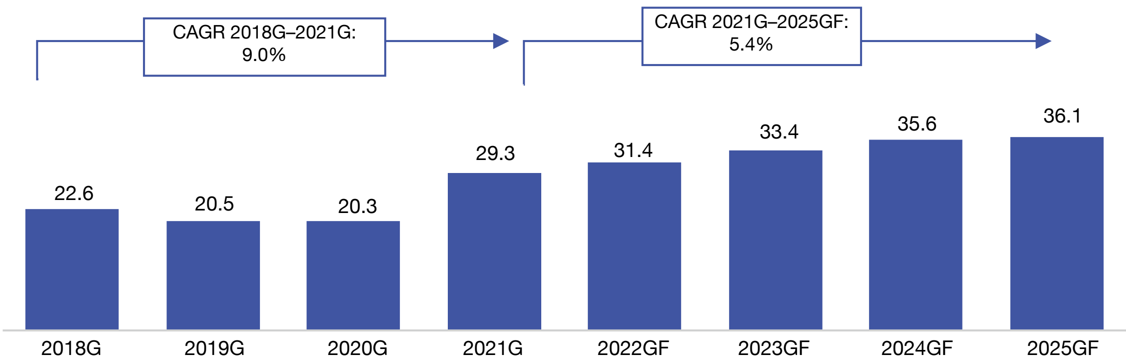
Consumer loans provided by commercial banks recorded a compound annual growth rate of 10.0 per cent. from 2018G to 2021G. As of 2021G, commercial banks extended SAR 447.9 billion in consumer (SAR 428.4 billion) and credit card (SAR 19.5 billion) loans, accounting for 21.8 per cent. of the total loans disbursed by banks.

Historically, commercial banks accounted for around 94.0 per cent. of the total consumer finance provided by banks and non-real estate NBFIs. Going forward, banks are expected to continue to dominate the market and the total share to be stable at around 94.0 per cent. On the back of this, we expect consumer loans provided by commercial banks to post a compound annual growth rate of 8.0 per cent. to reach SAR 609.1 billion from 2022G to 2025G

3.3.1.2 Consumer Finance by NBFIs (excluding real estate financing) – Forecast: 2021G to 2025G

The below exhibit shows the growth of the total consumer financing extended by non-real estate NBFIs during the fiscal years ending 31 December 2018G to 31 December 2021G and forecasted growth between 31 December 2022G and 31 December 2025G:

Exhibit 3.13: Consumer Financing by Non-real Estate NBFIs (SAR billion) (31 December 2018G – 31 December 2025GF)



Source: The Saudi Central Bank, Monthly Bulletin June 2022G, the Market Study Report.

In 2021G, consumer finance extended by non-real estate NBFIs stood at SAR 29.3 and is expected to reach SAR 36.1 billion by 2025G growing at a compound annual growth rate of 5.4 per cent. In 2021G, consumer finance provided by non-real estate NBFIs increased 44.4 per cent. compared to the previous year.

3.3.1.3 Demand Drivers

Rising Working Population: The Kingdom's total population is expected to rise at a compound annual growth rate of 1.9 per cent. from 2020G to 2026G to reach 39.1 million. As of 2021G, around 70.0 per cent. of this population falls under the age of 39. The country's rising population will drive the demand for personal finance to fulfil requirements in areas such as healthcare, education and housing.

Social Reforms: Women accounted for 42.2 per cent. of the total Saudi population in 2020G. Their participation in the labour force also increased from 17.8 per cent. in the third quarter of 2017G to 34.1 per cent. in the third quarter of 2021G. In 2021G, 139,754 commercial licences were issued to women entrepreneurs - a 112 per cent. increase from 2015G. The rising participation of women in the labour force coupled with the Government's social reforms is expected to drive the demand for personal finance.

Expanding e-commerce industry: The e-commerce industry in the Kingdom registered a 60.0 per cent. year-over-year growth in 2020G driven by the pandemic. The industry is expected to increase at a 24.6 per cent. compound annual growth rate from 2020G - 2025G. The surge in the e-commerce industry will improve consumer consumption and boost demand for consumer financing, especially credit card financing.

Increasing demand for credit cards: At 16.0 per cent., credit card penetration in the Kingdom lags behind the global average of 19.5 per cent. Credit cards are steadily becoming the preferred mode of payment on e-commerce platforms in the country.

3.3.2 SME Sector in the Kingdom

The General Authority for Small and Medium Enterprises (*Monsha'at*) categorises companies into micro, small and medium enterprises based on the number of full-time employees and revenues.

Table 3.5: MSME categories

Enterprise Category	Number of Employees (Full time)	Annual Revenues
Micro	1 to 5	<SAR 3 million
Small	6 to 49	SAR 3-40 million
Medium	50 to 249	SAR 40-200 million

Source: The General Authority for Small and Medium Enterprises (*Monsha'at*).

SMEs are one of the most important catalysts for economic growth in the country, as they create employment opportunities, boost local capabilities, enhance the competitiveness of the business environment, support innovation and boost exports. SMEs form an integral part of the Kingdom's economy to diversify the economy and strengthen the non-oil sector under the Saudi Vision 2030.

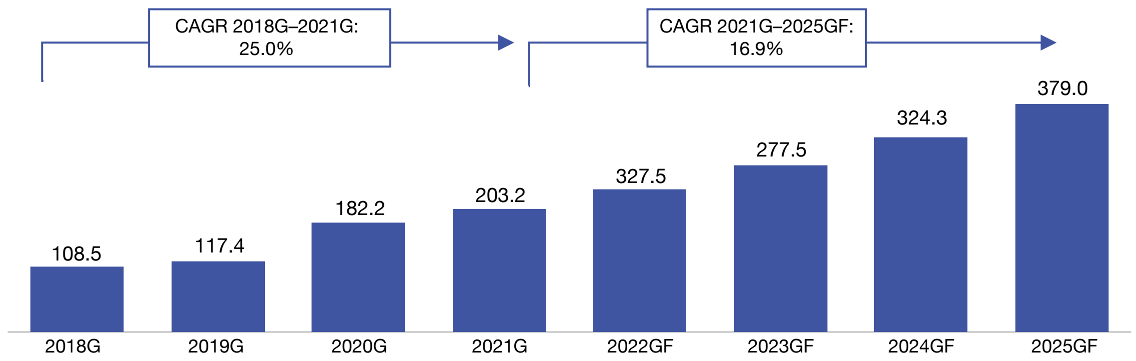
The Government supports the SME sector through various reform programmes aimed at diversifying the economy with a key focus on local capabilities, ultimately aimed at increasing SME contribution to the GDP from 20.0 per cent. in 2016G to 35.0 per cent. by 2030G. To achieve this, a new Government agency—the SME Authority (SMEA) - was created in October 2015G to support small businesses. According to SMEA, SMEs contribute around 70.0 per cent. of GDP in many advanced economies, but the contribution of SMEs is very low in the Kingdom.

Since the launch of the Saudi Vision 2030, the contribution of SMEs to GDP increased from 20.0 per cent. in 2016G to 29.0 per cent. in 2018G. Further, the number of SMEs has increased from 447,749 in 2016G to 626,669 in 2020G. According to *Monsha'at*, as of 2021G, SMEs accounted for 99.6 per cent. of all private sector establishments and more than 60.0 per cent. of private sector employees. The Government aims to increase SME contribution from 20.0 per cent. in 2016G to 35.0 per cent. by 2030G.

Despite these efforts, the total financing received by SMEs is very limited. The total share of SME financing loans stood at 8.3.0 per cent. in 2020G compared with 2.0 per cent. in 2016G. SMEs have limited cash reserves and are finding it increasingly difficult to meet expenses beyond the next few months. As these companies struggle to attract funding from financial institutions due to a lack of required documents and low creditworthiness, the Government is encouraging financial institutions to allocate up to 11.0 per cent. of their overall funding to SMEs by 2025G and 20.0 per cent. by 2030G.

The below exhibit shows the growth of the total financing extended by commercial banks and NBFIs to MSMEs during the fiscal years ending 31 December 2018G to 31 December 2021G and forecasted growth between 31 December 2022G and 31 December 2025G:

Exhibit 3.14: MSME Financing by Commercial Banks and NBFIs – Forecast (SAR billion) (31 December 2018G–31 December 2025GF)



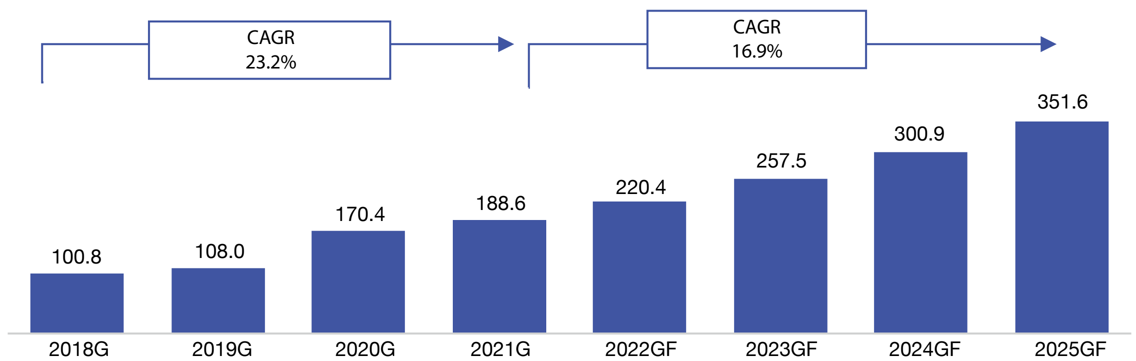
Source: The Saudi Central Bank, Monthly Bulletin June 2022G, the Market Study Report.

In 2021G, MSME finance extended by commercial banks and NBFIs was worth SAR 203.2 billion, increasing at a 25.0 per cent. compound annual growth rate from 2018G to 2021G, with commercial banks accounting for around 93.0 per cent. of the total MSME finance provided. From 2021G to 2025G, the MSME finance market is expected to record a compound annual growth rate of 16.9 per cent. to reach SAR 379.0 billion.

3.3.2.1 MSME Loans by Commercial Banks

The below exhibit shows the growth of the total financing extended by commercial banks to MSMEs from the years ending 31 December 2018G to 31 December 2021G and forecasted growth between 31 December 2022G and 31 December 2025G:

Exhibit 3.15: MSME Loans by Commercial Banks (SAR billion) (31 December 2018G – 31 December 2025GF)



Source: The Saudi Central Bank, Monthly Bulletin June 2022G, the Market Study Report.

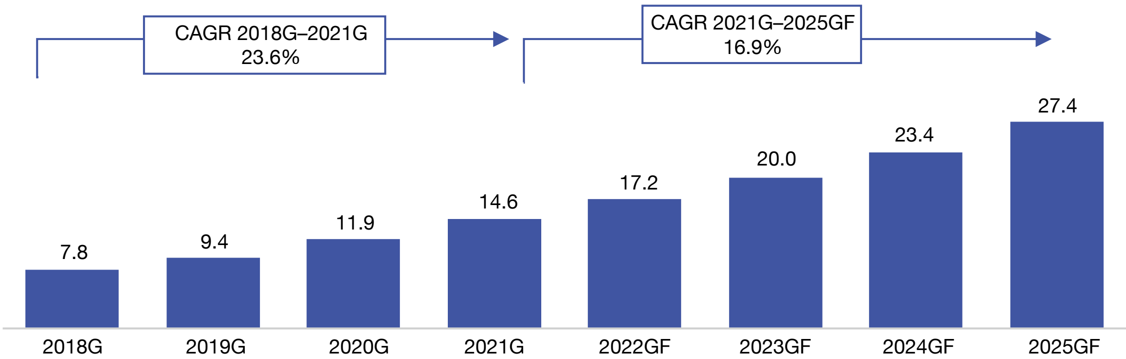
In 2021G, MSME loans extended by commercial banks were valued at SAR 188.6 billion, registering a 23.6 per cent. compound annual growth rate from 2018G to 2021G. As per the Financial Sector Development Programme, SME loans are expected to account for 11.0 per cent. of the total bank loans. As a result, MSME loans extended by commercial banks are expected to grow at a compound annual growth rate of 16.9 per cent. from 2021G to 2025G to reach SAR 351.6 billion.

Growth in MSME loans is mainly driven by the Government push to increase SME contributions to the GDP (in line with the Saudi Vision 2030).

3.3.2.2 MSME Financing by NBFIs

The below exhibit shows the growth of the total financing extended by NBFIs to MSMEs during the fiscal years ending 31 December 2018G to 31 December 2021G and forecasted growth between 31 December 2022G and 31 December 2025G:

Exhibit 3.16: MSME Financing by NBFIs (SAR billion) (31 December 2018G – 31 December 2025GF)



Source: The Saudi Central Bank, Monthly Bulletin June 2022G, Market Study Report

In 2021G, MSME financing provided by NBFIs amounted to SAR 14.6 billion having grown at a compound annual growth rate of 23.6 per cent. between 2018G and 2021G. Commercial banks are expected to continue to provide the largest share of financing to MSMEs, whereas MSME finance extended by NBFIs is expected to register a 16.9 per cent. compound annual growth rate to reach SAR 27.4 billion in 2025G. Moreover, the share of MSME financing to nominal GDP is expected to increase from 0.5 per cent. in 2021G to 0.8 per cent. in 2025G.

The growth can be attributed to Government initiatives encouraging growth of non-oil sectors. Development of non-oil sectors is expected to create many opportunities for MSMEs, thereby fuelling the need for financing among MSMEs. As per the Saudi Vision 2030 objectives, the Government expects around 20.0 per cent. of the total funding by financial institutions to be allocated to SMEs by 2030G.

3.3.2.3 Demand Drivers

Development of the Industrial Sector: The Government launched the National Industrial Development and Logistics Programme in 2019G to develop industrial sectors in the country. These sectors include aerospace, automotive, building materials, chemicals, food processing, machinery and equipment, medical devices, minerals and metals, pharmaceuticals, biotech and renewables. The programme also focusses on increasing local content in these sectors and creating opportunities for MSMEs to develop. This is expected to boost the demand for MSME financing in the country.

Expanding Role of the Private Sector: With the launch of the Privatisation Programme in 2018G, the Government wants to increase the share of the private sector in the national economy and make Government assets available. The Government is promoting the public–private partnership model by providing incentives to the private sector. Such incentives, coupled with preferences for local content, will enable higher contribution from SMEs in providing products and services for sectors that were historically managed by the Government. This will result in an increased demand for SME financing.

Growth of the Tourism Sector: The tourism sector is identified as one of the key sectors under the Saudi Vision 2030 and is expected to contribute more to the GDP (from around 3.0 per cent. in 2020G to more than 10.0 per cent. by 2030G), attract 100 million visitors annually and create 1 million jobs by 2030G. The Government has already facilitated access to e-tourist visas and enabled visa on entry in 49 countries. These initiatives are set to generate investment opportunities for local and foreign players in the country, thereby driving the demand for financing in the country.

Growth in Point-of-Sales Transactions: The number of point-of-sale terminals recorded around 39.0 per cent. year-over-year growth to 1 million in 2021G, from 721,000 in 2020G. The increase can be attributed to an exponential growth in the number of point-of-sale transactions over the same period-2.8 billion in 2020G to 5.0 billion by 2021G, as consumers turned to online and digital non-contact payments during the pandemic. To cater to this demand, offline retailers/SMEs had to buy point-of-sale devices to accept debit and credit card payments. Moreover, SMEs started to take financing to purchase point-of-sale systems, thereby driving the need for financing requirements. The trend for non-cash transactions is expected to continue after the pandemic, facilitating the demand for financing in the near future.

Government Initiatives: Various initiatives launched under the Saudi Vision 2030 are also expected to drive growth of the SME sector in the country. Such efforts are expected to encourage SME financing, which will drive the growth of NBFIs in the future. Major initiatives include:

- increasing SME contribution to the GDP from 20.0 per cent. to 35.0 per cent., which will boost the development of current SMEs and foster the establishment of new companies, thereby driving the demand for financing;
- boosting assets of the Public Investment Fund from SAR 600.0 billion to over 7.0 trillion by 2030G. In 2017G, the fund announced the setting up of Jada (fund of funds company) to support SMEs by investing in venture capital and private equity funds; and

- facilitating enhanced access to funding and encouraging financial institutions to allocate up to 20.0 per cent. of funding to SMEs by 2030G; this is expected to drive growth of SME financing in the country.

In addition, under the Financial Sector Development Programme, the Saudi Central Bank recently launched several financing programmes including *Kafalah* Deferred Payment and Guaranteed Financing and established the SME General Authority. In 2018G, the Government established Saudi Venture Capital Company to stimulate venture investments in funds that invest in start-ups and SMEs. It also co-invests with angel groups to minimise financing gaps for start-ups and SMEs. Such initiatives are expected to drive the demand for SME financing in the country.

3.4 Competition Overview

The non-real estate NBFIs market in the Kingdom is fragmented, with 31 active players (excluding microfinance companies). These can be broadly categorised into the following three areas:

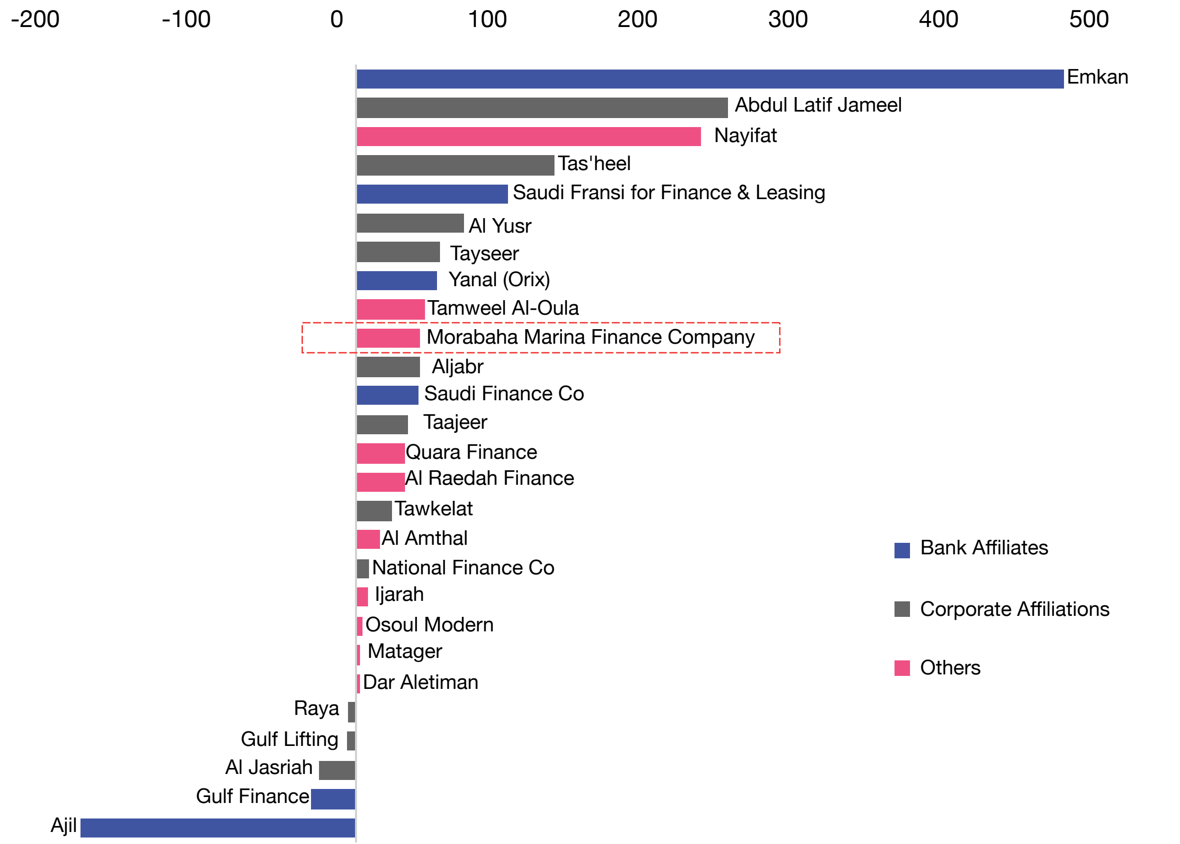
Table 3.6: Non-Real Estate NBFIs Landscape in the Kingdom

NBFI Category	General Characteristics	Major Companies
Bank Owned NBFIs	– Significant ownership by banks or other financial institutions – Easy access to capital and/or finance – Complementing bank services	– Yanal Finance – AJIL Financial Services – American Express Company – Saudi Finance Company – Saudi Fransi for Finance and Leasing – Emkan Finance – Kirnaf Finance Company – Gulf Finance Saudi Arabia
Corporate Owned NBFIs	– Significant ownership by Vehicle Agencies and Retail Groups – Benefits from Shareholder support – Financing affiliates products – Focused on consumer finance	– Al Yusr Leasing and Financing – National Finance Company – Abdul Latif Jameel United Finance – Tamwily International – Tawkelat Financing Company – Tayseer Finance Company – Raya Financing Company – Taajeer Finance Company – Gulf Lifting Financial Leasing Co – Tas'heel Finance – Aljabr Financing Company – National Home Finance Co
Independent NBFIs	– Not affiliated with banks or corporates	– Nayifat Finance Company – Morabaha Marina Finance Company – Al Raedah Finance Company – Al Jasriah Finance Company – Matager Finance Company – Osoul Modern Finance Co. – Dar Aletiman Al Saudi Company – *Ijarah* Finance Company – Al Amthal Financing Company – Tamweel Al-Oula – Quara Finance Company

Source: The Market Study Report

Morabaha Marina Finance Company is not affiliated with banks or corporates and operates as an independent entity. Its direct competitors are other unaffiliated NBFIs. The exhibit below shows the Company's position in the overall NBFIs segment and compares its performance with direct competitors:

Exhibit 3.17: Net Income of NBFIs – the Financial Year Ended 31 December 2021G (SAR million) [(1)]



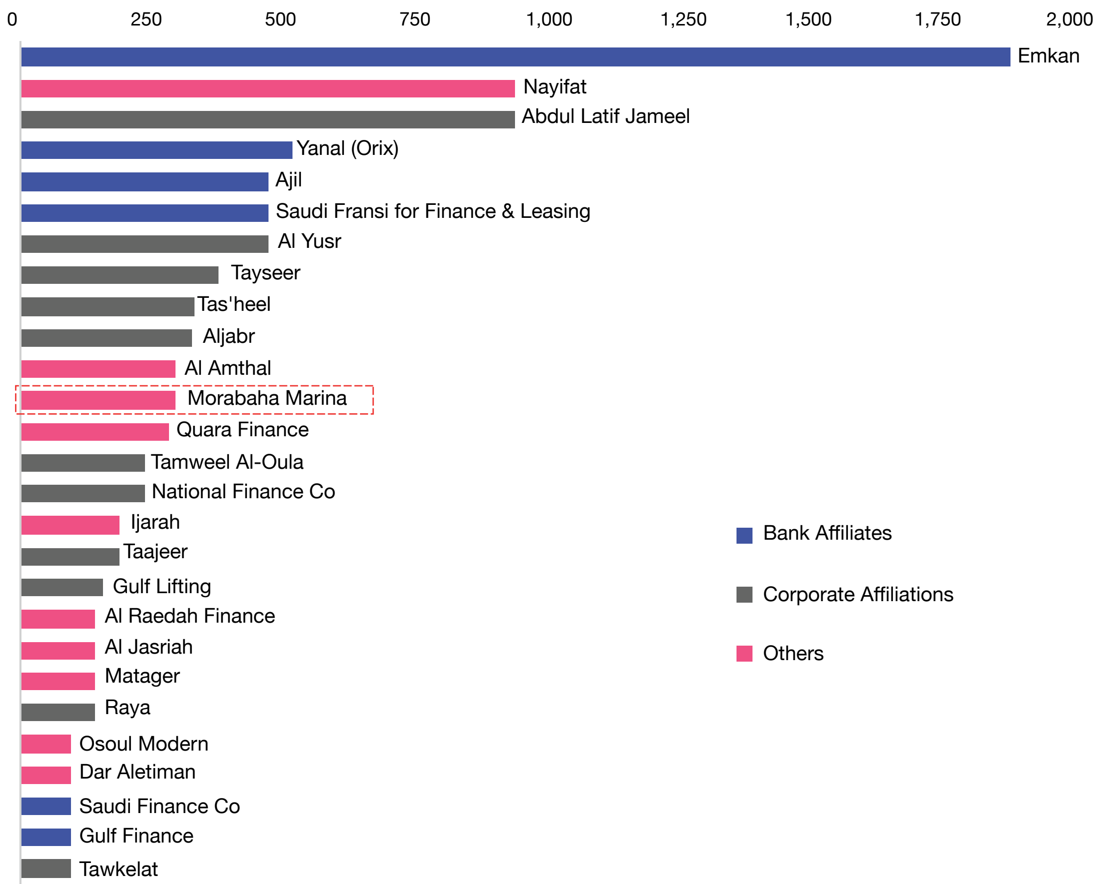
Source: Individual financial reports of NBFIs.

(1) Financials of American Express Company, Kirnaf Finance Company and Tamwily International Company were not available.

The Company ranked tenth in terms of net profit among other NBFIs, and was among the few to report growth in net income, despite operating in a challenging environment during the pandemic. The top 10 players (Emkan, Abdul Latif Jameel, Nayifat Finance Company, Tas'heel, Fransi Leasing along with the Company and other 4 players) accounted for more than 80.0 per cent. profits in the NBFI market in 2021G.

The exhibit below shows the Company's position in terms of share capital in the overall NBFI segment:

Exhibit 3.18: Capital of NBFIs – the Financial Year Ended 31 December 2021G (SAR million)



Source: Individual financial reports of NBFIs.

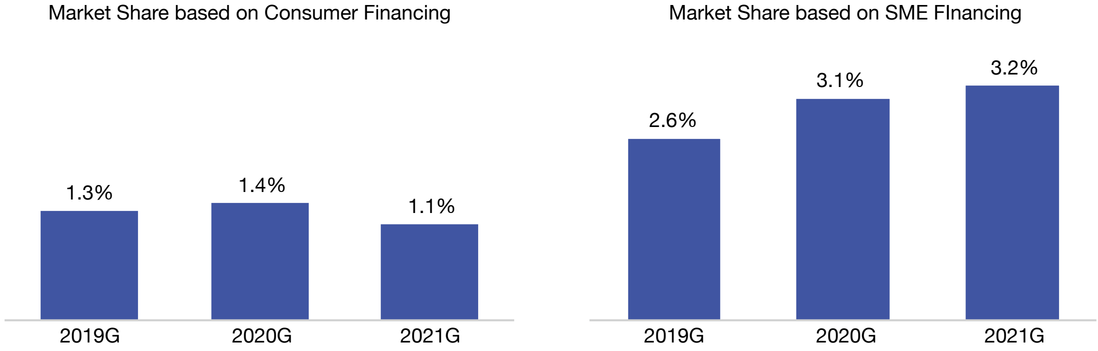
In terms of share capital, the Company ranked midway compared with other Saudi NBFIs. In April 2022G, its share capital was increased from SAR 311.4 million to SAR 500.0 million, which would rank it amongst the top seven largest non-real estate NBFIs in the Kingdom.

3.5 Company Positioning in the Financing Sector

Established in 2012G, the Company is a Saudi joint stock company. It leases and provides financing facilities to small and midsized enterprises and consumers. It also finances productive assets and offers consumer finance in line with the approval obtained from the Saudi Central Bank in 2014G. The Company is headquartered in Riyadh and operates through 16 branches across the Kingdom.

The following exhibit shows the Company's Share in consumer and MSME financing from 31 December 2019G to 31 December 2021G.

Exhibit 3.19: The Company's Market Share based on Consumer and MSME Financing, 31 December 2019G – 31 December 2021G



Source: The Saudi Central Bank, Financial Stability Report 2021G, Monthly Bulletin November 2022G and Company data

Note: Gross Consumer Financing and MSME financing for the year 2021G as on the fourth quarter of 2021G.

The Company's share in total consumer financing of non-real estate NBFIs decreased marginally from 1.3 per cent. in 2019G to 1.1 per cent. in 2021G. Its market share in total MSME financing increased from 2.6 per cent. in 2019G to 3.3 per cent. in 2021G, driven by rapid growth in net receivables supported by a strong liquidity plan, creditor trust and flexible credit terms on the back of a strong portfolio. Net receivables rose at a 27.5 per cent. compound annual growth rate between 2018G and 2020G, as the Company benefitted from its presence in both consumer and SME financing spaces through a wide variety of products such as auto loans, personal loans, commercial vehicle loans, equipment finance and leasing services for individual and SME clients.

3.5.1 Financial Performance

As of 2021G, the Company's net revenue stood at SAR 113.6 million, representing a 40.4 per cent. increase over 2020G; around 99.0 per cent. of the net revenue was generated from the Kingdom. This growth was attributed to an increase in net commission income, driven by lower special commission charges. The Company posted a net profit of SAR 40.9 million (SAR 1.34 per share) in 2021G, up 20.6 per cent. from SAR 33.9 million in 2020G.

The following table summarises the key financials of the Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.7: Key Financial Matrix – the Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue	108.3	105.6	133.6
Net Revenues (Net of Borrowing Costs)	73.6	80.9	113.6
Net Income After Zakat & Tax	29.4	33.9	40.9
Total Assets	778.6	980.8	1,042.3
Total Liabilities	487.2	655.4	676.4
Total Equity	291.3	325.3	365.9
Return on Average Equity (%)	10.1%	10.4%	11.2%
Number of Branches – As of 2021G		16	

Source: The Company.

3.5.2 Comparison with Direct Competition

The Company faces direct competition from Nayifat Finance Company, Al Amthal Financing Company, Quara Financing Company, Ijarah Finance Company, Al Raedah Finance Company, Al Jasriah Finance Company, Matager Finance Company, Osoul Modern Finance Company and Dar Aletiman Al Saudi Company. These NBFIs are not affiliated with banks or corporates. The table below illustrates the service offerings of the Company and its competitors:

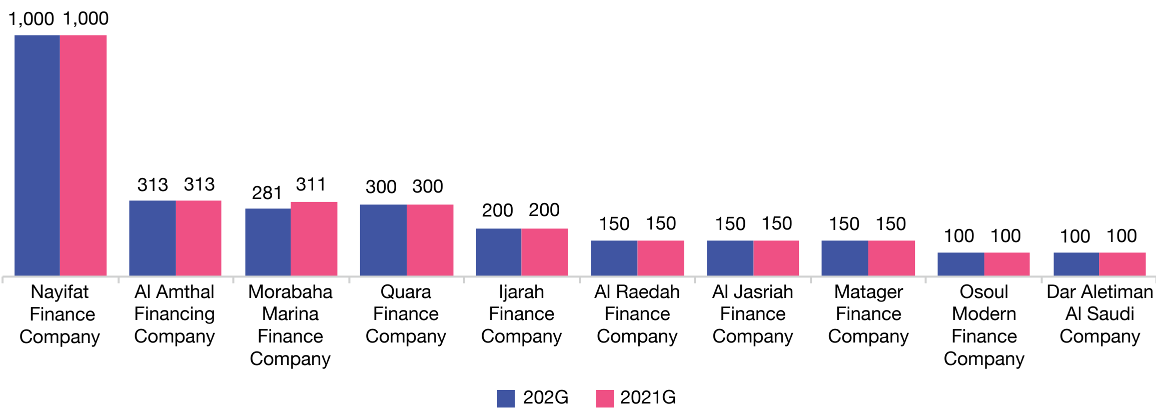
Table 3.8: Key Service Offerings

Company	Service Offerings					
	Auto Loans	Personal Loans	Commercial Vehicles	Equipment	Leasing	Credit Cards
Nayifat Finance Company	✓	✓		✓	✓	✓
Morabaha Marina Finance Company	✓	✓	✓	✓	✓	
Matager Finance Company	✓	✓	✓	✓	✓	
Dar Al Etiman Al Saudi Company	✓		✓	✓	✓	
Al Amthal Financing Company	✓	✓			✓	
Quara Financing Company		✓			✓	
Raedah Finance Company					✓	
Al Jasriah Finance Company		✓			✓	
Osoul Modern Finance Company		✓				
Ijarah Finance Company	✓	✓			✓	

Source: The Market Study Report, Company data and company websites of the respective companies.

The following exhibit compares the financial performance of the Company with its direct competitors:

Exhibit 3.20: Capital of Direct Competing NBFIs as of 31 December 2020G and 31 December 2021G (SAR million)

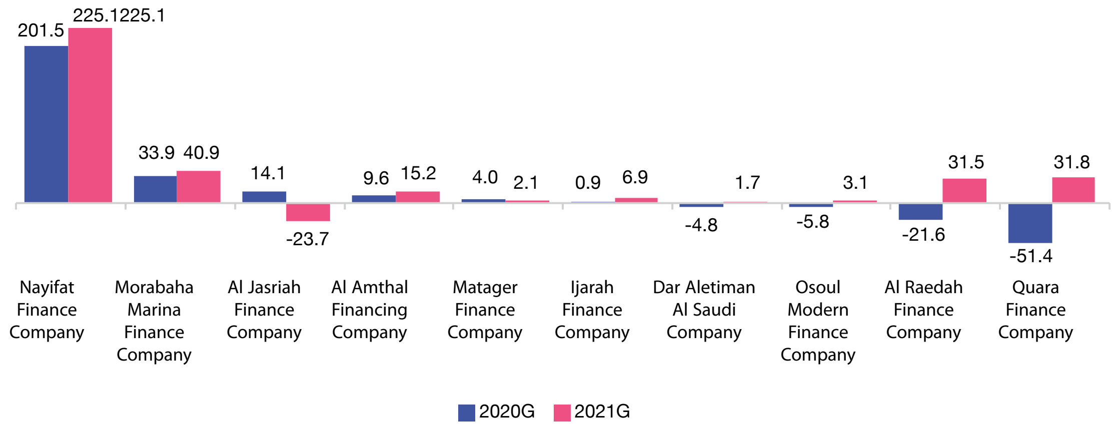


Source: Individual financial reports of NBFIs.

In 2021G, the Company increased its equity share capital by SAR 30.9 million, which placed it among the top three companies in share capital among its direct competitors. Nayifat Finance Company led with a capital of SAR 1.0 billion, whereas Osoul Modern Finance Company and Dar Aletiman Al Saudi Company recorded the lowest at SAR 100.0 million each.

The following exhibit compares net income of the Company with its direct competitors:

Exhibit 3.21: Net Income of Direct Competitors for the Financial Years ended 31 December 2020G and 31 December 2021G (SAR million)

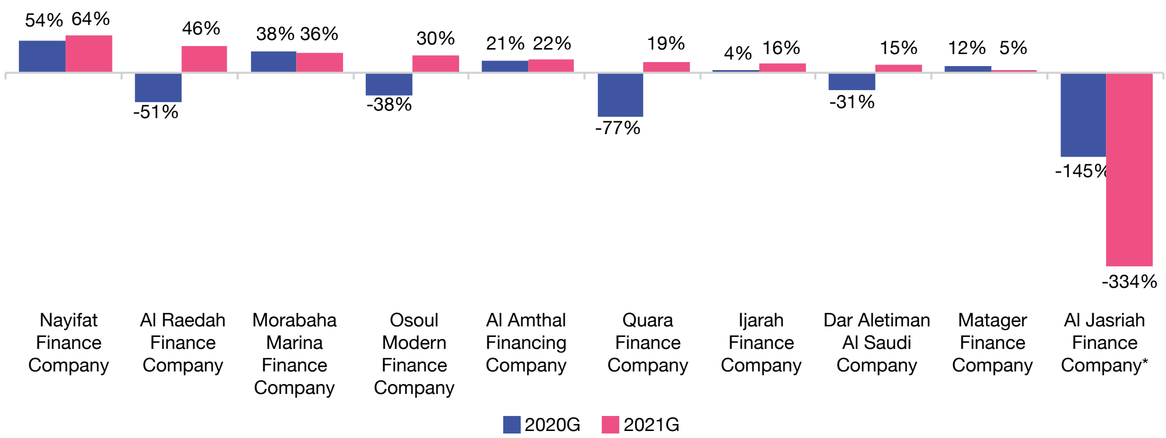


Source: Individual financial reports of NBFIs.

In 2021G, a majority of NBFIs reported a positive net income after net loss in 2020G amid the pandemic. The Company retained its second rank after Nayifat Finance Company in terms of net income. Its higher ranking in terms of profitability has resulted in greater returns for the Company within its peer group.

The following exhibit compares the net income margin of the Company with its direct competitors:

Exhibit 3.22: Net Income Margin of Direct Competitors for the Financial Years ended 31 December 2020G and 31 December 2021G (%)



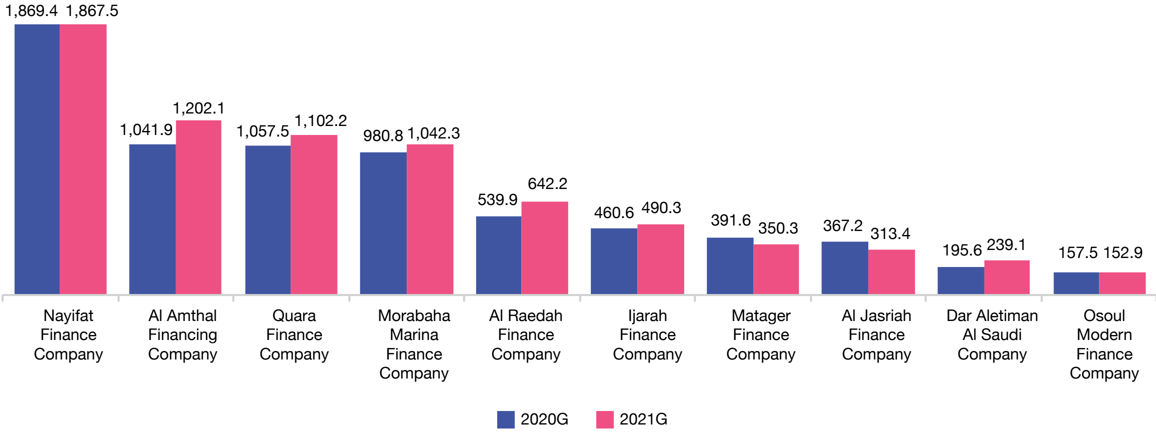
Source: Individual financial reports of NBFIs.

Note: Net Income for Al Jasriah is adjusted for SAR 30,782,110 which was attributed to revaluation of real estate investments.

Net income margins of most NBFIs returned to the pre-pandemic levels as businesses reopened across the country. In the financial year ended 31 December 2021G, the Company ranked third within its peer group for net income margin. Its net income declined marginally to 36.0 per cent. in the financial year ended 31 December 2021G from 38.0 per cent. in the financial year ended 31 December 2020G. This can be attributed mostly to a rise in operating expenses and higher impairment cost.

The following exhibit compares total assets of the Company with its direct competitors:

Exhibit 3.23: Total Assets of Direct Competitors as of 31 December 2020G and 31 December 2021G (SAR million)

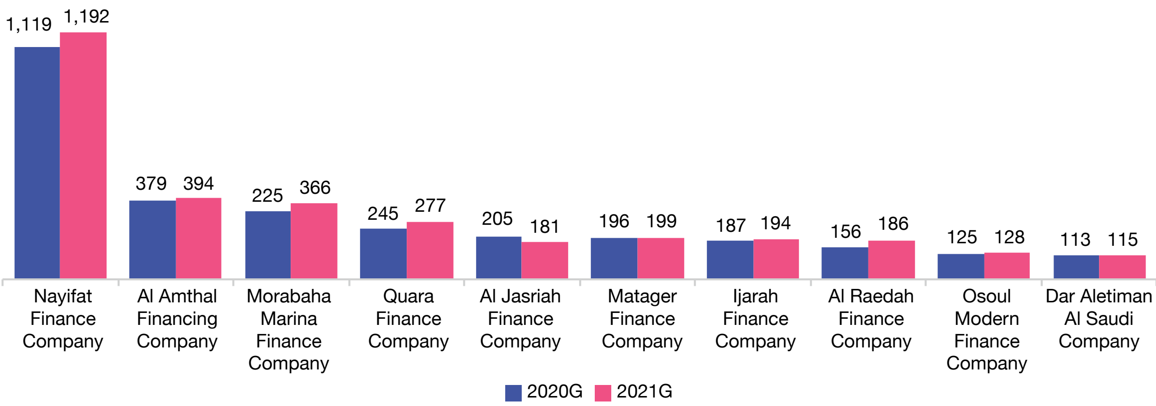


Source: Individual financial reports of NBFIs.

In 2021G, the Company retained its fourth rank among NBFIs (other than banks and corporate affiliates) in the Kingdom with respect to total assets. As of 2021G, only four NBFIs (Nayifat Finance Company, Al Amthal Financing Company, Quara Financing Company and Morabaha Marina Financing Company) registered more than SAR 1 billion of assets in their balance sheets.

The following exhibit compares the total equity of the Company with its direct competitors:

Exhibit 3.24: Total Equity of Direct Competitors as of 31 December 2020G and 31 December 2021G (SAR million)

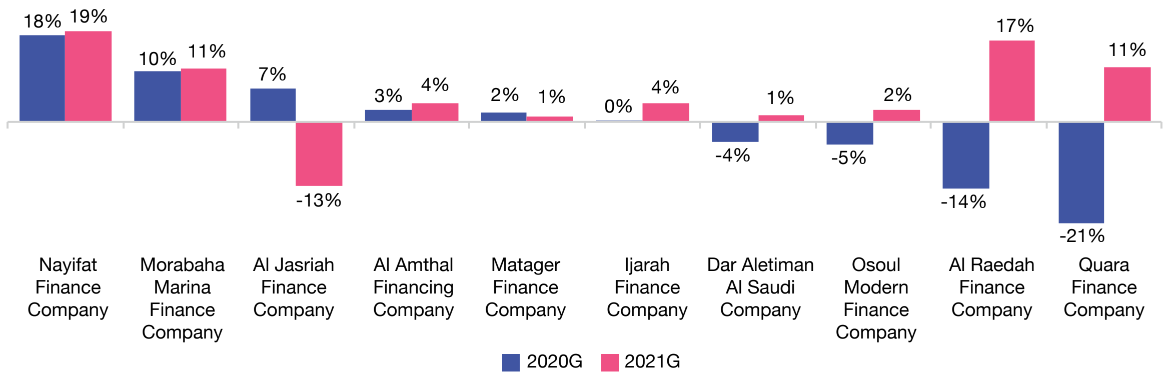


Source: Individual financial reports of NBFIs.

In 2021G, the Company continued to remain among the top three with respect to total equity among its direct competitors. As of 2021G, four NBFIs (Nayifat Finance Company, Al Amthal Financing Company, Quara Financing Company and Morabaha Marina Financing Company) registered more than SAR 250.0 million of total equity in their balance sheets.

The following exhibit compares net income to equity ratio of the Company with its direct competitors:

Exhibit 3.25: Net Income to Equity of Direct Competitors as of 31 December 2020G and 31 December 2021G (%)

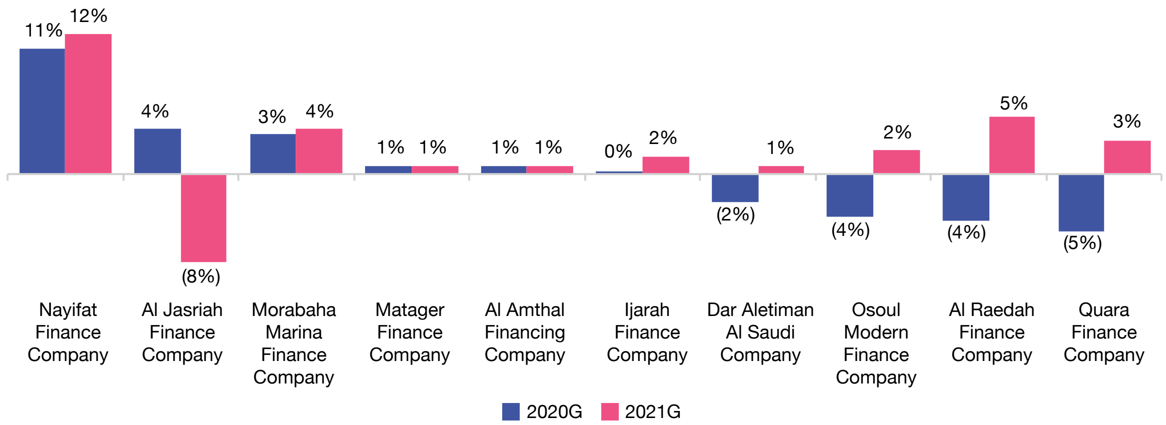


Source: Individual financial reports of NBFIs.

In 2021G, the Company's net income to equity ratio remained stable, driven by consistent year-over-year net income growth. It recorded a return on equity of around 11.0 per cent., second only to Nayifat Finance Company's around 19.0 per cent. The lower return on equity can be attributed to significant financing provided to SMEs, which are backed by Government support packages and thus, subject to rate restrictions. This has resulted in a lower return to the Company compared with Nayifat Finance Company, which primarily focuses on providing consumer financing.

The following exhibit compares the Company's returns on assets to its direct competitors:

Exhibit 3.26: Net Income to Total Assets of Direct Competitors for the Financial Years ended 31 December 2020G and 31 December 2021G (%)

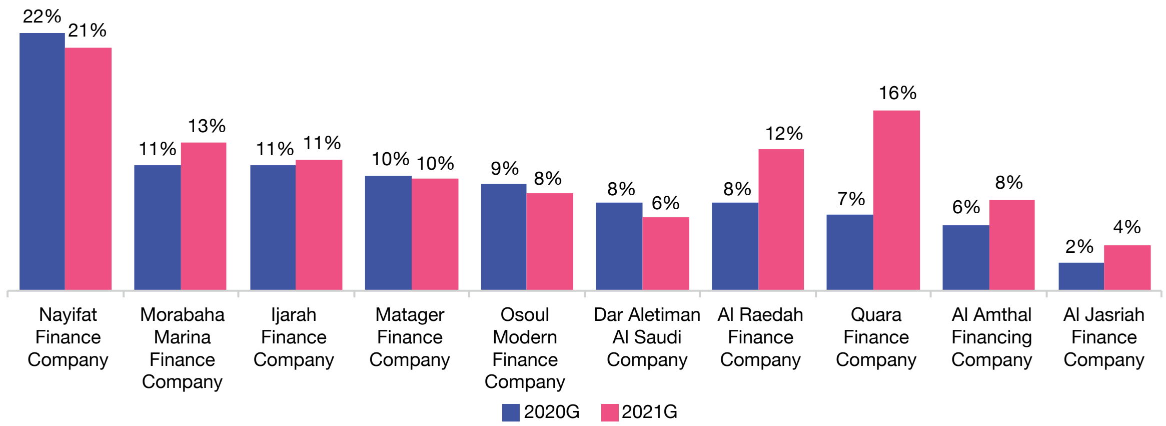


Source: Individual financial reports of NBFIs.

The Company ranked third with respect to return on assets (among its competitors) due to robust revenue growth and strong balance sheet.

The following exhibit compares the Company's asset turnover to its direct competitors:

Exhibit 3.27: Revenues to Total Assets of Direct Competitors for the Financial Years ended 31 December 2020G and 31 December 2021G (%)

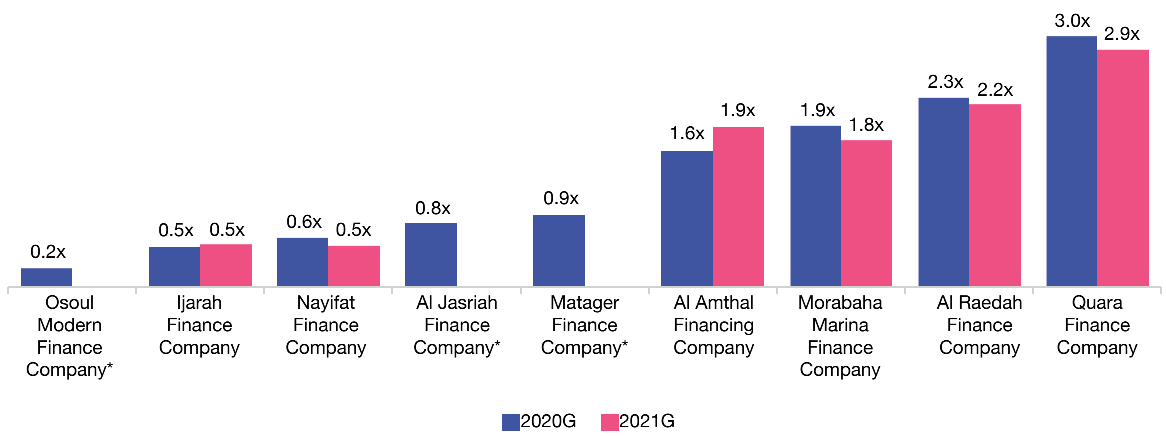


Source: Individual financial reports of NBFIs.

The Company ranks among the top three with respect to asset turnover. The strong asset turnover ratio can be attributed to increasing revenue.

The following exhibit compares the debt-to-equity ratio of the Company to its direct competitors:

Exhibit 3.28: Debt to Equity of Direct Competitors for the Financial Years as of 31 December 2020G and 31 December 2021G (x)



Source: Individual financial reports of NBFIs.

Note: Debt to equity ratio numbers not included for Osould Moder Finance Company, Al Jasriah Finance Company, and Matager Finance Company for the year 2021G and Dar Aletiman Al Saudi Company for both years because they did not have any debt according to their latest fillings.

The Company's debt-to-equity ratio is generally higher than its direct competitors, highlighting its strong access to finance. However, it remains in line with the the Saudi Central Bank threshold of net financing (below 3x of equity).

3.6 Key Competitors Profile

3.6.1 Nayifat Finance Company

Nayifat Finance Company offers financial products to individuals and SMEs. It was originally registered as a limited liability company in 2002G and converted to a closed joint stock company with a total market cap of SAR 3.3 billion (as of 21 January 2022G). It is headquartered in Riyadh and operates through 28 branches located across 13 regions in the Kingdom (Riyadh, Makkah, Eastern Region, Madina, Tabuk, Qassim, Jizan, Hail, Jouf, Assir, Al Baha, Al-Hasa and Najran).

3.6.1.1 Business Activities

It is authorised to provide lease, consumer, SME and credit card financing in the Kingdom as per the Saudi Central Bank licence renewed in 2018G. It has also obtained a licence to offer fintech lending services in the country. In 2020G, it launched ULend, an SME-focussed crowdfunding platform providing peer-to-peer lending.

3.6.1.2 Financial Performance

Nayifat Finance Company's revenue stood at SAR 390.9 million as of 2021G, representing a decline of 5.7 per cent. from SAR 414.5 million in 2020G.

The following table shows the key financial highlights of Nayifat Finance Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.9: Key Financial Highlights – Nayifat Finance Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue	389.9	414.5	390.9
Net Income After Zakat & Tax	218.8	201.5	225.1
Total Assets	1,988.8	1,869.4	1,867.5
Total Liability	972.4	750	675.3
Total Equity	1,016.4	1,119.4	1,192.2
Net Income to Equity (%)	21.5%	18.0%	18.9%
Number of Branches – As of 2021G		27	

Source: Company annual report.

3.6.1.3 Shareholders

FALCOM Holding Company has 48.0 per cent. of Nayifat Finance Company's shares.

3.6.2 Quara Finance Company

Quara Financing Company is a Saudi-based closed joint stock company, which was registered in February 2009G. It is headquartered in Riyadh and operates through four branches across the Kingdom. In the first quarter of 2013G, it converted into a closed shareholding company with a capital of SAR 100.0 million. It increased its capital to SAR 150.0 million in the third quarter of 2017G. Further, it also added another SAR 150.0 million capital through new investors to reach SAR 300.0 million in 2020G.

3.6.2.1 Business Activities

Quara Financing Company provides lease, consumer and SME financing in line with the approval obtained from the Saudi Central Bank in May 2016G. The products are offered through its physical branches and digital distribution channels such as mobile app.

3.6.2.2 Financial Performance

Quara Financing Company's revenue stood at SAR 171.0 million as of 2021G – a 154.5 per cent. increase from 67.2 million in 2020G.

The following table shows the key financial highlights of Quara Finance Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.10: Key Financial Highlights – Quara Finance Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue	49.1	67.2	171.0
Net Income After Zakat & Tax	4.7	(51.7)	31.8
Total Assets	402.4	1,027.5	1,102.2
Total Liability	255.8	782.2	825.2
Total Equity	146.6	245.2	277.0
Return on Average Equity (%)	3.2%	(20.9%)	11.5%
Number of Branches – As of 2021G		4	

Source: Company annual report.

3.6.2.3 Shareholders

Three companies, Al Mawared Al Oula Company for Real Estate, Awayed Finance Company, and Nawaqis Company for Commerce have equal share holdings (33.33 per cent. each) in Quara Finance Company.

3.6.3 Al Amthal Financing Company

Al Amthal Financing Company is one of the first Saudi-licenced financing companies by the Saudi Central Bank and is specialized in lease financing. It is a closed joint stock company founded in 2000G. It offers financing services to SMEs and also serves individuals. It is headquartered in Riyadh and operates through four branches in Abha, Jeddah, Khobar and Riyadh.

3.6.3.1 Business Activities

Al Amthal Financing Company is authorized to provide lease, personal, SME and auto financing in the country.

3.6.3.2 Financial Performance

Al Amthal Financing Company's revenue stood at SAR 93.4 million as of 2021G, indicating an increase of 59.5 per cent. from SAR 58.5 million in 2020G. This was due to high income generated from Islamic financing.

The following table shows the key financial highlights of Al Amthal Finance Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.11: Key Financial Highlights – Al Amthal Financing Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue	45.5	58.5	93.4
Net Income After Zakat & Tax	41.7	9.6	15.2
Total Assets	509.0	1,041.9	1,202.1
Total Liability	139.4	662.8	807.8
Total Equity	369.7	379.1	394.2
Return on Average Equity (%)	11.3%	2.5%	3.8%
Number of Branches – As of 2021G		4	

Source: Company annual report.

3.6.3.3 Shareholders

Two major shareholders (Falcom Holding Company – 45.55 per cent. and Al Bilad for Trading and Economy – 30.63 per cent.) accounted for 76.18 per cent. stake in Al Amthal Financing Company.

3.6.4 Matager Finance Company

Matager Finance Company is a joint stock company established in 1992. It is headquartered in Riyadh and operates through six branches in Riyadh, Jeddah, Dammam, Abha, Hail and Najran.

3.6.4.1 Business Activities

Matager Finance Company engages in consumer and corporate finance. It targets the individual sector segment of Government employees (civilian or military) as well as the individual segment of semi-Government sectors, joint stock companies and bank employees.

3.6.4.2 Financial Performance

Matager Finance Company's revenue stood at SAR 34.1 million in 2021G, registering a decline of 11.9 per cent. from SAR 38.7 million in 2020G.

The following table shows the key financial highlights of Matager Finance Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.12: Key Financial Highlights – Matager Finance Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue	58.2	38.7	34.1
Net Income After Zakat & Tax	19.8	4.0	2.1
Total Assets	469.2	391.6	350.3
Total Liabilities	246.4	195.2	151.8
Total Equity	222.8	196.4	198.5
Return on Average Equity (%)	8.9%	2.1%	1.0%
Number of Branches – As of 2021G		5	

Source: Company annual report.

3.6.4.3 Shareholders

Ahmed Mohammed Obeid BaNaeem holds 95.0 per cent. of the shares; the remaining shares are held by Mohammed Ahmed BaNaeem (4.99 per cent.) and Naeem Ahmed Mohammed BaNaeem (0.01 per cent.)

3.6.5 Dar Aletiman Al Saudi Company

Dar Aletiman Al Saudi Company was established as an independent consumer NBFI for motor vehicles in 2007G (a spinoff from the credit division of a Universal Motors Agency) and then converted into a joint stock company, with a market cap of SAR 100.0 million It is headquartered in Jeddah and operates through 22 showrooms across the country.

3.6.5.1 Business Activities

Dar Aletiman Al Saudi Company leases and provides financing facilities to the Universal Motor Agency's individual and corporate clients. In addition, it finances heavy equipment for Saudi Diesel Company and trucks for TATS Company.

3.6.5.2 Financial Performance

Dar Aletiman Al Saudi Company's revenue stood at SAR 15.0 million in 2021G, registering an increase of 1.4 per cent. over 2020G (SAR 14.8 million).

The following table shows the key financial highlights of Dar Aletiman Al Saudi Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.13: Key Financial Highlights – Dar Aletiman Al Saudi Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue	24.0	14.8	15.0
Net Income After Zakat & Tax	6.0	(4.8)	1.7
Total Assets	190.2	195.6	239.1
Total Liabilities	72.4	82.6	124.1
Total Equity	117.8	113.0	115.0
Return on Average Equity (%)	5.1%	(4.2%)	1.4%
Number of Branches – As of 2021G		4	

Source: Company annual report.

3.6.5.3 Shareholders

Two major shareholders (Modern Ajwad for Commercial Investment Co Ltd – 60.0 per cent. and Tawad Holding Co. – 40.0 per cent.) are the owners of Dar Aletiman Al Saudi Company.

3.6.6 Al Raedah Finance Company

Al Raedah Finance Company is a closed joint stock company registered in the Kingdom. It offers financing solutions for entrepreneurs and SMEs (that have been set up in at least the last six months). It was established in 2014G and is headquartered in Riyadh.

3.6.6.1 Business Activities

Al Raedah Finance Company provides lease finance in the form of Murabaha and Ijarah for small and midsized entities in accordance with the Saudi Central Bank's approval. It offers an extensive range of financial products.

3.6.6.2 Financial Performance

Al Raedah Finance Company's revenue stood at SAR 78.3 million in 2021G - a growth of 92.4 per cent. compared to a growth of SAR 40.7 million in 2020G.

The following table shows the key financial highlights of Al Raedah Finance Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.14: Key Financial Indicators – Al Raedah Finance Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue	55.5	40.7	78.3
Net Income After Zakat & Tax	8.3	(21.6)	31.5
Total Assets	298.0	539.9	642.2
Total Liabilities	121.8	384.2	456.0
Total Equity	176.3	155.7	186.2
Return on Average Equity (%)	4.7%	(13.9%)	16.9%
Number of Branches – As of 2021G		2	

Source: Company annual report.

3.6.6.3 Shareholders

Abdullah Nasser Al Dawood holds 99.0 per cent. of Al Raedah Finance Company's shares and the remaining 1.0 per cent. is owned by Alraedah Investment Company.

3.6.7 Al Jasriah Finance Company

Al Jasriah Finance Company, one of the first entities in the Saudi market to have worked in the areas of finance, was established in 2003G and is headquartered in Riyadh.

3.6.7.1 Business Activities

Al Jasriah Finance Company offers consumer and SME financing.

3.6.7.2 Financial Performance

Al Jasriah Finance Company's revenue stood at SAR 12.3 million in 2021G, registering growth of 36.7 per cent. over 2020G (SAR 9.0 million).

The following table shows the key financial highlights of Al Jasriah Finance Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.15: Key Financial Highlights – Al Jasriah Finance Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue	31.2	9.0	12.3
Net Income After Zakat & Tax	(21.2)	14.1	(23.7)
Total Assets	392.3	367.2	313.4
Total Liabilities	201.9	162.6	132.5
Total Equity	190.4	204.6	180.9
Return on Average Equity (%)	(11.1%)	6.9%	(13.1%)
Number of Branches – As of 2021G		6	

Source: Company annual report.

3.6.8 Osoul Modern Finance Company

Osoul Modern Finance Company is one of the companies licenced by the Saudi Central Bank and was established in 2004G. It is headquartered in Jeddah and operates through branches in Riyadh and Khobar. In August 2013G, its capital was raised to SAR 100.0 million. In March 2015G, it obtained a licence from the Saudi Central Bank.

3.6.8.1 Business Activities

Osoul Modern Finance Company provides finance lease in the form of Murabaha and Tawarruq to SMEs and consumers.

3.6.8.2 Financial Performance

Osoul Modern Finance Company's revenue stood at SAR 12.9 million in 2021G, registering a decline of 10.4 per cent. over 2020G (SAR 14.4 million).

The following table shows the key financial highlights of Osoul Modern Finance Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.16: Key Financial Highlights – Osoul Modern Finance Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue	20.9	14.4	12.9
Net Income After Zakat & Tax	15.1	(5.8)	3.1
Total Assets	160.3	157.5	152.9
Total Liabilities	22.5	33.0	25.3
Total Equity	137.8	124.5	127.6
Return on Average Equity (%)	11.0%	4.7%	2.4%
Number of Branches – As of 2021G		3	

Source: Company annual report.

3.6.8.3 Shareholders

Saeed Ahmed Mohammed Baghlaf holds 99.0 per cent. of the shares and Omar Ahmed Mohammed Baghlaf, Abdullah Ahmed Mohammed Baghlaf and Abdulrahman Ahmed Mohammed Baghlaf each hold a 0.25 per cent. share in Osoul Modern Finance Company.

3.6.9 Ijarah Finance Company

Ijarah Finance Company is one of the financial leasing companies and a closed joint stock company established in 2012G. It received licences from the Saudi Central Bank for leasing finance in 2015G. It is headquartered in Riyadh and has nine branches across Riyadh, Dammam, Jeddah, Madinah, Tabuk, and Burayda.

3.6.9.1 Business Activities

Ijarah Finance Company is engaged in providing lease financing for the auto sector in the Kingdom.

3.6.9.2 Financial Performance

Ijarah Finance Company's revenue (excluding Contract fee income) stood at SAR 55.4 million in 2021G, registering a growth of 11.8 per cent. over 2020G (SAR 49.6 million).

The following table shows the key financial highlights of Ijarah Finance Company for the financial years ended 31 December 2019G to 31 December 2021G:

Table 3.17: Key Financial Highlights – Ijarah Finance Company for the Financial Years Ended 31 December 2019G to 31 December 2021G

Particulars (SAR million)	2019G	2020G	2021G
Revenue (exclude Contract fee income)	51.3	49.6	55.4
Net Income After Zakat & Tax	6.8	0.9	6.9
Total Assets	378.3	460.6	490.3

Particulars (SAR million)	2019G	2020G	2021G
Total Liabilities	292.1	273.6	296.4
Total Equity	86.2	187.0	193.9
Return on Average Equity (%)	7.9%	0.5%	3.6%
Number of Branches – As of 2021G		8	

Source: Company annual report.

3.6.9.3 Shareholders

Ijarah Finance Company is wholly owned by Watad Holding Company.

4 BUSINESS DESCRIPTION

4.1 Overview

Morabaha Marina Financing Company is a Saudi closed joint stock company pursuant to the commercial registration No. 1010337706, dated 14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G) issued in Riyadh, Kingdom of Saudi Arabia and Ministerial Resolution No. (211/Q), dated 27 Sha'ban 1435H (corresponding to 25 July 2014G) The Company's headquarters and registered office are located in Al Thoumamah Road, Al Rabie District, P.O. Box 7071, Riyadh 13315, Kingdom of Saudi Arabia.

The Company is licenced by the Saudi Central bank to provide Leasing, Small and Medium Enterprises (SME) and Consumer finance and financing production assets pursuant to Saudi Central Bank licence No. 22/ASH/201410 dated 19 Thul-Qi'dah 1435H (corresponding to 14 September 2014G).

The Company provides financing solutions through *Tawarruq, Ijarah* and *Murabaha* products to individuals and SMEs. As of the date of this Prospectus, it has obtained all Saudi Central Bank licences required for rendering its services pursuant to the Finance Companies Control Law. In addition, the Company owns 80.0 per cent. of Digital Payments Company for FinTech, a major electronic money institution licenced by the Saudi Central Bank under licence No. 41045238, dated 3 Rajab 1441H (corresponding to 27 Safar 2020G) for providing payment services.

The Company provides financing through a network of 16 branches (excluding the Head Office in Riyadh) located in 13 main and medium sized cities in the Kingdom. In addition, it relies on different origination channels through the distribution network of its partners, mainly the Saudi Post and Riyad Bank, and the General Authority for Small and Medium Enterprises (*Monsha'at*) SME funding portal. It is also in the process of enhancing its digital channels to allow for the full credit cycle through the Company's website and mobile application.

As of 30 June 2022G, the Company had 171 full time employees located in the Kingdom. In addition, the Subsidiary had 14 full time employees. As of the date of this Prospectus, the Company and the Subsidiary had no material assets outside the Kingdom.

As of 31 December 2021G, the total assets of the Company amounted to SAR 1.0 billion, net Islamic financing receivables of SAR 924.1 million. Shareholders equity amounted to SAR 365.9 million, including the share capital of SAR 311.4 million, statutory reserves of SAR 17.2 million and retained earnings of SAR 37.2 million. For the financial year ended 31 December 2021G, the special commission income amounted to SAR 133.6 million and total comprehensive income amounted to SAR 40.6 million with basic and diluted earnings per Share of SAR 1.3.

As of 30 June 2022G, the total assets of the Company amounted to SAR 1.2 billion, including net Islamic financing receivables of SAR 1.0 billion, shareholders equity amounted to SAR 535.8 million. For the six-month period ended 30 June 2022G, the special commission income amounted to SAR 77.4 million and total comprehensive income amounted to SAR 26.4 million with basic and diluted earnings per Share of SAR 0.55.

4.2 Corporate History and Group Structure

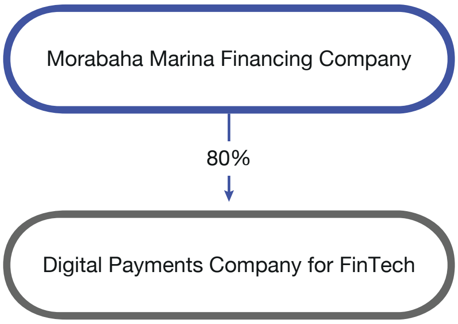
The Company was originally incorporated as a limited liability company under the name "Morabaha Marina Instalment Company" with a capital of SAR 15.0 million pursuant to the commercial registration No. 1010337706, dated 14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G). The capital was later increased to SAR 33.0 million in the financial year ended 31 December 2013G through the addition of new shareholders. The objective of the Company is to provide flexible Shari'ah compliant auto lease purchase financing and cash financing. Following the issuance of the Finance Companies Control Law pursuant to Royal Decree M/51 dated 13 Shaaban 1433H (Corresponding to 3 July 2012G) and published in the official gazette on 13 Shawwal 1433H (Corresponding to 31 August 2012G) and the implementing regulations of the Finance Companies Control Law issued by the Saudi Central bank on 14 Rabi'Al Thani 1434H (Corresponding to 24 February 2013G) and published in the official gazette on 9 Jumada al-Akhirah1434H (Corresponding to 19 April 2012G), which regulated the non-bank financing sector in the Kingdom, the Company sought to obtain a Saudi Central Bank licence to provide financing. In this context, and in order to meet the licensing requirements, the capital was increased in the financial year ended 31 December 2014G from SAR 33.0 million to SAR 120.0 million through the addition of new shareholders, and the Company was converted to a closed Joint Stock Company. It was granted Saudi Central Bank licence No. 22/ASH/201410dated 19 Thul-Qi'dah 1435H (corresponding to 14 September 2014G) to conduct lease financing activities, small and medium enterprise financing, consumer financing and financing of production assets.

Accordingly, the Company's articles of association were amended and the objectives of the Company were updated to financing activities in line with the Finance Companies Control law, the Implementing Regulation of the Finance Companies Control Law and related rules, regulations and instructions issued by the Saudi Central Bank.

In June 2022G, the Company acquired 80.0 per cent. of Digital Payments Company for FinTech shares, a major electronic money institution licenced by the Saudi Central Bank. It provides technology in financial services and systems of payment and related services.

The Company directly owns eighty per cent. (80%) of the Subsidiary. The following chart illustrates the structure of the Group as of the date of this Prospectus:

Exhibit 4.1: Structure of the Group as of the Date of this Prospectus



Digital Payments Company for FinTech is a limited liability company registered under commercial registration No. 1010949680, dated 11 Rajab1439H (corresponding to 28 March 2018G) registered in Riyadh. Its head office is located in Al Yasmin District, Riyadh 13325, Kingdom of Saudi Arabia and its current capital amounts to sixty million Saudi Arabian Riyals (SAR 60,000,000) divided into six million (6,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The following table shows the ownership structure of the Subsidiary as of the date of this Prospectus:

Table 4.1: Ownership Structure of the Subsidiary as of the Date of this Prospectus

Name of the Shareholder	Country of Incorporation / Nationality	Direct Ownership (%)	Indirect Ownership (%)
Morabaha Marina Financing Company	Kingdom of Saudi Arabia	80%	-
Saad Abdulaziz Mohammed Al-Hoshan	Saudi	8%	-
Abdulaziz Mohammed Saleh AlHuwaerini	Saudi	7%	-
Talal Ibrahim Ali Al-Maiman	Saudi	5%	-

Source: The Company.

The key milestones and changes for the Company since inception are summarized in the following table:

Table 4.2: Key Milestones and Changes

Year	Key Milestones and Changes
2012G	– Established as a Limited Liability Company named "Morabaha Marina Instalment Company" with a Capital of fifteen million Saudi Arabian Riyals (SAR 15,000,000).
2013G	– Capital increase from fifteen million Saudi Arabian Riyals (SAR 15,000,000) to thirty-three Saudi Arabian Riyals (SAR 33,000,000) through the issuance of new shares.
2014G	– Conversion to Joint Stock Company. – Change of Company name from "Morabaha Marina Instalment Company" to "Morabaha Marina Financing Company". – Capital increase from thirty-three million Saudi Arabian Riyals (SAR 33,000,000) to one hundred twenty million Saudi Arabian Riyals (SAR 120,000,000) through the issuance of new shares. – Saudi Central Bank licence to carry out financing activities.
2015G	– Capital increase from one hundred twenty million Saudi Arabian Riyals (SAR 120,000,000) to two hundred million Saudi Arabian Riyals (SAR 200,000,000) through the issuance of new shares.
2017G	– Capital increase from two hundred million Saudi Arabian Riyals (SAR 200,000,000) to two hundred twelve million Saudi Arabian Riyals (SAR 212,000,000) through the distribution of bonus shares to shareholders. – Establishment of a Sukuk Issuance Programme.
2018G	– Capital increase from two hundred twelve million Saudi Arabia Riyals (SAR 212,000,000) to two hundred twenty-eight million nine hundred sixty thousand Saudi Arabian Riyals (SAR 228,960,000) through the capitalization of a portion of the profit. – Issuance of one hundred seventy-eight million Saudi Arabian Riyals (SAR 178,000,000) fixed rate amortizing Sukuk (Series 1).
2019G	– Capital increase from two hundred twenty-eight million nine hundred sixty thousand Saudi Arabian Riyals (SAR 228,960,000) to two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000), through the capitalization a portion of the profit. – Issuance of eighty million Saudi Arabian Riyals (SAR 80,000,000) fixed rate amortizing Sukuk (Series 2).

Year	Key Milestones and Changes
2020G	– Capital increase from two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000) to two hundred eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000), through the capitalization a portion of the profit.
2021G	– Capital increase from two hundred eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000) to three hundred eleven million three hundred fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000).
2022G	– Capital increase from three hundred eleven million three hundred fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000) to five hundred million Saudi Arabian Riyals (SAR 500,000,000), through the capitalization of twenty-eight million twenty-one thousand nine hundred fifty Saudi Arabian Riyals (SAR 28,021,950) from the Company's retained profits account, and the issuance of one million six hundred six thousand two hundred thirty (1,606,230) shares; the Company bought these shares for the purpose of allocating them to the employee share plan, and the issuance of initial rights shares that amount to fourteen million four hundred fifty-six thousand seventy-five (14,456,075) Shares. – Acquisition of 80.0 per cent. of Digital Payment Company for FinTech. – Adoption of the current logo.

Source: The Company.

The following table summarizes the Company's financial position and net Islamic financing receivables since inception.

Table 4.3: Financial Position and Net Islamic financing receivables

SAR Millions	As of 31 December										As of 30 June
	2012G	2013G	2014G	2015G	2016G	2017G	2018G	2019G	2020G	2021G	2022G
Net Islamic financing receivables	3.4	20.3	40.4	138.5	267.9	364.4	487.9	590.4	793.6	924.1	1,001.7
Total Assets	14.8	35.3	124.9	155.3	308.1	412.8	589.9	778.6	980.8	1,042.3	1,222.4
Total Borrowings	-	-	-	28.5	81.1	159.9	315.7	467.0	631.2	649.3	632.2
Shareholders' Equity	14.7	32.9	121.6	122.6	215	235.4	262.2	291.3	325.3	365.9	535.8

Source: The Company.

Since its establishment, the Company was able to grow consistently with assets topping SAR 1.0 billion as of 31 December 2021G, with a compound annual growth rate of 27.5 per cent. between 31 December 2016G and 31 December 2021G. As of 30 June 2022G, total assets amounted to SAR 1.2 billion.

Net Islamic financing receivables increased from SAR 267.9 million as of 31 December 2016G to SAR 924.1 million as of 31 December 2021G, corresponding to a compound annual growth rate of 28.1 per cent., which was financed through retained earnings, bank borrowings, government financing and two Sukuk series issued pursuant to a Sukuk issuance programme. As of 30 June 2022G, Net Islamic financing receivables amounted to SAR 1.0 billion.

The Company's shareholders' equity increased from SAR 215.0 million as of 31 December 2016G, to SAR 365.9 million as of 31 December 2021G, at a compound annual growth of 11.2 per cent., with the growth attributed to the reinvestment of the net income during the same period. Its share capital increased at a compound annual growth rate of 9.3 per cent. from SAR 200.0 million as of 31 December 2016G to SAR 311.4 million as of 31 December 2021G as the Company capitalized the majority of net income earned during the period through the distribution of bonus shares to shareholders.

In April 2022G, the Company's share capital was increased from SAR 311.4 million to SAR 500.0 million through the capitalization of a portion of retained earnings, the issuance of new shares to be held as treasury shares for the purpose of the Company's employee share plan and the issuance of new shares for subscription by the existing shareholders, the shareholders' equity amounted to SAR 535.8 million, as of 30 June 2022G.

4.3 Vision, Mission and Strategy

4.3.1 Vision

The Company's vision is to be the best provider of financing services and digital financial solutions.

4.3.2 Mission

The Company's mission is to keep up with the changes and development, and to maintain quality customer service to enable customers to reach their vision with national competencies in the financial sector, through financing partnerships to advance economic development, and to achieve the financial aspirations of individuals with flexibility and to empower institutions financially to achieve their goals and ambitions.

4.3.3 Strategy

The Company's strategic objective is to be a pioneering Shari'ah-compliant financing platform and become the partner of choice for its stakeholders through flexible and innovative financing solutions. It seeks to generate long term value and meaningful positive social impact to the Kingdom, by offering integrated solutions to its individual and SME customers as well as its creditors, shareholders, investors and other stakeholders through a diverse network of partnerships.

The key strategic pillars of the Company are summarized below:

4.3.3.1 Competitive Financing with Swift Financing Solutions

The Company seeks to provide financing solutions with highly competitive terms by upholding a strong liquidity position, reducing its cost of funds and maintaining the quality of its credit portfolio.

It benefits from a strong liquidity position, a robust capital base and easy access to funding through its banking relationships, government finance as well as its ability to tap the debt capital markets through Sukuk issuances. As of 30 June 2022G, the Company's total borrowing amounted to SAR 632.2 million, consisting of bank facilities, loans from government entities as well as Sukuk issuances.

In addition, the Company has managed to maintain a high quality, balanced and well diversified loan book through a disciplined credit process and an optimized credit cycle allowing for risk mitigation and credit enhancements. As of 30 June 2022G, 98.5 per cent. of the net Islamic financing receivables for micro, small and medium enterprises are secured by tangible collateral, *Kafalah* guarantees or third-party guarantees. Additionally, Islamic financing receivables from the consumer segment are secured by promissory notes and, for loans above SAR 0.1 million, tangible collateral. This reduced credit risk allows the Company to extend credit at a lower rate further enhancing its competitiveness.

4.3.3.2 Empowering Entrepreneurs and SMEs

Since 2016G and following the announcement of Saudi Vision 2030, SMEs have been one of the most important catalysts for economic growth and job creation. The number of SMEs in the Kingdom has increased from 447,749 as of 31 December 2016G to 626,669 as of 31 December 2020G and reached 752,500 during the first quarter of 2022G.

Despite their critical role in the economy, total financing received by MSMEs remains very limited. MSME financing by banks and NBFIs in the Kingdom increased at a compound annual growth rate of 25.0 per cent., from SAR 108.5 billion as of 31 December 2018G to SAR 203.2 billion as of 31 December 2021G.

As of 30 June 2022G, the Company's Islamic financing receivables from the MSME segment (gross of impairment provisions) amounted to SAR 525.8 million, representing 50.3 per cent. of Islamic financing receivables. The Company is seeking to expand its business in the MSME segment and enhance its offerings through new financing products and additional flexibility in credit underwriting.

4.3.3.3 Financing Promising and High Growth Sectors

The Company is committed to supporting the Saudi economy by providing financing facilities to MSMEs operating in key high growth sectors. The Company benefits from low-cost financing by the Social Development Bank for providing credit to the key sectors.

The key sectors identified by the *Kafalah* programme and targeted by the Company include:

- electricity, water and gas;
- food and accommodation;
- administrative and support services;
- transportation and storage;
- real estate;
- agriculture;
- education;

- healthcare;
- manufacturing;
- arts and entertainment; and
- information and communication.

In addition, the Company targets promising sectors in line with Saudi Central Bank guidelines including: Sports, Ecommerce, Entertainment and Tourism.

4.3.3.4 Enabling Easy Access to Consumer Finance

Private consumption per capita in the Kingdom averaged SAR 34,000 in the financial year ended 31 December 2019G, whereas the GCC average amounted to SAR 40,400. According to the market study consultant, private consumption remains significantly lower than that of neighbouring countries such as the UAE, Qatar and Kuwait (SAR 64.6 thousand, SAR 55.5 thousand and SAR 44.2 thousand in the financial year ended 31 December 2019G, respectively). The Company seeks to enhance the quality of life in the Kingdom in line with the Saudi Vision 2030's commitment to a vibrant society by providing individuals with easy access to financing to complement bank offerings.

The Company provides cash financing to individuals using prompt and easy procedures through *Tawarruq* and *Murabaha* contracts in addition to auto financing through *Ijarah* contracts. The Company is able to meet customers' needs for immediate liquidity by ensuring the swift disbursement of funds to customers through its simple and swift process of accreditation and disbursement. Through an efficient and optimized credit cycle, customers can obtain credit approval within two hours of application and disbursement within less than 24 hours.

4.3.3.5 Enhancing Digital Distribution Channels

The Company seeks to invest in improving its electronic systems and infrastructure on an ongoing basis to provide faster and simpler services to customers, improve customer experience and optimize application of the Company's strategies. It is looking to enhance its operations through the implementation of credit approval and disbursement on its website and mobile application.

4.3.3.6 Maintaining Balance Sheet Integrity

The Company strives to maintain balance sheet integrity through a high-quality portfolio underpinned by a disciplined credit approval process, strong risk management, transparent reporting of non-performing assets and conservative provisioning.

4.3.3.7 Credit Approval Process

The Company utilizes a strong credit approval process to mitigate credit risk and ensure Islamic financing receivables are recoverable and credit enhancements are enforceable under Saudi law. The credit process undergoes several checks, including SIMAH rating, proprietary scoring models, documentation review, collateral review and valuation, guarantees and documentation checks, and different approval levels based on the size of the financing. Consumer financing is secured by promissory notes for loans below SAR 100 thousand, and tangible collateral for loans above SAR 100 thousand. MSMEs financing is secured by tangible collateral such as vehicles or real estate or by third party guarantees (including *Kafalah*).

4.3.3.8 Non-performing Loans

The Company classifies Islamic financing receivables that are either not yet due or otherwise past due for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing" and reported in the Company's financial statements.

The Company adopted IFRS 9 on 1 January 2018G and charges impairment accordingly. Provisions for impairments are calculated based on expected credit loss. Defaults are estimated based on historical Company default rates for each receivables age bucket (where every bucket represents a bracket of 30 days past due). This analysis also includes the identification and calibration of relationships between changes in default rates and changes in key macroeconomic factors on the risk of default, which includes Gross Domestic Product (GDP) and inflation rates.

Overall, expected credit loss is estimated based on the following factors:

- assignment of probability of defaults;
- exposure at default;
- loss given default and depreciated value of collateral;
- criteria for assessing significant increase in credit risk;
- segmentation of receivables;
- development of expected credit loss models; and
- macroeconomic scenarios and selection of forward-looking macroeconomic scenarios and their probability weightings, including Saudi GDP growth rate and inflation as per the International Monetary Fund.

4.3.3.9 Compliance with Saudi Central Bank Regulations

The Company operations are fully compliant with the Saudi Central Bank implementing regulations of the Finance Companies Control Law and other regulations and instructions issued by the Saudi Central Bank. As of the date of this Prospectus, the Company has obtained all Saudi Central Bank licences required for rendering its services pursuant to the Finance Companies Control Law.

4.3.3.10 Governance Framework

The Company operates within a strict governance framework in line with best practices and the industry's standards, including a board consisting of professionally capable members with the required experience, knowledge and skills, and comprised of a majority of non-executive directors, including 3 independent board members, supported by Board Committees consisting of qualified members with a diverse skill set and wide experience in the financing sector.

4.3.3.11 Compliance with Shari'ah Principles

The Company's financing solutions and operations are fully compliant with the principles of Islamic Shari'ah. All Company products and agreements are approved by a Shari'ah committee and structured in line with the best Shari'ah compliance standards. As of the date of this Prospectus, the Company has appointed investment experts to provide Shari'ah services, including Shari'ah committees and audit solutions.

4.3.3.12 Developing Lasting Partnerships and Relationships with the Private and Public Sectors

The Company's strategy is to become the partner of choice for customers, creditors, shareholders, investors and other stakeholders. It has a strong and expanding network of partnerships including banks, Capital Market Institutions, technology providers, payment service providers and distribution partners.

It is seeking to expand its current partnership network through the development of new banking relationships to enhance access to financing, participation in new alternative investments and the development of off balance sheet financing solutions alongside Capital Market Institutions, and complementing existing financing products with payment solutions, with the aim to enter into partnerships with retail sector players by offering services such as "buy now, pay later" and other digital solutions.

4.3.3.13 Providing Strong Returns to Shareholders

The Company's total comprehensive income increased at a compound annual growth rate of 18.0 per cent. from SAR 29.1 million for the financial year ended 31 December 2019G to SAR 40.6 for the financial year ended 31 December 2021G, with earnings per share increasing from SAR 1.15 to SAR 1.34 over the same period. Return on average equity increased from 10.6 per cent. for the financial year ended 31 December 2019G to 11.8 per cent. for the financial year ended 31 December 2021G, driven by strong profitability and growth in net Islamic financing receivables.

For the six-month period ended 30 June 2022G, the Company's total comprehensive income amounted to SAR 26.4 million, compared to SAR 19.4 million for the six-month period ended 30 June 2021G, representing a 36.2 per cent. increase.

Between 31 December 2018G and 31 December 2021G, the Company has grown organically through the reinvestment of earnings in the business while its share capital was increased from SAR 229.0 million to SAR 311.4 million through the capitalization of earnings and the issuance of share dividends amounting to 2.6 million Shares, 2.6 million Shares and 3.1 million Shares for the financial years ended 31 December 2019G, 2020G and 2021G, representing 11.4 per cent., 10.0 per cent. and 11.0 per cent. of share capital, respectively.

In April 2022G, the Company's share capital was increased from SAR 311.4 million to SAR 500.0 million through the capitalization of a portion of retained earnings, the issuance of new shares to be held as treasury shares for the purpose of the Company's employee share plan and the issuance of new shares for subscription by the existing shareholders, with the Company distributing 2.8 million free shares representing 9 per cent. of the share capital as of 31 December 2021G.

4.3.3.14 Developing an Integrated Financial Solutions Platform Combining Payments, Lending and Value-Added Services

The acquisition of Digital Payments Company for FinTech allows the Company to accelerate its digital transformation and enhance its offerings through new products and solutions for both the consumer and SME segments through a wallet -value proposition combining electronic wallet, lending and value-added services, and to provide financing solutions at the convenience of a click through secure, and convenient e-wallet enabled services.

The Company, through the Subsidiary, is currently exploring a number of potential new solutions which fall under the scope of the Payment Services Providers Regulations issued by the Saudi Central Bank.

4.4 Competitive Strengths

The Company is one of the leaders in the non-bank financing sector in the Kingdom with strong and consistent profitability and growth. Its success is attributed to a number of different factors allowing it to generate consistent returns.

4.4.1 Strong Track Record in Consumer and SME Financing

The Company has an established track record in consumer and SME financing, with a unique and diversified credit portfolio consisting of individual and institutional clients. As of 30 June 2022G, Islamic financing receivables amounted to SAR 1,044.4 million. The individuals segment amounted to SAR 518.6 million and accounted for 49.7 per cent. of Islamic financing, whereas 50.3 per cent. of the Company's credit portfolio, amounting to SAR 525.8 million, consisted of institutional clients, primarily micro, small, and medium enterprises.

The following table summarizes the Company's Islamic financing receivables as of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G:

Table 4.4: Islamic Financing Receivables as of 31 December 2019G, 2020G and 2021G, and as of 30 June 2022G

SAR Millions	As of 31 December			As of 30 June
	2019G	2020G	2021G	2022G
Individuals	373.2	432.8	459.8	518.6
SMEs[1]	240.1	388.7	507.9	525.8
Total	**613.2**	**821.6**	**967.7**	**1.044.4**
Individuals (%)	60.9%	52.7%	47.5%	49.7%
MSMEs (%)	39.2%	47.3%	52.5%	50.3%

Source: The Company.

(1) Includes details of MSMEs, SMEs and five large companies.

4.4.2 High Quality Portfolio with Secured SME Financing

Islamic financing receivables from institutional clients amounted to SAR 525.8 million as of 30 June 2022G and consisted of a high-quality secured credit portfolio 56.8 per cent. of SME financing, amounting to SAR 298.6 million secured by tangible collateral, including real estate or vehicles. An additional SAR 161.8 million representing 30.8 per cent. of SME financing were secured by Kafalah guarantees and financed by the Saudi Central Bank at no cost under the Funding for Lending Programme. The remaining SME financing was secured by third party guarantees (SAR 65.5 million).

The following table summarises type of security for the Company's MSME credit portfolio as of 30 June 2022G:

Table 4.5: Breakdown of Net Islamic financing receivables from MSME by Type of Security as of 30 June 2022G

Net Islamic financing receivables as of 30 June 2022G		
Type of Security	SAR Millions	%
Tangible Collateral	298.6	56.8%
Kafalah Guarantee	161.8	30.8%
Personal Guarantees	65.5	12.5%
Unsecured	-	-
Total	**525.9**	**100.0%**

Source: The Company.

4.4.3 Strong Capital Base and Financing Capacity Providing a Greater Room for Growth

Pursuant to the Implementing Regulations of the Finance Companies Control Law, the aggregate finance amount offered by an NBFIs carrying out financing activities other than real estate may not exceed three times the capital and reserves, unless a non-objection letter from the Saudi Central Bank is obtained.

The Company has a significant capital base that supports its organic growth. As of 30 June 2022G, Shareholders' equity amounted to SAR 535.8 million, and consisted of share capital (net of treasury shares), statutory reserves, retained earnings and non-controlling interest. This provides the Company with an aggregate financing capacity of SAR 1.6 billion based on the Saudi Central Bank's threshold ratio of 3.0x specified in the Implementing Regulations of the Finance Companies Control Law. The net Islamic financing receivables amounted to SAR 1.0 billion as of 30 June 2022G, representing a ratio of net Islamic financing receivables to shareholders' equity of 1.9x. This provides the Company with additional available financing capacity of around SAR 605.7 million without needing to raise additional capital.

The Company's shareholders' equity is expected to increase by the value of the net offering proceeds which should further increase its financing capacity.

4.4.4 Diversified Source of Funds and Access to Finance

The Company has succeeded in growing organically through its funding and liquidity strategy, which provides it with strong access to financing through an ideal mix of bank borrowing, Sukuk securities and government financing.

The Company relies on equity financing, debt financing and off-balance sheet finance. As of 30 June 2022G, its total borrowing amounted to SAR 632.2 million and consisted of bank facilities amounting to SAR 322.7 million, Sukuk payable of SAR 39.2 million and borrowings from government entities of SAR 270.3 million.

The following table summarises the Company's Borrowings as of 31 December 2021G and 30 June 2022G.

Table 4.6: Company's Borrowings

SAR Millions	As of 31 December			As of 30 June
	2019G	2020G	2021G	2022G
Bank Borrowing	240.0	190.1	251.3	322.7
Sukuk Payable	190.3	130.3	69.7	39.2
Borrowings from government entities	36.7	310.7	328.3	270.3
Total	**467.0**	**631.2**	**649.3**	**632.2**

Source: The Financial Statements.

Following the Offering, the Company will additionally gain access to equity capital markets when required, as well as increased access to debt capital markets through the issuance of publicly listed Sukuk. Additional funding could be raised through manufactured capital via the securitization of the existing portfolio.

4.4.5 Strong Partnership Network

The Company has developed strong relationships with banks, government related entities, capital market institutions and other suppliers. It has banking relationships with Bank Albilad, Riyad Bank, Bank Alrajhi and Alinma Bank. Additionally, the Company has a successful track record with Government-related entities such as the General Authority for Small and Medium Enterprises (Monsha'at), the Social Development Bank and Saudi Post.

The following table summarises the Company's partnerships with third parties as of the date of this Prospectus:

Table 4.7: Company Partnerships as of the date of this Prospectus

Type of Relationship	Company	Arrangement
Banking	Riyad Bank, Bank Albilad, Rajhi Bank, Alinma Bank	Terms facilities and revolving facilities
Distribution	Saudi Post, Riyad Bank, *Monsha'at*	Distribution through selected branch in various cities or *Monsha'at* SME funding Portal
Credit origination & administration	Riyad Capital	Off balance sheet financing through Musharaka Agreement with Riyad Capital financing fund
Financing	*Monsha'at*, Social Development Bank, *Kafalah* Programme	Low-cost financing, third party guarantees
Service providers	Sure Pay, Azentio	Technical service providers

Source: The Company.

4.4.6 Strong Governance with Highly Experienced and Qualified Management

As of the date of this Prospectus, the Company has 110 shareholders (excluding treasury shares) with only four shareholders owning more than 5 per cent. of the share capital. Since its establishment, the Company had a diversified shareholder base and was managed with the highest standards of corporate governance. The Shareholders' strong commitment to the growth of the Company's business is demonstrated by prioritizing the reinvestment of profits and capitalization over cash distributions, and through shareholder participation amounting to SAR 80.0 million in the financial year ended 31 December 2016G and SAR 144.6 million in the financial year ended 31 December 2022G.

The Company's shareholder base is further supported by its Board of Directors which has significant experience in Shari'ah, banking, law and finance. The Board is comprised of a majority of non-executive directors, including three independent board members with a wide skillset and strong qualifications and expertise. It is supported by Committees consisting of qualified members with specialized expertise in financial services.

The Board is complemented by its strong Executive Management team with extensive experience and market knowledge as well as an understanding of the business environment and the Saudi Central Bank regulatory framework. Additionally, key executives such as the Executive Managing Director, the Vice Chief Financial Officer and Head of Risk, have been part of the Company since 2014G.

Additionally, the Company's employee share plan ensures a vested interest in the success of the business and aligns interests of the Executive Management and employees with that of the Company and its Shareholders.

4.4.7 Strong Profitability and Resilient Performance

The Company is one of the fastest growing NBFIs in the Kingdom with a compound annual growth in net Islamic financing receivables of 25.1 per cent., from SAR 590.4 million as of 31 December 2019G to SAR 924.1 million as of 31 December 2021G. Total comprehensive income amounted to SAR 40.6 million for the financial year ended 31 December 2021G, representing 17.9 per cent. compound annual growth from SAR 29.1 million for the financial year ended 31 December 2019G. Net Islamic financing receivables also increased to SAR 1.0 billion as of 30 June 2022G representing an 8.4 per cent. increase compared to 31 December 2021G. Total comprehensive income for the six-month period ended 30 June 2022G amounted to SAR 26.4 million, representing a 36.2 per cent. increase compared to SAR 19.4 million for the six-month period ended 30 June 2021G.

4.4.8 1.1.1 Saudi Central Bank Licence to Carry Out Financing Activities and Provide Payment Services of the Subsidiary

The Company is licenced by the Saudi Central Bank to provide leasing, small and medium enterprises (SME) and consumer finance and financing production assets pursuant to Saudi Central Bank licence No. 22/ASH/201410 dated 19 Thul-Qi'dah 1435H (corresponding to 14 September 2014G). Additionally, the Subsidiary, Digital Payment Company for FinTech, is licenced by the Saudi Central Bank to provide payment services as a major electronic money institution under licence No. 41045238 dated3 Rajab 1441H (corresponding to 27 February 2020G). As a result, the Company and the Subsidiary, as a group, are licenced to provide financing and payment services, creating a unique value proposition for SME and individual customers by combining payments and financing solutions.

4.5 Overview of the Company's Business

4.5.1 Product Offering

The Company provides financing solutions using Islamic financing contracts such as *Tawarruq*, *Ijarah* and *Murabaha*, and obtains non objection from the Saudi Central Bank before launching any new product.

The following Section summarises the Company's current product offering.

4.5.1.1 Tawarruq

Tawarruq is a Shari'ah-compliant contract whereby the buyer (customer) purchases a commodity from a seller (Company) on a deferred payment basis. The selling price by the company is comprised of the cost plus an agreed profit margin. The Buyer then sells the same commodity to a third party on a spot payment basis at market price to raise the needed cash.

Tawarruq Financing takes place through the customer authorising a supplier to sell the commodity to a third party other than the Company and the supplier, allowing for fast commodities trade execution and faster loan processing.

Tawarruq financing has been the most successful product launched by the Company. This is attributed to the efficient processing of the financing and the ability to provide customers with flexible cash solutions with no restrictions imposed on the use of proceeds.

As of 30 June 2022G, *Tawarruq* had 18,789 outstanding *Tawarruq* Contracts with Islamic financing receivables (before accounting for provisions for impairments) of SAR 1.0 billion representing 95.8 per cent. of Islamic financing receivables of the Company.

4.5.1.2 *Ijarah*

Ijarah is an agreement whereby the Company, acting as a lessor, purchases or constructs an asset for lease according to the customer's (lessee) request, based on the promise to lease the asset for an agreed rent and for a specific period. *Ijarah* could end by transferring the ownership of the leased asset to the lessee.

The Company provides *Ijarah* financing to individuals and SMEs principally in relation to automobile finance. It leases the vehicle to the customer in return for a rental payment for a financing period of up to five years. The Company transfers the ownership of the vehicle to the customer at the end of the financing period, if all payments have been made through an asset sales contract or by *hiba*.

For the purpose of the ijarah product, the Company acquires the vehicles by dealing directly with the vehicle agencies upon request from the customer, and leases them back to the customer pursuant to an *ijarah* contract.

4.5.1.3 *Murabaha*

Murabaha is a Shari'ah-compliant contract whereby the Company sells a commodity or an asset, which the Company had purchased and acquired, based on a promise received from a customer to buy. The selling price is comprised of the cost plus an agreed profit margin. Murabaha product sales have decreased as customers and the Company have a clear preference for Tawarruq products due to faster and more efficient processing. However, the Company provides its customer the option for *Murabaha* contracts.

The Company expects *Murabaha* sales to pick up as it enables its digital channels to allow for the full credit cycle through the Company's website and mobile app, as Murabaha contracts are particularly suited to some key prospective digital solutions.

4.5.1.4 Payment Services

Digital Payments Company for FinTech, a Subsidiary of the Company, provides a number of payment services including the following:

(a) E-Wallet

Loop's Electronic Wallet provides individuals and businesses with the ability to store monetary value electronically and to securely receive and make desired payments.

(b) Money Transfer

Loop provides money transfer services, including online money transfers.

(c) Virtual Cards

Loop's virtual card provides an easy and safe way to shop online and perform payments.

4.5.2 Segments

4.5.2.1 Retail Segment

The Company provides flexible Shari'ah-compliant financing solutions to individuals for up to SAR 250,000 with a repayment of up to 60 monthly instalments. Financing is provided by way of Shari'ah-compliant contracts with vehicle financing provided via the *Ijarah* product in addition to Consumer Financing via *Tawarruq*.

As of 30 June 2022G, the Company had 18,623 individual customers, representing 49.8 per cent. of the Company's net Islamic financing receivables with a balance of SAR 518.6 million.

In terms of customers, the Company has historically targeted the public sector due to the large number of Government employees with stable employment in the Kingdom. According to the General Authority for Statistics, as of 31 December 2021G, there were 1,702,617 Government employees in the Kingdom, including 1,539,982 Saudi nationals. This represents 44.6 per cent. of total Saudi employment in the Kingdom. Additionally, according to the market study consultant, the average monthly wages of government employees amounted to SAR 10,186 in the fourth quarter of 2021G, which is significantly higher than the average wages of SAR 4,023 for the private sector.

The following table summarises the net receivables for the retail segment by employer type as of 30 June 2022G:

Table 4.8: Net Receivables for the Retail Segment by Employer Type as of 30 June 2022G

net receivables for the Retail Segment as of 30 June 2022G				
	Financing Contracts		Islamic receivables	
	No.	%	SAR Millions	%
Public Sector	17,208	92.4%	422.7	81.5%
Private Sector	1,079	5.8%	85.2	16.4%
Retired Customers	336	1.8%	10.7	2.1%
Total	**18,623**	**100.0%**	**518.6**	**100.0%**

Source: The Company.

As of 30 June 2022G, the Company had 18,623 financing agreements with Government employees, which accounted for 92.4 per cent. of its total contracts in the retail segment. In addition, net Islamic financing receivables from Government employees amounted to 81.5 per cent. of net retail Islamic receivables (before impairment provisions). The private sector accounted for 5.8 per cent. of individual contracts and 16.4 per cent. of Islamic financing receivables, whereas retirees and pensioners accounted for 1.8 per cent. of individual contracts and 2.1 per cent. of retail Islamic financing receivables.

The following table summarises the net receivables for the retail segment by monthly incomeas of 30 June 2022G:

Table 4.9: Net Receivables for the Retail Segment by Monthly Income as of 30 June 2022G

net receivables for the Retail Segment as of 30 June 2022G				
	Financing Contracts		Islamic receivables	
	No.	%	SAR Millions	%
SAR 5,000 or less	612	3.3%	10.6	2.0%
SAR 5,001 to SAR 10,000	8,101	43.5%	160.2	30.9%
SAR 10,001 to SAR 15,000	6,895	37.0%	184.3	35.5%
SAR 15,001 to SAR 20,000	2,207	11.9%	74.1	14.3%
More than SAR 20,000	808	4.3%	89.4	17.2%
Total	**18,623**	**100.0%**	**518.6**	**100.0%**

Source: The Company.

Customers earning between SAR 5,001 and SAR 15,000 per month accounted for the majority of the Company's customers, 80.5 per cent. of total financing contracts and 66.4 per cent. of total retail Islamic Receivables.

4.5.2.2 SME Segment

The Company provides financing to institutional clients, which is comprised of micro, small and medium enterprises, as well as institutional non-SME financing (corporates).

It has benefited from a number of government initiatives to support the sector, including the Kafalah guarantee programme, the Funding for Lending Programme and other Government funding at below market rates to support SME financing.

As of 30 June 2022G, the SME financing consisted of 828 financing contracts with Islamic receivables of SAR 525.8 million, as shown in the following table:

Table 4.10: Breakdown of Institutional Credit Book by Company Type as of 30 June 2022G

net receivables for the SME Segment as of 30 June 2022G				
	Financing Contracts		Islamic receivables	
	No.	%	SAR Millions	%
Micro Enterprise	303	36.6%	101.2	19.2%
Small Enterprise	450	54.3%	243.1	46.2%

net receivables for the SME Segment as of 30 June 2022G				
	Financing Contracts		Islamic receivables	
	No.	%	SAR Millions	%
Medium Enterprise	70	8.5%	142.8	27.2%
Corporate	5	0.6%	38.8	7.4%
Total	**828**	**100.0%**	**525.8**	**100.0%**

Source: The Company.

The General Authority for Small and Medium Enterprises (*Monsha'at*) categorises companies into micro, small and medium enterprises based on the number of their full-time employees and revenues. The following table shows the classification criteria:

Table 4.11: MSME Categories

Enterprise Category	Number of Full Time Employees	Annual Revenues
Micro	1 to 5	<SAR 3 million
Small	6 to 49	SAR 3–40 million
Medium	50 to 249	SAR 40–200 million

Source: Company

Small enterprises accounted for 54.3 per cent. of total financing contracts and 46.2 per cent. of SME Islamic receivables as of 30 June 2022G. The remaining contracts consisted of microenterprises (36.6 per cent.) and medium enterprises (8.5 per cent.). Additionally, the Company has extended financing to non SME corporate clients for SAR 38.8 million.

The Company seeks to finance MSMEs operating in high growth sectors. Additionally, loans provided to the Company by the Saudi Central Bank and the Social Development Bank carry a number of conditions, one of which is that these loans are to be used for providing financing to specific types/sectors of customers at discounted rates.

The following table shows the breakdown of institutional credit book by sector as of 30 June 2022G:

Table 4.12: Breakdown of Institutional Credit Book by Sector as of 30 June 2022G

net receivables for the SME Segment as of 30 June 2022G				
	Financing Contracts		Islamic receivables	
	No.	%	SAR Millions	%
Agriculture & Fishing	9	1.1%	22.2	4.2%
Other	57	6.9%	52.9	10.1%
Manufacturing	33	4.0%	29.3	5.6%
Finance	1	0.1%	1.1	0.2%
Building & Construction	127	15.3%	120.4	22.9%
Mining & Quarrying	-	-	-	-
Commerce (Wholesale / Retail Trade)	108	13.0%	160.7	30.6%
Transportation & Communication	34	4.1%	9.8	1.9%
Services	449	54.2%	86.1	16.4%
Electricity, Water & Gas and Health Services	10	1.2%	43.3	8.2%
Total	**828**	**100.0%**	**525.8**	**100.0%**

Source: The Company.

The services sector accounted for the majority of the Institutional financing contracts, with 449 loans representing 54.2 per cent. of total institutional loans. Net receivables from the services sector, however, only represented 16.4 per cent. of institutional credit with SAR 86.1 million in net receivables.

The largest segment in terms of net financing consisted of the commerce (wholesale and retail trade) sector with SAR 160.7 million representing 30.6 per cent. of institutional net receivables, followed by the building and construction sector with SAR 120.4 million representing 22.9 per cent. of the institutional loan book.

4.5.3 Product Distribution

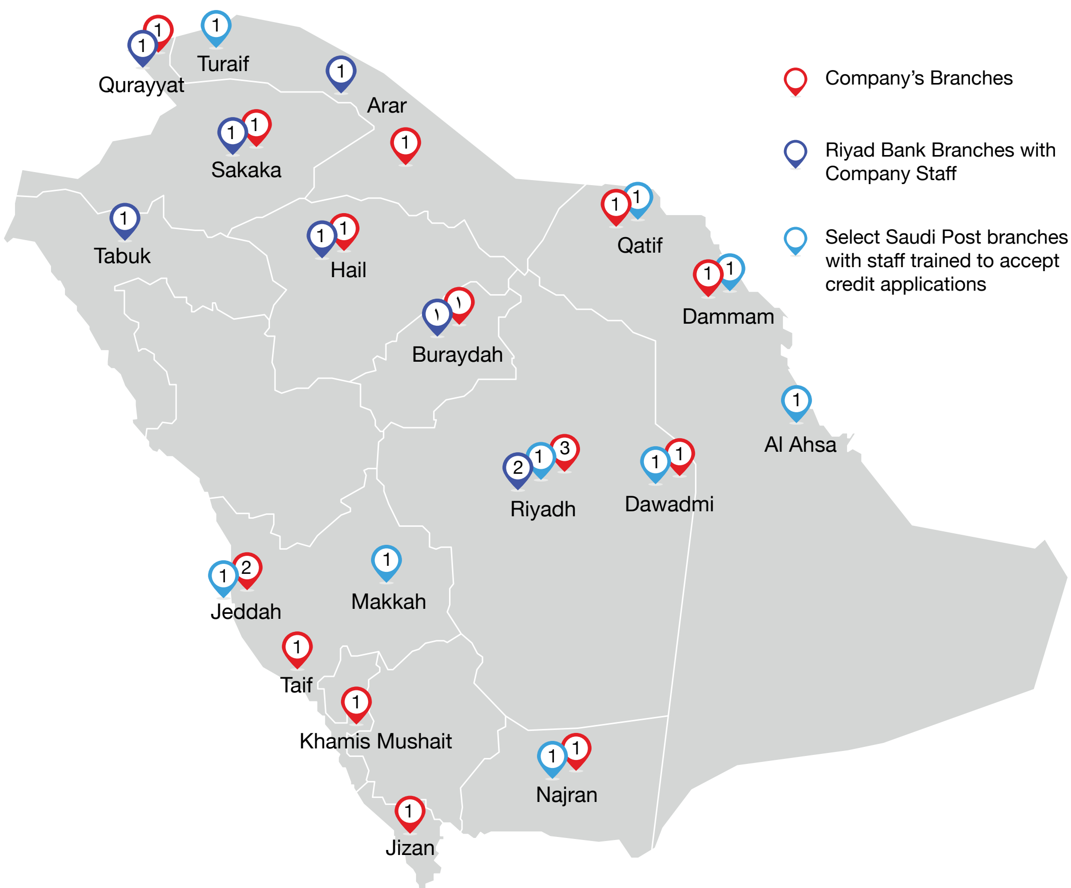
The Company relies on a multi-channel distribution model consisting of the Company's branch network, the partners' distribution network and the *Monsha'at* SME funding platform.

4.5.3.1 Branch Network

The Company's distribution network consists of branches located in large and medium-sized cities in the Kingdom. In addition, its staff is located in selected Riyad Bank branches under an agreement with Riyad Bank with the aim to provide additional financing solutions to Riyad Bank clients. Additionally, the Company entered into an agreement with the Saudi Post to allow potential clients to apply for financing at select Saudi Post branches.

The following exhibit shows a map of the Company's branch distribution network as of the date of this Prospectus:

Exhibit 4.2: Branch Distribution Network as of the Date of this Prospectus



Source: The Company.

(a) Company's Branches

The Company operates through 16 proprietary branches (excluding the Riyadh head office) located in 13 large and medium cities in the Kingdom and the following sub-branches:

(i) Riyad Bank Branches with Company Staff

Company staff is located in nine select Riyad Bank branches under an agreement with Riyad Bank with the aim to provide top up financing to Riyad Bank customers.

(ii) Saudi Post Centres with Staff Training to Accept Applications

The Company entered into a partnership with Saudi Post to provide training for Saudi Post staff in eight select Saudi Post centres across the Kingdom to receive customer credit applications on behalf of the Company.

The following table summarises the Company's distribution network as of the date of this Prospectus:

Table 4.13: Company's Distribution Network as of the Date of this Prospectus

City	Company Branches	Company Points of Sale	Riyad Bank Branches	Saudi Post Centres
Riyadh	2	1	2	1
Jeddah	2	-	-	1
Makkah	-	-	-	1
Dammam	1	-	-	1
Dawadmi	1	-	1	-
Ahsa	-	-	-	1
Khamis Mushait	1	-	-	-
Jizan	1	-	-	-
Najran	1	-	-	1
Buraidah	1	-	1	-
Hail	1	-	1	-
Tabuk	-	1	1	-
Qatif	1	-	-	1
Sakaka	1	-	1	-
Arar	1	1	1	-
Turaif	-	-	-	1
Qurayyat	1	-	1	-
Taif	1	-	-	-
Total	**16**	**3**	**9**	**8**

Source: The Company.

(b) Points of Sale

As of the date of this Prospectus, the Company operates three points of sale in Riyadh, Arar and Tabuk.

4.5.3.2 SME General Authority Funding Portal

The SME funding portal developed by the General Authority for Small and Medium Enterprises (*Monsha'at*) is a digital platform linking private and public finance providers with SMEs looking for financing solutions. The objective of the platform is to assist SMEs in obtaining the appropriate financing through a simple and unified platform.

Since joining the platform in February 2020G, the Company has provided more than 386.0 million in funding requested through the portal and was awarded the Best *Monsha'at* Partner under the SME funding portal on five different occasions.

4.5.3.3 Digital Channels

The Company is in the process of setting up an online portal allowing for customer onboarding and credit underwriting through purely digital channels such as the Company's website and mobile application. In addition, the Company is exploring the potential integration of its financing solutions with Loop's application allowing Loop users to request and obtain financing through the Loop app.

4.5.3.4 Geographical Distribution

The Company distribution covers most of the Kingdom's regions, with the exception of Madinah, Al Bahah, and Al Jawf. The following table shows the geographical distribution of customers as of 30 June 2022G:

Table 4.14: Geographical Distribution of Customers as of 30 June 2022G

Geographical Distribution as of 30 June 2022G				
	Financing Contracts		Islamic Receivables	
	No.	%	SAR Millions	%
Hail	1,838	9.4%	47.2	4.5%
Riyadh	5,796	29.8%	532.1	51.0%
Qasim	717	3.7%	16.8	1.6%
Makkah	2,336	12.0%	205.0	19.6%
Bahah	-	-	-	-
Tabuk	1,456	7.5%	35.3	3.4%
Madinah	-	-	-	-
Eastern province (Dammam)	1,676	8.6%	70.7	6.8%
Northern Borders	3,065	15.8%	70.6	6.8%
Jawf	-	-	-	-
Jizan	1,062	5.5%	24.5	2.3%
Asir	889	4.6%	24.4	2.3%
Najran	616	3.2%	17.9	1.7%
Total	**19,451**	**100.0%**	**1,044.4**	**100.0%**

Source: The Company.

Riyadh accounted for 29.8 per cent. of total contracts as of 30 June 2022G, followed by the Northern Borders region, Makkah and Hail with 15.8 per cent., 12.0 per cent. and 9.4 per cent., respectively. In terms of Net Financing, the Riyadh region accounted for 51.0 per cent. of total loan book, followed by Makkah, the Northern Borders and the Eastern Region with 19.6 per cent., 6.8 per cent. and 6.8 per cent., respectively. As the business hub of the Kingdom, Riyadh accounted for the bulk of the Company's clients and contributed to the majority of the Company's revenues, as shown by the following table:

Table 4.15: Geographical Breakdown of the Company's Income from Islamic financing for the Years Ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G

Income from Islamic financing				
SAR Million	Year ended 31 December 2021G			Six-month Period ended 30 June
	2019G	2020G	2021G	2022G
Riyadh	52.3	37.0	47.0	30.9
Jeddah	4.8	6.9	18.8	12.3
Taif	0.8	1.6	2.4	1.5
Dammam	0.2	3.1	7.1	3.9
Dawadmi	4.1	4.3	4.2	2.5
Abha	5.3	5.3	4.9	2.5
Jizan	5.2	5.7	5.0	2.4
Najran	2.0	3.2	3.5	1.7
Buraidah	2.4	2.8	3.4	1.7
Hail	9.6	10.0	10.0	4.7
Tabuk	8.0	8.5	7.6	3.5
Qatif	1.2	1.5	2.5	1.5
Sakaka	4.4	4.6	4.5	2.1
Arar	4.7	4.2	3.2	1.4
Qurayyat	5.9	7.0	7.0	3.6
Total	**110.8**	**105.6**	**131.1**	**76.1**

Source: The Company.

The Riyadh region accounted for the majority of the Company's income from Islamic financing, and accounted for 40.6 per cent. of the total in the financial year ended 30 June 2022G, followed by Jeddah and Hail with 16.2 per cent. and 6.2 per cent., respectively.

4.5.4 Sources of Funding

4.5.4.1 Equity Financing

Since its establishment, the Company has primarily relied on equity financing and reinvested earnings to fund its business operations. As of 30 June 2022G, Shareholders' equity amounted to SAR 535.8 million, and consisted of share capital (net of treasury shares), statutory reserves, retained earnings and non-controlling interest.

In addition, following the Offering, Shareholders' equity will increase by the Net Offering Proceeds.

4.5.4.2 Bank Borrowings

The Company has managed to develop relationships with a number of Saudi banks, which provides it with strong access to finance. As of 30 June 2022G, the Company's total bank borrowings amounted to SAR 322.7 million with available untapped facilities of around SAR 77.2 million.

As of 30 June 2022G, bank borrowings include five revolving Islamic facilities for a total amount of SR 97.6 million at floating commercial rates. Each of these facilities is for an original term of one year and renewable for additional periods of one year each at the lender's option, up to a total of four years. The facilities are secured by the assignment of receivables, since the option to refinance or roll over the facilities is at the lender's discretion.

Nine other Islamic facilities with a total balance of SAR 225.0 million as of 30 June 2022G were obtained from commercial banks to finance the Islamic financing assets of the Company at fixed rates. The facilities are secured by restricted deposits and are repayable on agreed terms.

4.5.4.3 Sukuk Proceeds

The Company was among the first NBFIs to tap the debt capital markets in the Kingdom, having established a SAR 400.0 million Sukuk issuance programme in the financial year ended 31 December 2017G.

In February 2018G, the Company issued Sukuk with an aggregate principal of SR 178.0 million. The Sukuk carries a fixed rate of interest at 8 per cent. per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing on May 2018G, with the final instalment due in February 2023G.

In December 2019G, the Company issued a new Sukuk with an aggregate principal of SAR 80.0 million. The Sukuk carries a fixed rate of interest at 6 per cent. per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing on March 2020G, with the final instalment due in December 2022G.

As of 30 June 2022G, outstanding Sukuk Payables amounted to SAR 39.2 million.

4.5.4.4 Borrowings from the Government

Loans from a Government entity represent financing from the Social Development Bank and financing by the Saudi Central Bank under the Funding for Lending Programme.

In the financial years ended 31 December 2020G and 2021G, and the six-month period ended 30 June 2022G, the Company participated in the Funding for Lending Programme by the Saudi Central Bank and received interest-free funding in 19 instalments amounting to SAR 270.0 million with varying maturities, starting from September 2023G to February 2025G.

Further, in the financial years ended 31 December 2020G and 2021G, the Company obtained loans from the Social Development Bank (a Government entity) amounting to SAR 220.0 million with maturities ranging from June 2023G to May 2026G.

Some of the loans from the Social Development Bank carry special commissions at rates significantly lower than the currently prevailing market rates and are subject to a number of conditions, one of which is that these loans are to be provided to specific types/sectors of customers.

4.5.4.5 Off Balance Sheet Financing

On 4 August 2021G, the Company and Riyad Financing Fund agreed to enter into a *Musharaka* arrangement. Under the term of the agreement, Riyad Financing Fund shall contribute a cash amount representing 80.0 per cent. of the *Musharakah* capital, and the Company will contribute in cash and in kind an amount representing the remaining 20 per cent.

Management of the *Musharakah* shall be carried out solely by the Company in accordance with the terms of the *Musharaka* agreement and the *Musharakah* management agreement.

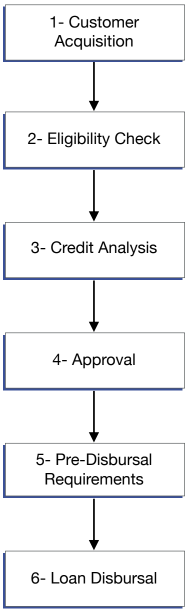
As of 30 June 2022G, the off-balance sheet portfolio under management by the Company amounted to SAR 50.6 million.

4.5.5 Credit Management

The Company has adopted detailed credit policies for its different financing products, including eligibility criteria, approval authorities, collateral requirements, risk controls and credit enhancements. It follows a standardized approach to credit management and collection to handle and manage liabilities arising from the risks from customers.

The following exhibit summarizes the Company's credit approval process.

Exhibit 4.3: Credit Approval Process



1. The customer is acquired from branches, points of sale, telesales and direct sales agents.
2. A basic preliminary eligibility check is performed and customer information collected and forwarded (if approved) to the credit department.
3. A Credit analysis is conducted by the credit department. For consumers, the Credit Department performs a debt burden analysis and after a positive assessment, the information is sent for approval based on the size of the loan. For SMEs, the credit department performs initial quality tests, and after a positive assessment, the information is sent to the scoring agent.
4. The Company analyses the customer based on an in-house score card mechanism assessing eligibility. The credit department uses SIMAH rating of the customer which is based on the customers' banking history and calculates the score for the customer based on the scoring criteria defined by the Company. For SMEs, the credit department additionally requires the submission of a valid commercial registration, Zakat and VAT certificates, financial statements and a Bayan Credit Bureau (Bayan) analytical report. SMEs that apply for *Kafalah* guarantees are also required to provide documents required by the *Kafalah* programme.
5. For individuals, promissory note and guarantor information is provided as well as standing instructions and a direct debit mandate. The Company debits the account for admin fees to assure bank account has no issues. For SMEs, collateral is obtained as security against the loan. SMEs that cannot provide collateral can apply *Kafalah* for a *Kafalah* guarantee from 80.0 per cent. to 95.0 per cent. of the loan. The Company also requests a personal guarantee on top of the *Kafalah* guarantee.

4.5.6 Collection Management

Standard payment terms include monthly principle and profit payments. Collection is done through bank transfer with individual customers required to provide standing instructions or a direct debit mandate. In addition, customers can pay via bank transfers and *Sadad*.

Collection is monitored and managed by the Legal and Collections Department, supported by an automated communication systems using the latest technologies to communicate with customers, such as the b-InTouch CRM programme through phone calls and national post notifications.

Receivables overdue for more than 90 days are classified as non-performing. Delinquent loans are monitored to ensure a high recovery rate from overdue accounts. The Company maintains adequate provisions for impairments in line with the Saudi Central Bank requirements. It has maintained a high recovery rate with recoveries of Islamic financials written off increasing from SAR 9.0 million in the financial year ended 31 December 2019G to SAR 11.6 million in the financial year ended 31 December 2021G, and reached SAR 8.5 million during the six months period ended 30 June 2022G.

The Company follows the Saudi Central Bank Guidelines and initiates legal procedures for Receivables after failure to recover them within the regulatory timeframe. It benefits from a strong and experienced legal team and a strong legal framework allowing for enforcement of tangible collaterals such as vehicles and real estate, in addition to promissory notes and other securities.

4.5.7 Sales and Marketing

The Sales and Marketing Department is responsible for the Company's distribution network and origination channels and for promotions, publicity and advertising, with the aim to capture market share by continuously offering superior financial products and customer service.

The Company acquires customers through a broad and omni-channel sales network consisting of proprietary branches, its partnerships network of select Riyad Bank Branches and Saudi Post centres, as well as other channels including telesales, direct sales and *Monsha'at* funding portal, as is illustrated in the following table:

Table 4.16: Loan Disbursals for the Years Ended 31 December 2019G, 2020G and 2021G, and the Six- Month Period Ended 30 June 2022G

Loan Disbursements				
SAR Millions	For the financial year ended 31 December			For the six-month period ended 30 June
	2019G	2020G	2021G	2022G
Consumers	253.0	269.3	255.2	180.2
SMEs	122.5	279.6	299.9	131.8
Total	**375.5**	**548.9**	**555.1**	**312.0**
Contributions[1]	-	-	**51.4**	**6.1**

source: The Company.

[1] The contributions balance between the year ended 31 December 2021G and the six months period ended 30 June 2022G is linked to the *Musharakah* agreement entered into by the Company and Riyad Capital with a total value of SAR 50 million . According to the agreement, the Company works to collect receivables due from customers, and accordingly, the proceeds from these receivables are shared.

Total loan disbursement increased from SAR 375.5 million in the financial year ended 31 December 2019G to SAR 555.1 million in the financial year ended 31 December 2021G at a compound annual growth rate of 21.6 per cent. The growth was mainly driven by higher disbursement in the SME segment, as the Company benefited from government borrowings at low special commission rates to support the SME sector.

4.5.8 Awards and Operational Achievements

Since its establishment, the Company has won a number of awards and achieved operational achievements, including:

- 2021G IBSi Global FinTech Innovation Award for best Islamic Banking Implementation – Most Impactful Project;
- Best *Monsha'at* Partner under the SME funding portal for January 2022G, October 2021G, August 2021G, April 2021G, and the first quarter of 2021G;
- Best *Monsha'at* Partner under the SME funding portal for 2021G;
- Highest Invoices issued via Esal Portal in 2019G; and
- 2018G Bonds, Loans & Sukuk Middle East Award for the Best Local Currency Bond/Sukuk Deal of the Year in relation to the Company's Sukuk Issuance Programme established December 2017G.

4.5.9 Research and Development

The Company does not currently have a stand-alone Research and Development Department. The research and development of new products and the implementation of new initiatives are carried out by the relevant Company departments and through the appointment of third-party consultants and subject matter experts.

4.5.10 Environment, Social and Governance (ESG)

The Company is committed to sustainability development goals and environmental, social and governance (ESG) practices, and joined the United Nations Global Compact network in April 2022G, and by doing so expressed its intent to implement the United Nations Global Compact principles on human rights, labour, environment and anti-corruption and to make these principles part of the Company's strategy, culture and day to day operations, as well as to engage in collaborative projects which supports the United Nations Sustainable Development Goals.

Accordingly, the Company has developed an implementation plan with 14 practical actions and activities to implement UN Global Compact principles, along with target performance indicators and other measurable qualitative and quantitative action points.

4.6 Shari'ah Committee

The Company's financing solutions and operations are fully compliant with the principles of Islamic Shari'ah. The Company has entered into an agreement with Investment Experts to provide Shari'ah consultancy services. It concluded a Shari'ah consultancy services agreement with Investment Experts to provide consultancy services in relation to Shari'ah matters and ensure operations are compliant with Shari'ah principles. The services include Shari'ah audits, Shari'ah compliance review, Shari'ah approval for financing products and Shari'ah advisory and review of agreements.

The Shari'ah committee assigned by Investment Experts to the Company consists of the following scholars specialized in the areas of Islamic financial transactions and contemporary Islamic economics.

- Doctor Abdullah Mohammed Al Omrani, Chairman of the Shari'ah Committee;
- Sheikh Fahad Bin Abdulrahman Alaiban, Deputy Chairman of the Shari'ah Committee; and
- Doctor Abdullah Bin Mohammed Aldukheil, Member of the Shari'ah Committee.

The Shari'ah Committee is responsible for reviewing the Company's Shari'ah policies and procedures and issuing decisions on Shari'ah issues referred to it in a timely manner. Specifically, the Committee is responsible for ensuring that the Company's financing products are compliant with the provisions and principles of Islamic Shari'ah, and approving the terms and conditions contained in the product manual, forms, contracts and other legal documents used in the Company's operations.

Additionally, the Committee submits an annual Shari'ah report on the Company's business and its compliance with Shari'ah controls to the Risk and Credit Committee.

The Shari'ah Committee Responsibilities include (*inter-alia*):

- issuing decisions on Shari'ah issues of the Company's activities in a manner that ensures compliance with Shari'ah provisions and principles, and clarifying Shari'ah rulings in all of Company's activities;
- working with the concerned departments to serve the development of the Company's performance from the legal point of view and the development of products compatible with Shari'ah regulations;
- answering legitimate inquiries received regarding the Company's products and transactions;
- supervising the extent to which the Company's financing transactions comply with the provisions and principles of Shari'ah through the internal Shari'ah review and reporting on the Company's Shari'ah compliance;
- performing a Shari'ah review of the Company's financial statements; and
- ensuring that the Company's policies and procedures comply with the provisions and principles of Shari'ah.

4.7 Future Plans and Initiatives

4.7.1 Development of Products and Services

The Company seeks to continuously develop its current offerings to target new segments, expand its customer base and enhance the customer experience. New products are introduced based on market demand, competitive analysis and the Company's risk tolerance and return requirements.

The Company seeks Saudi Central Bank non objection before launching any new financing product. The introduction of new products and services undergoes the following rigorous and layered process:

- **Concept Phase:** Products are developed and proposed internally based on market and competitive analysis and prospective demand.
- **Structuring Phase:** Products are structured to meet legal, regulatory, Shari'ah, risk and return requirements, including standardized agreements and eligibility requirements.
- **Testing Phase:** After obtaining the necessary internal and regulatory approvals (if any), the products are implemented on a small scale and market response and feedback is compiled.
- **Product Launch:** Large scale implementation.

As of the date of this Prospectus, the Company is seeking to expand its business in the MSME segment and enhance its offerings through new financing products and additional flexibility in credit underwriting through the approval of new types of collateral, such as collections from points of sale, account receivables assignments and other credit enhancements.

4.7.2 Digital Solutions

The Company seeks to enhance the customer experience and reduce lead time through the establishment of a fully digital credit cycle. As of the date of this Prospectus, it is in the process of setting up an online portal and developing a mobile application to allow for customer onboarding and credit underwriting and disbursement through the Company's website or application.

Enhancement of the digital solutions will also allow the Company to explore additional financial products including micro lending and buy now pay later services, in addition to potential partnerships with retailers.

In addition, the Company is exploring the potential integration of its financing solutions with Loop's application allowing Loop users to request and obtain financing through the Loop app.

4.8 Overview of the Company's Departments

4.8.1 Credit Department

The Credit Department is responsible for regulating the sale of the Company's financial products to its individual and SME clients and implementing systems and mechanisms for consumer protection, adherence with the Saudi Central Bank regulations and responsible financing that preserves the Company's assets.

The Company has a highly experienced credit rating team that works in accordance with the credit policy to verify the financial strength of the customers, which reduces potential credit risks.

The Credit Department works with the Sales Department to achieve monthly goals within the credit approval policies. The credit team works on securing the successful submission of financial offers by the Company to clients and following up with the Operations Department in the execution of client financing.

4.8.2 Legal and Collections Department

The Legal and Collections Department is responsible for the collection of overdue and nonperforming loans and is comprised of three sections:

- collection through phone calls for individuals and companies;
- legal collection; and
- support and field visits,

The collection team uses the latest technologies to communicate with customers, such as the (b-InTouch CRM) programme through phone calls and SMS. Collection takes one of two main tracks, namely, the collection of Individual Customers and the collection of SMEs.

4.8.3 Sales and Marketing Department

The Company has a sales team of 68 highly qualified and experienced employees with strong experience in the sale of financial products. It also has a reach across the Kingdom with a wide network of branches in multiple cities.

The Company also reaches its customers through online channels and a team of well-trained tele-sales and after sales support representatives. The sales and marketing team is responsible for capturing market share by continuously offering superior financial products and customer service levels.

The responsibilities of the Sales and Marketing Department include (*inter-alia*):

- setting and developing sales and marketing goals and objectives and setting strategies to increase sales effectiveness and achieve targets;
- supervising the preparation and development of the marketing and sales plans and following up on their implementation;
- completing all procedures and using best practices in sales management and customer service;
- establishing the best mechanisms for selling products and customer service;
- supervising the establishment of a comprehensive database on markets and competitors and everything related to products, prices and the marketing plans of competitors, geographical regions and their distributions; and
- developing plans for promotion, publicity, advertising, and sales offers in coordination with other relevant departments.

4.8.4 Customer Care Department

The Customer Care Department is responsible for consumer protection in line with the Saudi Central Bank regulations and ensuring that customer needs are met and prioritized. The Customer Care Department works to receive all types of complaints (customer complaints, the Saudi Central Bank matters, SIMAH PRO complaints) and classify them according to its management and treatment, in order to ensure that the best services are provided to customers. This is done using the latest technologies in the hands of qualified Saudi employees.

The Customer Care Department responsibilities include (*inter-alia*):

- receiving customer complaints;
- recording and archiving customer complaints through the system;
- determining the causes of the complaints and direct them to the concerned department to be addressed;
- communicating with the customer and explaining the causes and mechanism for handling the complaint;
- following up with the client to address the causes of the complaint;
- following up on the causes of the complaint in order to solve it; and
- ensuring adherence with the rules and procedures of the customer care policy.

4.8.5 Operations Department

The Operations Department provides support to several other departments and is made up of the following internal units:

- Postal Unit;
- Insurance Unit;
- Audit Unit;
- Payment Unit; and
- Custody and Archive Unit.

In general, the Operations Department's scope of work entails two activities:

- **Management:** The Operations Department acts as a supportive administrative unit for the Company's various departments, by dealing with the requirements of working with clients: executing their contracts, raising bank transfers, matching payments and processing them in the Company's internal system.
- **Support:** The Operations Department works with the Company's various departments to implement the daily work requirements in addition to striving to achieve the Company's strategy.

The Operations Department's responsibilities include (*inter-alia*):

- managing relations and agreements with external partners;
- managing contracts between clients and the Company and verifying compliance with the standards of supervisory and supervisory authorities;
- managing the daily business of (matching customer payments, closing contracts, transferring to customers);
- follow up on settlements and suspensions and ensuring that the necessary corrections are made in cooperation with the Finance Department;
- ensuring that the department operates according to the approved policies and procedures;
- managing purchasing operations and verifying the existence of the statutory documents to complete the request;
- evaluating the efficiency of work procedures in accordance with organizational objectives and making suggestions for improvements; and
- addressing insurance companies and submitting the required data (employees, assets, portfolio, medical).

4.8.6 Risk Management Department

In its ordinary course of business, the Company is exposed to various types of risks inherent in its financing activities. The Risk Management Department supports the Company's various businesses by ensuring that such risks are controlled, managed and mitigated. In addition, the Risk Management Department ensures that all business-related risks fall within the scope of the Company's overall risk tolerance, bearing in mind that the main objective of risk management is to ensure that the overall level of risk is in line with the limits dictated by the Company's strategy. To achieve this goal, it uses a set of tools, systems and professional competencies to identify, classify, measure and reduce risks.

The Risk Management Department's responsibilities include (*inter-alia*):

- preparing a risk policy;
- developing a risk management plan;
- identifying, measuring and classifying risks;
- developing strategies and methods for managing and reducing risks in line with the Company strategy;
- managing risks and business continuity;
- protecting Company resources;
- discovering reusable information through risk management;
- approving policies and procedures;
- preparing risks register;
- managing liquidity risks;
- educating on risks activities;
- approving outsourcing tasks;
- presenting and approving new products and services; and
- preparing the quarterly risk report and submitting it to the Saudi Central Bank.

4.8.7 Human Resources Department

The Human Resources Department is an integral team within the Company and provides support and assistance to the other departments catering to their needs for headcount planning, training and employee relations management.

The Human Resources Department works on training and capacity development by coordinating with other departments to ensure that all new employees receive appropriate training. It also coordinates with the various departments to schedule a clear training plan according to the latest approved training models.

The Human Resources team's responsibilities include (*inter-alia*):

- preparing detailed descriptions for existing vacancies;
- planning the organization's human resource needs;
- recruiting and selecting new employees;
- training of new employees;
- processing wages and salaries;
- processing incentives and rewards;
- setting mechanisms for performance evaluation; and
- training and development.

4.8.8 Information Technology Department

The Information Technology Department plays an important role in managing and automating the Company's daily operations. It procures top tier technology solutions with embedded flexibility for customization while ensuring that the systems adhere to international standards of safety and cyber security.

The Information Technology Department is broadly divided into two teams: a business solution team and a cyber security team.

The business solutions team has adopted an integrated system that links all departments (sales, credit, operations, and collection) with each other with different platforms that flow into one financial system (ERP). This system can serve the customer from one platform and through several channels according to the customer's preference. It also provides a wide range of control and protection tools against misuse of powers and provides management with clear and fast data.

The Company's IT infrastructure has been developed to provide technical services at high levels that enable employees to work remotely, especially in emergency response situations, in addition to laying the foundations for achieving the automation of all operations and eliminating paper use to minimize the environmental footprint and expanding the scope of digital services and electronic presence.

4.8.9 Cyber Security Management

The cyber security team has adopted comprehensive policies to protect the Company in all aspects, including information security policy, data management and classification policy, physical environment security policy, information security management policy, internet usage policy, network security management policy and information technology management policy.

The Company also implements a rigorous risk management policy for its IT assets through continuous asset management, threat and vulnerability analysis, and its implementation of response and recovery procedures and plans. This policy allows the Company to maintain its security position in the field of information technology considering its integrated operations in line with its mission and business needs. This comprehensive risk management policy allows the Company to prioritize the protection of customer data and critical information in line with the appropriate level of risk.

4.8.10 Compliance Department

The Compliance Department is an independent unit that determines policies and procedures for compliance with Government regulations. It monitors and evaluates current business practices and prepares regular reports on the risks of non-compliance related to exposure to legal or administrative penalties or financial losses, or other matters that may harm the Company's reputation due to a lack of compliance with the regulations or standards of conduct and sound professional practice.

The Compliance team's responsibilities include (*inter-alia*):

- ensuring that all other internal departments are aware of compliance protocols and have read and understood the code of professional conduct;
- preparing and implementing the compliance policy in the Company;
- preparing and updating the database received from the regulatory authorities;
- preparing the compliance log;
- providing compliance advice and support in the implementation of Company-wide projects;
- preparing and implementing a compliance programme;
- following up and monitoring compliance;
- preparing a risk register;
- preparing and maintaining a record of regular violations and ensuring that it is updated periodically;
- supervising the application and implementation of corrective measures for systemic violations;
- preparing periodic reports for the audit committee, the Board of Sirectors and Executive Management;
- managing the relationship with the regulatory and supervisory authorities;
- periodic visits to regulatory and supervisory authorities;
- training, education and awareness;
- approval of new or unusual transactions;
- approval of new products/services;
- reviewing internal policies and procedures for products, services and activities and reviewing contracts, forms and advertisements; and
- monitoring operations and transactions.

4.8.11 Finance Department

The Finance Department plans and conducts the Company's accounting work including forecasting revenue and controlling expenditures. It is responsible for financial reporting, payroll services, purchases, accounts payable and management of outstanding debt obligations. It prepares an annual budget programme. The department is also responsible for completing annual audits and reporting to regulators, the Audit Committee, the Board of Directors, as well as Shareholders. The department's mission statement is to provide timely and accurate professional financial and accounting information.

The Finance Department's responsibilities include (*inter-alia*):

- payments;
- payroll;
- reconciliations;
- updating of bank facilities;
- closing of accounts;
- internal and external audits;
- budgeting, cash flow and IFRS 9 and 16;

- annual budget;
- annual, quarterly and monthly review;
- preparing annual hedge reports;
- preparing monthly value-added tax and withholding tax reports; and
- dealing with banks regarding credit facilities, their turnover, hedging, daily credit, debit, reconciliations and analysis.

4.8.12 Internal Audit Department

The Company outsources Internal Audit Department activities to third parties in line with the Outsourcing Rules issued by the Saudi Central Bank.

It concluded a services agreement with Saad Saleh Al-Sabti & Partners Co Chartered Accountants and Auditors (ECOVIS Al Sabti) to provide a range of internal audit services including the following:

- risk assessment and internal audit plan updates;
- internal audit execution and quarterly follow ups;
- internal audit manual review and update;
- review and validation of the Saudi Central Bank Financial Company Control Questionnaire– Technology 2021G and Financial Company Data Collection Form – Technology 21;
- validation of the Control questionnaire for business, oversight, conduct, credit, market, operations and liquidity; and
- quarterly follow-up on the Saudi Central Bank findings.

4.9 Evolution of Capital

The Company was established as a limited liability company on 7 Jumada al-Akhirah 1433H (corresponding to 28 April 2012G) under the name "Morabaha Marina Installments Company" and registered under Commercial Registration No. 1010337706, dated 14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G) with a capital of fifteen million Saudi Arabian Riyals (SAR 15,000,000), divided into one hundred and fifty thousand (150,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share. The shares of the Company upon incorporation were distributed as follows:

Table 4.17: Shareholders of the Company as of 7 Jumada al-Akhirah 1433H (Corresponding to 28 April 2012G)

Shareholder	Number of Shares	Ownership Percentage
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	38,000	25.33%
Ibrahim Abdullah Issa Al-Ghumlas	20,000	13.33%
Samir Mohamed Idris Mahmoud	20,000	13.33%
Abdullah Ahmed Abdullah AlFadda	15,000	10.00%
Ahmed Abdulkarim Mohammed AlRasheed	14,000	9.33%
Assaf Abdullah Mohammed Al Assaf	10,000	6.67%
Saad Abdulaziz Mohammed Al-Hoshan	10,000	6.67%
Hisham Samih Sultan AlHarithi	10,000	6.67%
Othman Abdullah Abdulrahman AlNutheir	5,000	3.33%
Mohammad Ali Hassan AlShakwan	5,000	3.33%
Mohammed Saad Mohammed AlMuhanna	3,000	2.00%
Total	**150,000**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

Pursuant to the partners' resolution dated 30 Rajab 1434H (corresponding to 9 June 2013G), the capital of the Company was increased from fifteen million Saudi Arabian Riyals (SAR 15,000,000) divided into one hundred and fifty thousand (150,000) shares with a nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share, to thirty-three million Saudi Arabian Riyals (SAR 33,000,000) divided into three million three hundred thousand (3,300,000) shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new partners.

Table 4.18: Shareholders of the Company as of 30 Rajab 1434H (Corresponding to 9 June 2013G)

Shareholder	Number of Shares	Ownership Percentage
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	452,800	13.72%
Samir Mohamed Idris Mahmoud	412,000	12.48%
Saad Abdulaziz Mohammed Al-Hoshan	363,500	11.01%
Ibrahim Abdullah Issa Al-Ghumlas	212,000	6.42%
Abdullah Ahmed Abdullah AlFadda	209,000	6.33%
Assaf Abdullah Mohammed Al Assaf	206,000	6.24%
Ahmed Abdulkarim Mohammed AlRasheed	148,400	4.50%
Hisham Samih Sultan AlHarithi	106,000	3.21%
Othman Abdullah Abdulrahman AlNutheir	105,500	3.20%
Abdullah Mohammed Abdullah AlAqeel	100,000	3.03%
Rami Hamad Abdullah AlKhoiter	100,000	3.03%
Khalid Mohammed Fahad AlThuhaiban	100,000	3.03%
Rashid Rashid Saad Bin Owein	100,000	3.03%
Mohammed Abdullah Mohammed AlSmari	100,000	3.03%
Abdulaziz Mohammed Abdulaziz AlRawwaf	100,000	3.03%
Mnahi Saad Mnahi Alsaad AlQahtani	100,000	3.03%
Kafou Commercial Investment Company	300,000	9.09%
Mohammad Ali Hassan AlShakwan	53,000	1.60%
Mohammed Saad Mohammed AlMuhanna	31,800	0.96%
Total	**3,300,000**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

Pursuant to Ministerial Resolution No. (211/Q) dated 27 Sha'ban 1435H (corresponding to 25 June 2014G), the Company was converted from a limited liability company to a closed joint stock company under the name "Morabaha Marina Financing Company" and its capital increased from thirty-three million Saudi Arabian Riyals (SAR 33,000,000) divided into three million three hundred thousand (3,300,000) shares, with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, to one hundred twenty million Saudi Arabian Riyals (SAR 120,000,000), divided into twelve million (12,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new shareholders. The shares of the Company when its capital was increased, and new shareholders joined were distributed as follows:

Table 4.19: Shareholders of the Company as of 27 Sha'ban 1435H (Corresponding to 25 June 2014G)

Shareholder	Number of Shares	Ownership Percentage
Mohammed AlQasabi	1,044,000	8.70%
Talal Ibrahim Ali Al-Maiman	1,000,000	8.33%
Sultan Moazi Fhaid AlOsaimi	1,000,000	8.33%
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	852,000	7.11%
Samir Mohamed Idris Mahmoud	612,000	5.10%
Rashid Rashid Saad Bin Owein	500,000	4.17%
Daoud Suleiman Ibrahim AlSabati	456,000	3.80%
Saad Abdulaziz Mohammed Al-Hoshan	413,500	3.45%
Abdullah Ahmed Abdullah AlFadda	409,000	3.41%
Maha Sulaiman Abdulrahman Alameer	400,000	3.33%

Shareholder	Number of Shares	Ownership Percentage
Rana Investment Company	300,000	2.50%
Kafou Commercial Investment Company	300,000	2.50%
Fahad Mohammed Saad bin Qassim	300,000	2.50%
Fatima Abdullah Abdulaziz AlOthamn	300,000	2.50%
Thamer Mohammad Hamad AlSalloum	300,000	2.50%
Salem Saeed Abdullah AlAyedh AlQahtani	300,000	2.50%
Fhaid Moazi Fhaid AlOsaimi	300,000	2.50%
Ibrahim Abdullah Issa Al-Ghumlas	212,000	1.77%
Assaf Abdullah Mohammed Al Assaf	206,000	1.72%
Othman Abdullah Abdulrahman AlNutheir	200,500	1.67%
Omar Mohammed Omar AlDhuwayyan	200,000	1.67%
Mansour Zaid Ibrahim AlMahmoud	200,000	1.67%
Abdullah Saad Abdullah Alzunaitan	200,000	1.67%
Fahad Mohammed Saleh AlForayyan	200,000	1.67%
Rami Hamad Abdullah AlKhoiter	180,000	1.50%
Khalid Mohammed Fahad AlThuhaiban	150,000	1.25%
Ahmed Abdulkarim Mohammed AlRasheed	148,400	1.24%
Hisham Samih Sultan AlHarithi	106,000	0.88%
Abdulrahman Sultan Abdulaziz AlSultan	100,000	0.83%
Naeem Abdulaziz Othman AlShabanah	100,000	0.83%
Mohammed Abdulaziz Othman AlShabanah	100,000	0.83%
Ali Ibrahim Abdullah AlAjlan	100,000	0.83%
Huda Rashid Mohammed AlSaeed	100,000	0.83%
Hajref Maazi Fhaid AlOsaimi	100,000	0.83%
Turki Maazi Fhaid AlOsaimi	100,000	0.83%
Mohammed Abdullah Mohammed AlSmari	100,000	0.83%
Mnahi Saad Mnahi Alsaad AlQahtani	100,000	0.83%
Abdulaziz Mohammed Abdulaziz AlRawwaf	100,000	0.83%
Abdullah Mohammed Abdullah AlAqeel	100,000	0.83%
Mohammed Saad Mohammed AlMuhanna	56,800	0.47%
Mohammad Ali Hassan AlShakwan	53,000	0.44%
Total	**12,000,000**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

On 8 Muharram 1436H (corresponding to 1 November 2014G), the Company entered into an agreement with the Securities Depository Center Company (Edaa) for the purpose of registering the Company's shareholders' register in the Securities Depository Center Company (Edaa).

Pursuant to the Company's Extraordinary General Assembly resolution dated 16 Thul-Qi'dah 1436H (corresponding to 31 August 2015G), the Company's capital increased from one hundred twenty million Saudi Arabian Riyals (SAR 120,000,000) to two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the issuance of new shares and the entrance of new shareholders. The shares of the Company when its capital was increased, and the change of its legal entity, were distributed as follows:

Table 4.20: Shareholders of the Company as of 16 Thul-Qi'dah 1436H (Corresponding to 31 August 2015G)

Shareholder	Number of Shares	Ownership Percentage
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	2,424,591	12.12%
Talal Ibrahim Ali Al-Maiman	2,000,000	10.00%
Sultan Moazi Fhaid AlOsaimi	1,666,667	8.33%
Mohammed Othman Al-Abdullah AlKasabi	1,044,000	5.22%
Saad Abdulaziz Mohammed Al-Hoshan	1,023,500	5.12%
Daoud Suleiman Ibrahim AlSabati	1,006,000	5.03%
Rana Investment Company	800,000	4.00%
Rashid Rashid Saad Bin Owein	800,000	4.00%
Samir Mohamed Idris Mahmoud	762,000	3.81%
Fhaid Moazi Fhaid AlOsaimi	600,000	3.00%
Kafou Commercial Investment Company	600,000	3.00%
Salem Saeed Abdullah AlAyedh AlQahtani	500,000	2.50%
Abdullah Ahmed Abdullah AlFadda	450,000	2.25%
Maha Sulaiman Abdulrahman Alameer	400,000	2.00%
Ibrahim Abdullah Issa Al-Ghumlas	400,000	2.00%
Omar Mohammed Omar AlDhuwayyan	334,000	1.67%
Mansour Zaid Ibrahim AlMahmoud	333,354	1.67%
Mohammed Abdulaziz Abdullah AlKhowaiter	320,000	1.60%
Thamer Mohammad Hamad AlSalloum	300,000	1.50%
Fahad Mohammed Saad Bin Qassim	300,000	1.50%
Naeem Abdulaziz Othman AlShabanah	300,000	1.50%
Rami Hamad Abdullah AlKhoiter	299,988	1.50%
Assaf Abdullah Mohammed Al Assaf	206,000	1.03%
Othman Abdullah Abdulrahman AlNutheir	200,500	1.00%
Abdulrahman Sultan Abdulaziz AlSultan	200,000	1.00%
Abdullah Saad Abdullah Alzunaitan	200,000	1.00%
Fahad Mohammed Saleh AlForayyan	200,000	1.00%
Hajref Maazi Fhaid AlOsaimi	200,000	1.00%
Turki Maazi Fhaid AlOsaimi	200,000	1.00%
Mnahi Saad Mnahi Alsaad AlQahtani	200,000	1.00%
Ahmed Abdulkarim Mohammed AlRasheed	198,400	0.99%
Lama Abdulaziz Abdullah AlKhoiter	160,000	0.80%
Abeer Abdulaziz Abdullah AlKhoiter	160,000	0.80%
Huda Rashid Mohammed AlSaeed	150,000	0.75%
Khalid Mohammed Fahad AlThuhaiban	150,000	0.75%

Shareholder	Number of Shares	Ownership Percentage
Abdulaziz Mohammed Abdulaziz AlRawwaf	135,000	0.68%
Mohammed Abdulaziz Othman AlShabanah	130,000	0.65%
Mohammed Saad Mohammed AlMuhanna	120,000	0.60%
Mohammed Abdullah Mohammed AlSmari	107,000	0.54%
Hisham Samih Sultan AlHarithi	106,000	0.53%
Ali Ibrahim Abdullah AlAjlan	100,000	0.50%
Abdullah Mohammed Abdullah AlAqeel	100,000	0.50%
Areej Abdulaziz Abdullah AlKhoiter	60,000	0.30%
Mohammad Ali Hassan AlShakwan	53,000	0.27%
Total	**20,000,000**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

Pursuant to the Company's Extraordinary General Assembly resolution dated 16 Thul-Qi'dah 1437H (corresponding to 8 August 2017G), the Company's capital increased from two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) ordinary shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10), to two hundred twelve million Saudi Arabian Riyals (SAR 212,000,000) divided into twenty-one million two hundred thousand (21,200,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) through the distribution of bonus shares to shareholders. The shares of the Company after the increase of its capital and the distribution of bonus share were distributed as follows:

Table 4.21: Shareholders of the Company as of 16 Thul-Qi'dah 1437H (Corresponding to 8 August 2017G)

Shareholder	Number of Shares	Ownership Percentage
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	2,570,066	12.12%
Talal Ibrahim Ali Al-Maiman	2,120,000	10.00%
Sultan Moazi Fhaid AlOsaimi	1,766,667	8.33%
Mohammed Othman Al-Abdullah AlKasabi	1,106,640	5.22%
Saad Abdulaziz Mohammed Al-Hoshan	1,084,910	5.12%
Daoud Suleiman Ibrahim AlSabati	1,066,360	5.03%
Rana Investment Company	848,000	4.00%
Rashid Rashid Saad Bin Owein	848,000	4.00%
Samir Mohamed Idris Mahmoud	807,720	3.81%
Fhaid Moazi Fhaid AlOsaimi	636,000	3.00%
Kafou Commercial Investment Company	636,000	3.00%
Salem Saeed Abdullah AlAyedh AlQahtani	530,000	2.50%
Abdullah Ahmed Abdullah AlFadda	477,000	2.25%
Maha Sulaiman Abdulrahman Alameer	424,000	2.00%
Ibrahim Abdullah Issa Al-Ghumlas	424,000	2.00%
Omar Mohammed Omar AlDhuwayyan	354,040	1.67%
Mansour Zaid Ibrahim AlMahmoud	353,355	1.67%
Mohammed Abdulaziz Abdullah AlKhowaiter	339,200	1.60%
Thamer Mohammad Hamad AlSalloum	318,000	1.50%
Fahad Mohammed Saad Bin Qassim	318,000	1.50%
Naeem Abdulaziz Othman AlShabanah	318,000	1.50%

Shareholder	Number of Shares	Ownership Percentage
Rami Hamad Abdullah AlKhoiter	317,987	1.50%
Assaf Abdullah Mohammed Al Assaf	218,360	1.03%
Othman Abdullah Abdulrahman AlNutheir	212,530	1.00%
Abdulrahman Sultan Abdulaziz AlSultan	212,000	1.00%
Abdullah Saad Abdullah Alzunaitan	212,000	1.00%
Fahad Mohammed Saleh AlForayyan	212,000	1.00%
Hajref Maazi Fhaid AlOsaimi	212,000	1.00%
Turki Maazi Fhaid AlOsaimi	212,000	1.00%
Mnahi Saad Mnahi Alsaad AlQahtani	212,000	1.00%
Ahmed Abdulkarim Mohammed AlRasheed	210,304	0.99%
Lama Abdulaziz Abdullah AlKhoiter	169,600	0.80%
Abeer Abdulaziz Abdullah AlKhoiter	169,600	0.80%
Huda Rashid Mohammed AlSaeed	159,000	0.75%
Khalid Mohammed Fahad AlThuhaiban	159,000	0.75%
Abdulaziz Mohammed Abdulaziz AlRawwaf	143,100	0.68%
Mohammed Abdulaziz Othman AlShabanah	137,800	0.65%
Mohammed Saad Mohammed AlMuhanna	127,200	0.60%
Mohammed Abdullah Mohammed AlSmari	113,420	0.54%
Hisham Samih Sultan AlHarithi	112,360	0.53%
Ali Ibrahim Abdullah AlAjlan	106,000	0.50%
Abdullah Mohammed Abdullah AlAqeel	106,000	0.50%
Areej Abdulaziz Abdullah AlKhoiter	63,600	0.30%
Mohammad Ali Hassan AlShakwan	56,180	0.27%
Total	**21,200,000**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

Pursuant to the Company's Extraordinary General Assembly resolution dated 9 Muharram 1440H (corresponding to 19 September 2018G), the Company's capital increased from two hundred twelve million Saudi Arabian Riyals (SAR 212,00,000) divided into twenty-one million two hundred thousand (21,200,000) ordinary shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share, to two hundred and twenty-eight million nine hundred sixty thousand Saudi Arabian Riyals (SAR 228,960,000) divided into twenty-two million eight hundred ninety-six thousand (22,896,000) ordinary shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share through the capitalization of a portion of the profits. After the capitalization of a portion of the profits, the shares of the Company were distributed as follows:

Table 4.22: Shareholders of the Company as of 9 Muharram 1440H (Corresponding to 19 September 2018G)

Shareholder	Number of Shares	Ownership Percentage
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	2,421,928	10.58%
Talal Ibrahim Ali Al-Maiman	2,289,600	10.00%
Sultan Moazi Fhaid AlOsaimi	1,908,000	8.33%
Mohammed Othman Al-Abdullah AlKasabi	1,195,171	5.21%
Saad Abdulaziz Mohammed Al-Hoshan	1,171,703	5.11%
Daoud Suleiman Ibrahim AlSabati	1,151,669	5.03%
Rana Investment Company	915,840	4.00%

Shareholder	Number of Shares	Ownership Percentage
Rashid Rashid Saad Bin Owein	872,338	3.81%
Samir Mohamed Idris Mahmoud	915,840	4.00%
Fhaid Moazi Fhaid AlOsaimi	686,880	3.00%
Kafou Commercial Investment Company	686,880	3.00%
Abdullah Ahmed Abdullah AlFadda	582,120	2.54%
Salem Saeed Abdullah AlAyedh AlQahtani	572,400	2.50%
Ibrahim Abdullah Issa Al-Ghumlas	457,920	2.00%
Omar Mohammed Omar AlDhuwayyan	382,363	1.66%
Mohammed Abdulaziz Abdullah AlKhowaiter	366,336	1.60%
Naeem Abdulaziz Othman AlShabanah	343,440	1.50%
Fahad Mohammed Saad Bin Qassim	343,440	1.50%
Suliman Abdulrahman Suliman AlAmeer	343,440	1.50%
Abdulrahman Sultan Abdulaziz AlSultan	272,160	1.18%
Hisham Samih Sultan AlHarithi	252,029	1.10%
Waleed Yousef Abdulrazzaq Al-Ghumlas	239,263	1.04%
Thamer Mohammad Hamad AlSalloum	235,440	1.02%
Othman Abdullah Abdulrahman AlNutheir	229,533	1.00%
Turki Maazi Fhaid AlOsaimi	228,960	1.00%
Fahad Mohammed Saleh AlForayyan	228,960	1.00%
Mnahi Saad Mnahi Alsaad AlQahtani	228,960	1.00%
Hajref Maazi Fhaid AlOsaimi	228,960	1.00%
Ahmed Abdulkarim Mohammed AlRasheed	227,128	0.99%
Mansour Zaid Ibrahim AlMahmoud	218,112	0.95%
Abdullah Saad Abdullah Alzunaitan	196,560	0.85%
Abeer Abdulaziz Abdullah AlKhoiter	183,168	0.80%
Lama Abdulaziz Abdullah AlKhoiter	183,168	0.80%
Huda Rashid Mohammed AlSaeed	171,720	0.75%
Abdulaziz Mohammed Abdulaziz AlRawwaf	154,548	0.67%
Mohammed Abdulaziz Othman AlShabanah	148,824	0.65%
Al Sheraa Investment Holding Company	140,400	0.61%
Khalid Mohammed Fahad AlThuhaiban	133,920	0.58%
Rayan Hamad Abdullah AlKhoiter	123,220	0.53%
Mohammed Abdullah Mohammed AlSmari	122,494	0.53%
Abdullah Mohammed Abdullah AlAqeel	114,480	0.50%
Abdulrahman Abdullah Mohammed AlAmeer	114,480	0.50%
Moudhi Abdullah Abdulaziz AlOthman	95,396	0.41%
Rami Hamad Abdullah AlKhoiter AL Othman	85,061	0.37%
Assaf Abdullah Mohammed Al Assaf	76,644	0.33%
Areej Abdulaziz Abdullah AlKhoiter	68,688	0.30%
Yasser Abdullah Abdulaziz AlSalman	68,688	0.30%

Shareholder	Number of Shares	Ownership Percentage
Mohammed Saad Ibrahim AlManae	68,688	0.30%
Mohammad Ali Hassan AlShakwan	60,674	0.26%
Mansour Suleiman Ibrahim AlMubrak	60,480	0.26%
Mohammed Abdullah Mohammed Al Assaf	41,271	0.18%
Ibrahim Abdullah Mohammed Al Assaf	41,271	0.18%
Abdulaziz Abdullah Mohammed Al Assaf	41,271	0.18%
Khalid Abdulrahman Abdullah Al-Muqrin	37,800	0.16%
Muneera Abdullah Mohammed AlAssaf	23,583	0.10%
Faisal Jameel Abdulsalam AlQadi	22,896	0.10%
Ali Ibrahim Abdullah AlAjlan	21,600	0.0009%
Ara Hamad Abdullah AlKhoiter	13,911	0.06%
Arwa Hamad Abdullah AlKhoiter	13,911	0.06%
Abdulmohsen Al theyab	12,312	0.05%
Noura Abdulrahman Abdulaziz AlAjaji	11,924	0.05%
Haila Abdullah Mohammed AlAssaf	11,792	0.05%
Nasser Mohammed Sanad AlSanad	11,448	0.05%
Marwan Mohammed Abdulsalam AlQadi	11,448	0.05%
Mansour Suleiman Abdullah Bin Dakhil	11,448	0.05%
Total	**22,896,000**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

Pursuant to the Company's Extraordinary General Assembly resolution dated 19 Thul-Hijjah 1440H (corresponding to 20 August 2019G), the Company's capital increased from two hundred and twenty-eight million nine hundred sixty thousand Saudi Arabian Riyals (SAR 228,960,000) divided into twenty-two million eight hundred ninety-six thousand (22,896,000) shares with a nominal value of ten Saudi Arabian Riyals (SAR 10), to two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000) divided into twenty-five million five hundred thousand (25,500,000) shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. After the capitalization of a portion of the profits, the shares of the Company were distributed as follows:

Table 4.23: Shareholders of the Company as of 19 Thul-Hijjah 1440H (Corresponding to 20 August 2019G)

Shareholder	Number of Shares	Ownership Percentage
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	2,697,378	10.58%
Talal Ibrahim Ali Al-Maiman	2,550,000	10.00%
Sultan Moazi Fhaid AlOsaimi	2,125,000	8.33%
Mohammed Othman Al-Abdullah AlKasabi	1,331,100	5.22%
Daoud Suleiman Ibrahim AlSabati	1,282,650	5.03%
Rashid Rashid Saad Bin Owein	1,020,000	4.00%
Samir Mohamed Idris Mahmoud	860,177	3.37%
Fhaid Moazi Fhaid AlOsaimi	765,000	3.00%
Kafou Commercial Investment Company	765,000	3.00%
Rana Investment Company	685,881	2.69%
Abdullah Ahmed Abdullah AlFadda	648,325	2.54%
Salem Saeed Abdullah AlAyedh AlQahtani	637,500	2.50%

Shareholder	Number of Shares	Ownership Percentage
Saad Abdulaziz Mohammed Al-Hoshan	502,074	1.97%
Ibrahim Abdullah Issa Al-Ghumlas	446,517	1.75%
Omar Mohammed Omar AlDhuwayyan	425,850	1.67%
Mohammed Abdulaziz Abdullah AlKhowaiter	408,000	1.60%
Majed Mubarak Saeed Bajuwaiber	389,806	1.53%
Suliman Abdulrahman Suliman AlAmeer	382,500	1.50%
Fahad Mohammed Saad Bin Qassim	382,500	1.50%
Naeem Abdulaziz Othman AlShabanah	382,500	1.50%
Abdulrahman Sultan Abdulaziz AlSultan	290,862	1.14%
Rasheed Mohammed Rasheed AlSamil	278,433	1.09%
Waleed Yousef Abdulrazzaq Al-Ghumlas	266,475	1.05%
Thamer Mohammad Hamad AlSalloum	262,217	1.03%
Othman Abdullah Abdulrahman AlNutheir	255,638	1.00%
Mnahi Saad Mnahi Alsaad AlQahtani	255,000	1.00%
Turki Maazi Fhaid AlOsaimi	255,000	1.00%
Fahad Mohammed Saleh AlForayyan	255,000	1.00%
Hajref Maazi Fhaid AlOsaimi	255,000	1.00%
Ahmed Abdulkarim Mohammed AlRasheed	252,960	0.99%
Mansour Zaid Ibrahim AlMahmoud	242,918	0.95%
Abeer Abdulaziz Abdullah AlKhoiter	204,000	0.80%
Lama Abdulaziz Abdullah AlKhoiter	204,000	0.80%
Hisham Samih Sultan AlHarithi	202,731	0.80%
Mohammed Abdulaziz Othman AlShabanah	199,913	0.78%
Saud Abdulaziz Mohammed AlHoshan	191,339	0.75%
Huda Rashid Mohammed AlSaeed	191,250	0.75%
Abdulaziz Mohammed Abdulaziz AlRawwaf	172,125	0.68%
Tarek Burjes Abdulmohsen AlAbdulKarim	156,368	0.61%
Saud Fahad Abdulrahman AlMahmoud	151,579	0.59%
Khalid Mohammed Fahad AlThuhaiban	149,151	0.58%
Rayan Hamad Abdullah AlKhoiter	137,234	0.54%
Mohammad Abdullah Mohammad AlSmari	136,425	0.54%
Abdulrahman Abdullah Mohammed AlAmeer	127,500	0.50%
Abdullah Mohammed Abdullah AlAqeel	127,500	0.50%
Moudhi Abdullah Abdulaziz AlOthman	106,246	0.42%
Khalid Mohammad Ali AlOnizan	101,697	0.40%
Rami Hamad Abdullah AlKhoiter	94,735	0.37%
Mansour Abdullah Fahad Bin Thunayan	91,994	0.36%
Hind Abdullah Fahad AlThunayan	91,994	0.36%
Saud Abdullah Fahad AlThunayan	91,994	0.36%
Assaf Abdullah Mohammed Al Assaf	85,361	0.33%
Abdullah Saad Abdullah Alzunaitan	83,040	0.33%

Shareholder	Number of Shares	Ownership Percentage
Yasser Abdullah Abdulaziz AlSalman	76,500	0.30%
Mohammed Saad Mohammed AlMuhanna	76,500	0.30%
Areej Abdulaziz Abdullah AlKhoiter	76,500	0.30%
Mansour Suleiman Ibrahim AlMubrak	67,358	0.26%
Homoud Abdullah Fahad AlThunayan	45,997	0.18%
Muneera Abdullah Fahad AlThunayan	45,997	0.18%
Hajr Abdulaziz Abdulrahman Asaker	45,997	0.18%
AlJoharah Abdullah Fahad AlThunayan	45,997	0.18%
Ibrahim Abdullah Mohammed Al Assaf	45,965	0.18%
Mohammed Abdullah Mohammed Al Assaf	45,965	0.18%
Abdulaziz Abdullah Mohammed Al Assaf	45,965	0.18%
Khalid Abdulrahman Abdullah Al-Muqrin	42,099	0.17%
Muneera Abdullah Mohammed AlAssaf	26,265	0.10%
Faisal Jameel Abdulsalam AlQadi	25,500	0.10%
Ali Ibrahim Abdullah AlAjlan	24,057	0.09%
Arwa Hamad Abdullah AlKhoiter	15,493	0.06%
Ara Hamad Abdullah AlKhoiter	15,493	0.06%
Noura Abdulrahman Abdulaziz AlAjaji	13,280	0.05%
Haila Abdullah Mohammed AlAssaf	13,133	0.05%
Nasser Mohammed Sanad AlSanad	12,750	0.05%
Marwan Mohammed Abdulsalam AlQadi	12,750	0.05%
Mansour Suleiman Abdullah Bin Dakhil	12,750	0.05%
Saud Sultan Abdulaziz AlSultan	12,252	0.05%
Total	**25,500,000**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

Pursuant to the Company's Extraordinary General Assembly resolution dated 28 Sha'ban 1441H (corresponding to 21 April 2020G), the Company's capital increased from two hundred fifty-five million Saudi Arabian Riyals (SAR 255,000,000) divided into twenty-five million five hundred thousand (25,500,000) shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, to two hundred eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000) divided into twenty-eight million fifty thousand (28,050,000) shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. After the capitalization of a portion of the profits, the shares of the Company were distributed as follows:

Table 4.24: Shareholders of the Company as of 28 Sha'ban 1441H (Corresponding to 21 April 2020G)

Shareholder	Number of Shares	Ownership Percentage
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	2,967,116	10.58%
Talal Ibrahim Ali Al-Maiman	2,805,000	10.00%
Sultan Moazi Fhaid AlOsaimi	2,688,125	9.58%
Mohammed Othman Al-Abdullah AlKasabi	1,464,210	5.22%
Daoud Suleiman Ibrahim AlSabati	1,410,915	5.03%
Rashid Rashid Saad Bin Owein	1,122,000	4.00%
Samir Mohamed Idris Mahmoud	846,195	3.02%
Kafou Commercial Investment Company	841,500	3.00%

Shareholder	Number of Shares	Ownership Percentage
Rana Investment Company	754,469	2.69%
Abdullah Ahmed Abdullah AlFadda	713,157	2.54%
Salem Saeed Abdullah AlAyedh AlQahtani	701,250	2.50%
Fhaid Moazi Fhaid AlOsaimi	490,875	1.75%
Omar Mohammed Omar AlDhuwayyan	468,435	1.67%
Ibrahim Abdullah Issa Al-Ghumlas	454,501	1.62%
Mohammed Abdulaziz Abdullah AlKhowaiter	448,800	1.60%
Majed Mubarak Saeed Bajuwaiber	428,787	1.53%
Naeem Abdulaziz Othman AlShabanah	420,750	1.50%
Fahad Mohammed Saad Bin Qassim	420,750	1.50%
Suliman Abdulrahman Suliman AlAmeer	420,750	1.50%
Saad Abdulaziz Mohammed Al-Hoshan	413,351	1.47%
Mohammed Abdulaziz Othman AlShabanah	319,904	1.14%
Rasheed Mohammed Rasheed AlSamil	306,276	1.09%
Abdulrahman Sultan Abdulaziz AlSultan	297,948	1.06%
Waleed Yousef Abdulrazzaq Al-Ghumlas	293,123	1.05%
Thamer Mohammad Hamad AlSalloum	288,439	1.03%
Othman Abdullah Abdulrahman AlNutheir	281,202	1.00%
Hajref Maazi Fhaid AlOsaimi	280,500	1.00%
Turki Maazi Fhaid AlOsaimi	280,500	1.00%
Fahad Mohammed Saleh AlForayyan	280,500	1.00%
Mnahi Saad Mnahi Alsaad AlQahtani	280,500	1.00%
Ahmed Abdulkarim Mohammed AlRasheed	278,256	0.99%
Mansour Zaid Ibrahim AlMahmoud	267,210	0.95%
Tarek Burjes Abdulmohsen AlAbdulKarim	254,505	0.91%
Lama Abdulaziz Abdullah AlKhoiter	224,400	0.80%
Abeer Abdulaziz Abdullah AlKhoiter	224,400	0.80%
Saud Abdulaziz Mohammed AlHoshan	210,473	0.75%
Huda Rashid Mohammed AlSaeed	210,375	0.75%
Abdulaziz Mohammed Abdulaziz AlRawwaf	189,337	0.67%
Saud Fahad Abdulrahman AlMahmoud	166,737	0.59%
Rayan Hamad Abdullah AlKhoiter	150,957	0.54%
Mohammad Abdullah Mohammad AlSmari	150,067	0.53%
Hisham Samih Sultan AlHarithi	140,504	0.50%
Abdulrahman Abdullah Mohammed AlAmeer	140,250	0.50%
Abdullah Mohammed Abdullah AlAqeel	140,250	0.50%
Moudhi Abdullah Abdulaziz AlOthman	116,871	0.42%
Rami Hamad Abdullah AlKhoiter AlKhoiter	104,208	0.37%
Hind Abdullah Fahad AlThunayan	101,193	0.36%
Mansour Abdullah Fahad Bin Thunayan	101,193	0.36%
Saud Abdullah Fahad AlThunayan	101,193	0.36%

Shareholder	Number of Shares	Ownership Percentage
Assaf Abdullah Mohammed Al Assaf	93,897	0.33%
Abdullah Saad Abdullah Alzunaitan	91,344	0.33%
Khalid Mohammed Fahad AlThuhaiban	84,866	0.30%
Mohammed Saad Mohammed AlMuhanna	84,150	0.30%
Yasser Abdullah Abdulaziz AlSalman	84,150	0.30%
Areej Abdulaziz Abdullah AlKhoiter	84,150	0.30%
Turki Abdulaziz Mohammed AlHoshan	80,300	0.29%
Mansour Suleiman Ibrahim AlMubrak	74,094	0.26%
Mohammed Abdullah Ibrahim AlSayegh	69,836	0.25%
Hajr Abdulaziz Abdulrahman Asaker	50,597	0.18%
Muneera Abdullah Fahad AlThunayan	50,597	0.18%
Homoud Abdullah Fahad AlThunayan	50,597	0.18%
AlJoharah Abdullah Fahad AlThunayan	50,597	0.18%
Mohammed Abdullah Mohammed Al Assaf	50,562	0.18%
Abdulaziz Abdullah Mohammed Al Assaf	50,562	0.18%
Ibrahim Abdullah Mohammed Al Assaf	50,562	0.18%
Laila Mohammed Abdullah AlDukhi	49,500	0.18%
Khalid Abdulrahman Abdullah Al-Muqrin	46,309	0.17%
Khalid Mohammad Ali AlOnizan	42,031	0.15%
Sheikha Ali Mohammed	36,667	0.13%
Mohammed Abdulaziz Mohammed AlHoshan	33,000	0.12%
Saad Mohammed Abdullah AlDukhi	29,700	0.11%
Muneera Abdullah Mohammed AlAssaf	28,892	0.10%
Faisal Jameel Abdulsalam AlQadi	28,050	0.10%
Ali Ibrahim Abdullah AlAjlan	26,463	0.09%
Reem Fahad Abdullah Bin Baraka	18,480	0.07%
Arwa Hamad Abdullah AlKhoiter	17,042	0.06%
Ara Hamad Abdullah AlKhoiter	17,042	0.05%
Noura Abdulrahman Abdulaziz AlAjaji	14,608	0.05%
Haila Abdullah Mohammed AlAssaf	14,446	0.05%
Rawan Mohammed Abdulsalam AlQadi	14,025	0.05%
Nasser Mohammed Sanad AlSanad	14,025	0.05%
Mansour Suleiman Abdullah Bin Dakhil	14,025	0.05%
Saud Sultan Abdulaziz AlSultan	13,477	0.05%
Iman Abdulaziz Mohammed AlBahlal	11,000	0.04%
Mohammed Sultan Abdulaziz AlSultan	11,000	0.04%
Sara Abdulaziz Mohammed AlNasser	7,150	0.03%
Total	**28,050,000**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

Pursuant to the Company's Extraordinary General Assembly resolution dated 10 Ramadan 1442H (corresponding to 22 April 2021G), the Company's capital increased from two hundred eighty million five hundred thousand Saudi Arabian Riyals (SAR 280,500,000) divided into twenty-eight million fifty thousand (28,050,000) shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, to three hundred and eleven million three hundred and fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000) divided into thirty-one million one hundred thirty-five thousand five hundred (31,135,500) shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalization of a portion of the profits. After the capitalization of a portion of the profits, the shares of the Company were distributed as follows:

Table 4.25: Shareholders of the Company as of 10 Ramadan 1442H (Corresponding to 22 April 2021G)

Shareholder	Number of Shares	Ownership Percentage
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	3,293,499	10.58%
Talal Ibrahim Ali Al-Maiman	3,113,550	10.00%
Sultan Moazi Fhaid AlOsaimi	2,983,819	9.58%
Mohammed Othman Al-Abdullah AlKasabi	1,625,273	5.22%
Daoud Suleiman Ibrahim AlSabati	1,566,116	5.03%
Rashid Rashid Saad Bin Owein	1,245,420	4.00%
Kafou Commercial Investment Company	934,065	3.00%
Abdullah Ahmed Abdullah AlFadda	791,604	2.54%
Salem Saeed Abdullah AlAyedh AlQahtani	778,388	2.50%
Fahad Mohammed Saleh AlForayyan	644,355	2.07%
Ibrahim Abdullah Issa Al-Ghumlas	615,496	1.98%
Fhaid Moazi Fhaid AlOsaimi	544,871	1.75%
Samir Mohamed Idris Mahmoud	528,276	1.70%
Omar Mohammed Omar AlDhuwayyan	519,963	1.67%
Mohammed Abdulaziz Abdullah AlKhowaiter	498,168	1.60%
Majed Mubarak Saeed Bajuwaiber	475,954	1.53%
Rasheed Mohammed Rasheed AlSamil	469,693	1.51%
Saad Abdulaziz Mohammed Al-Hoshan	467,807	1.50%
Suliman Abdulrahman Suliman AlAmeer	467,033	1.50%
Fahad Mohammed Saad Bin Qassim	467,033	1.50%
Naeem Abdulaziz Othman AlShabanah	461,033	1.48%
Mohammed Abdulaziz Othman AlShabanah	343,993	1.10%
Atiyah Mohammed Atiq AlAtwi	337,281	1.08%
Abdulrahman Sultan Abdulaziz AlSultan	330,722	1.06%
Thamer Mohammad Hamad AlSalloum	320,167	1.03%
Othman Abdullah Abdulrahman AlNutheir	312,134	1.00%
Hajref Maazi Fhaid AlOsaimi	311,355	1.00%
Mnahi Saad Mnahi Alsaad AlQahtani	311,355	1.00%
Turki Maazi Fhaid AlOsaimi	311,355	1.00%
Ahmed Abdulkarim Mohammed AlRasheed	308,864	0.99%
Abdulaziz Mohammed Saleh AlHowairini	300,000	0.96%
Mansour Zaid Ibrahim AlMahmoud	296,603	0.95%
Tarek Burjes Abdulmohsen AlAbdulKarim	282,501	0.91%
Abeer Abdulaziz Abdullah AlKhoiter	249,084	0.80%

Shareholder	Number of Shares	Ownership Percentage
Lama Abdulaziz Abdullah AlKhoiter	249,084	0.80%
Huda Rashid Mohammed AlSaeed	233,516	0.75%
Abdulaziz Mohammed Abdulaziz AlRawwaf	230,164	0.74%
Rana Investment Company	204,461	0.66%
Abdulrahman Mohammed Abdulmohsen AlMutawwa	200,000	0.64%
Saud Fahad Abdulrahman AlMahmoud	185,078	0.59%
Mohammad Abdullah Mohammad AlSmari	166,574	0.53%
Khalid Mohammad Ali AlOnizan	157,654	0.51%
Abdulrahman Abdullah Mohammed AlAmeer	155,678	0.50%
Abdullah Mohammed Abdullah AlAqeel	155,678	0.50%
Hind Abdullah Fahad AlThunayan	112,324	0.36%
Mansour Abdullah Fahad Bin Thunayan	112,324	0.36%
Naif Talal Ibrahim Al-Maiman	111,000	0.36%
Hisham Samih Sultan AlHarithi	105,959	0.34%
Assaf Abdullah Mohammed Al Assaf	104,226	0.33%
Waleed Yousef Abdulrazzaq Al-Ghumlas	103,362	0.33%
Abdullah Saad Abdullah Bin Jawhar	101,392	0.33%
Khalid Mohammed Fahad AlThuhaiban	94,201	0.30%
Yasser Abdullah Abdulaziz AlSalman	93,407	0.30%
Mohammed Saad Mohammed AlMuhanna	93,407	0.30%
Areej Abdulaziz Abdullah AlKhoiter	93,407	0.30%
Mohammed Abdulaziz Mohammed AlHoshan	88,755	0.29%
Laila Mohammed Abdullah AlDukhi	84,945	0.27%
Mansour Suleiman Ibrahim AlMubrak	82,244	0.26%
Mohammed Abdullah Ibrahim AlSayegh	77,518	0.25%
Saleh Abdulaziz Mohammed AlHoshan	74,370	0.24%
Turki Abdulaziz Mohammed AlHoshan	69,133	0.22%
Saad Mohammed Abdullah AlDukhi	62,967	0.20%
Mohammed Abdulaziz Mohammed AlHuwairini	60,000	0.19%
Homoud Abdullah Fahad AlThunayan	56,163	0.18%
Muneera Abdullah Fahad AlThunayan	56,163	0.18%
AlJoharah Abdullah Fahad AlThunayan	56,163	0.18%
Mohammed Abdullah Mohammed Al Assaf	56,124	0.18%
Abdulaziz Abdullah Mohammed Al Assaf	56,124	0.18%
Ibrahim Abdullah Mohammed Al Assaf	56,124	0.18%
Khalid Abdulrahman Abdullah Al-Muqrin	51,403	0.17%
Abdulaziz Fahad Abdulaziz AlHelwan	50,000	0.16%
Yazeed Abdullatif Mohammad AlShuweir	50,000	0.16%
Sheikha Ali Mohammed	40,700	0.13%
Hanan Khaled Suleiman AlKhulaiwi	36,630	0.12%

Shareholder	Number of Shares	Ownership Percentage
Muneera Abdullah Mohammed AlAssaf	32,070	0.10%
Faisal Jameel Abdulsalam AlQadi	31,136	0.10%
Fawzi Ibrahim Mohammed AlHussain	30,000	0.10%
Ali Ibrahim Abdullah AlAjlan	29,374	0.09%
Mona AlHumaidi Burjes AlMoammar	25,000	0.08%
Mohammad Hamdan Quraishi AlZahrani	25,000	0.08%
Reem Fahad Abdullah Bin Baraka	20,513	0.07%
Saud Mohammed Saad AlAmmari	20,000	0.06%
Haila Abdullah Mohammed AlAssaf	16,035	0.05%
Marwan Mohammed Abdulsalam AlQadi	15,568	0.05%
Mansour Suleiman Abdullah Bin Dakhil	15,568	0.05%
Nasser Mohammed Sanad AlSanad	15,568	0.05%
Saud Sultan Abdulaziz AlSultan	14,959	0.05%
Iman Abdulaziz Mohammed AlBahlal	12,210	0.04%
Mohammed Sultan Abdulaziz AlSultan	12,210	0.04%
One Vision Limited Company	11,100	0.04%
Mohammed Saad Ibrahim AlManae	10,000	0.03%
Abdullah Abdulaziz AlHuwairini	10,000	0.03%
Maram Abdulaziz Mohammed AlHuwairini	10,000	0.03%
Mai Abdulaziz Mohammed AlHuwairini	10,000	0.03%
Saud Mohammed Abdulrahman AlDosari	10,000	0.03%
Saleh Abdulaziz Mohammed AlHuwairini	10,000	0.03%
Sara Abdulaziz Mohammed AlNasser	7,937	0.03%
Faisal Ibrahim Nasser AlQahtani	6,000	0.02%
Total	**31,135,500**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

Pursuant to the Company's Extraordinary General Assembly resolution dated 23 Rajab 1443H (corresponding to 24 February 2022G), the Company's capital increased from three hundred eleven million three hundred fifty-five thousand Saudi Arabian Riyals (SAR 311,355,000) to five hundred million Saudi Arabian Riyals (SAR 500,000,000) divided into fifty million (50,000,000) shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalisation of twenty-eight million twenty-one thousand nine hundred fifty Saudi Arabian Riyals (SAR 28,021,950) from the Company's retained earning account, the issuance of one million six hundred six thousand two hundred thirty (1,606,230) shares and the purchase of these shares by the Company for the purpose of allocating them to the Company's Employee Shares Programme and the issuance of fourteen million four hundred fifty-six thousand seventy-five (14,456,075) rights issue shares. The shares of the Company were distributed as follows:

Table 4.26: The Shareholders of the Company as of 23 Rajab 1443H (Corresponding to 24 February 2022G)

Shareholder	Number of Shares	Ownership Percentage
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	5,231,809	10.46%
Talal Ibrahim Ali Al-Maiman	5,223,943	10.45%
Sultan Moazi Fhaid AlOsaimi	4,739,870	9.48%
Mohammed Othman Al-Abdullah AlKasabi	2,581,786	5.16%
Treasury Shares	1,606,230	3.21%
Daoud Suleiman Ibrahim AlSabati	2,487,814	4.98%

Shareholder	Number of Shares	Ownership Percentage
Rashid Rashid Saad Bin Owein	1,978,380	3.96%
Kafou Commercial Investment Company	1,483,785	2.97%
Abdullah Ahmed Abdullah AlFadda	1,257,482	2.51%
Salem Saeed Abdullah AlAyedh AlQahtani	1,236,488	2.47%
Fahad Mohammed Saleh AlForayyan	1,023,574	2.05%
Ibrahim Abdullah Issa Al-Ghumlas	977,730	1.96%
Fhaid Moazi Fhaid AlOsaimi	865,541	1.73%
Samir Mohamed Idris Mahmoud	839,179	1.68%
Omar Mohammed Omar AlDhuwayyan	816,760	1.63%
Mohammed Abdulaziz Abdullah AlKhowaiter	593,003	1.19%
Majed Mubarak Saeed Bajuwaiber	756,065	1.51%
Rasheed Mohammed Rasheed AlSamil	746,119	1.49%
Saad Abdulaziz Mohammed Al-Hoshan	743,123	1.49%
Suliman Abdulrahman Suliman AlAmeer	617,487	1.23%
Fahad Mohammed Saad Bin Qassim	725,907	1.45%
Naeem Abdulaziz Othman AlShabanah	732,362	1.46%
Mohammed Abdulaziz Othman AlShabanah	546,441	1.09%
Atiyah Mohammed Atiq AlAtwi	535,779	1.07%
Abdulrahman Sultan Abdulaziz AlSultan	525,360	1.05%
Thamer Mohammad Hamad AlSalloum	498,982	1.00%
Othman Abdullah Abdulrahman AlNutheir	485,148	0.97%
Hajref Maazi Fhaid AlOsaimi	483,938	0.97%
Turki Maazi Fhaid AlOsaimi	494,595	0.99%
Mnahi Saad Mnahi Alsaad AlQahtani	494,595	0.99%
Ahmed Abdulkarim Mohammed AlRasheed	480,066	0.96%
Abdulaziz Mohammed Saleh AlHowairini	476,557	0.95%
Mansour Zaid Ibrahim AlMahmoud	461,008	0.92%
Tarek Burjes Abdulmohsen AlAbdulKarim	448,760	0.90%
Abeer Abdulaziz Abdullah AlKhoiter	271,502	0.54%
Lama Abdulaziz Abdullah AlKhoiter	271,502	0.54%
Huda Rashid Mohammed AlSaeed	314,532	0.63%
Abdulaziz Mohammed Abdulaziz AlRawwaf	357,743	0.72%
Abdulrahman Mohammed Abdulmohsen AlMutawwa	317,705	0.64%
Saud Fahad Abdulrahman AlMahmoud	286,735	0.57%
Mohammad Abdullah Mohammad AlSmari	231,566	0.46%
Khalid Mohammad Ali AlOnizan	250,437	0.50%
Abdulrahman Abdullah Mohammed AlAmeer	247,298	0.49%
Abdullah Mohammed Abdullah AlAqeel	169,689	0.34%
Mansour Abdullah Fahad Bin Thunayan	137,433	0.27%
Hind Abdullah Fahad AlThunayan	137,433	0.27%

Shareholder	Number of Shares	Ownership Percentage
Naif Talal Ibrahim Al-Maiman	176,326	0.35%
Hisham Samih Sultan AlHarithi	165,495	0.33%
Assaf Abdullah Mohammed Al Assaf	165,566	0.33%
Waleed Yousef Abdulrazzaq Al-Ghumlas	160,655	0.32%
Abdullah Saad Abdullah Bin Jawhar	161,064	0.32%
Khalid Mohammed Fahad AlThuhaiban	146,416	0.29%
Yasser Abdullah Abdulaziz AlSalman	148,379	0.30%
Areej Abdulaziz Abdullah AlKhoiter	101,814	0.20%
Mohammed Saad Mohammed AlMuhanna	148,379	0.30%
Mohammed Abdulaziz Mohammed AlHoshan	137,952	0.28%
Laila Mohammed Abdullah AlDukhi	134,937	0.27%
Mansour Suleiman Ibrahim AlMubrak	127,831	0.26%
Mohammed Abdullah Ibrahim AlSayegh	120,486	0.24%
Saleh Abdulaziz Mohammed AlHoshan	118,139	0.24%
Turki Abdulaziz Mohammed AlHoshan	107,453	0.21%
Saad Mohammed Abdullah AlDukhi	100,025	0.20%
Mohammed Abdulaziz Mohammed AlHuwairini	95,311	0.19%
Homoud Abdullah Fahad AlThunayan	71,218	0.14%
Muneera Abdullah Fahad AlThunayan	61,218	0.12%
AlJoharah Abdullah Fahad AlThunayan	87,294	0.17%
Mohammed Abdullah Mohammed Al Assaf	61,175	0.12%
Ibrahim Abdullah Mohammed Al Assaf	89,154	0.18%
Abdulaziz Abdullah Mohammed Al Assaf	89,154	0.18%
Khalid Abdulrahman Abdullah Al-Muqrin	81,655	0.16%
Abdulaziz Fahad Abdulaziz AlHelwan	79,426	0.16%
Yazeed Abdullatif Mohammad AlShuweir	79,426	0.16%
Sheikha Ali Mohammed	64,653	0.13%
Hanan Khaled Suleiman AlKhulaiwi	56,934	0.11%
Muneera Abdullah Mohammed AlAssaf	49,846	0.10%
Faisal Jameel Abdulsalam AlQadi	49,460	0.10%
Fawzi Ibrahim Mohammed AlHussain	47,656	0.10%
Khalid Abdullah Mohammed AlHamdan	45,791	0.09%
Ali Ibrahim Abdullah AlAjlan	46,000	0.09%
Mona AlHumaidi Burjes AlMoammar	39,713	0.08%
Mohammad Hamdan Quraishi AlZahrani	39,713	0.08%
Reem Fahad Abdullah Bin Baraka	32,585	0.07%
Saud Mohammed Saad AlAmmari	31,770	0.06%
Haila Abdullah Mohammed AlAssaf	24,923	0.05%
Nasser Mohammed Sanad AlSanad	24,730	0.05%
Marwan Mohammed Abdulsalam AlQadi	24,197	0.05%

Shareholder	Number of Shares	Ownership Percentage
Mansour Suleiman Abdullah Bin Dakhil	24,730	0.05%
Saud Sultan Abdulaziz AlSultan	23,763	0.05%
Mohammed Sultan Abdulaziz AlSultan	19,396	0.04%
Iman Abdulaziz Mohammed AlBahlal	19,396	0.04%
One Vision Limited Company	17,253	0.03%
Maram Abdulaziz Mohammed AlHuwairini	15,885	0.03%
Abdullah Abdulaziz AlHuwairini	15,885	0.03%
Saleh Abdulaziz Mohammed AlHuwairini	15,885	0.03%
Saud Mohammed Abdulrahman AlDosari	15,885	0.03%
Mai Abdulaziz Mohammed AlHuwairini	15,885	0.03%
Mohammed Saad Ibrahim AlManae	14,900	0.03%
Sara Abdulaziz Mohammed AlNasser	8,651	0.02%
Faisal Ibrahim Nasser AlQahtani	9,326	0.02%
Total	**50,000,000**	**100%**

Source: The Company.

(1) The shareholding percentages are rounded.

Pursuant to the Company's Extraordinary General Assembly dated On 24 Muharram 1444H (corresponding 22 August 2022G), it was agreed that the Company's capital would be increased from five hundred million Saudi Arabian Riyals (SAR 500,000,000) to seven hundred fourteen million two hundred eighty-five thousand seven hundred twenty Saudi Arabian Riyals (SAR 714,285,720) divided into seventy-one million four hundred twenty-eight thousand five hundred seventy-two (71,428,572) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, and an offering of such newly issued twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Shares, (representing thirty per cent. (30%) of the Company's share capital after the increase) was approved for public subscription.

4.10 Current Shareholding Structure

4.10.1 Overview

The current capital of the Company amounts to five hundred million Saudi Arabian Riyals (SAR 500,000,000) divided into fifty million (50,000,000) ordinary Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share.

The following table sets out the ownership and capital structure of the Company before and after the Offering:

Table 4.27: Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1) (2)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) (1) (2)	Overall Nominal Value (SAR)
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	5,231,809	10.46%	52,318,090	5,231,809	7.32%	52,318,090
Talal Ibrahim Ali Al-Maiman	5,223,943	10.45%	52,239,430	5,223,943	7.31%	52,239,430
Sultan Moazi Fhaid AlOsaimi	4,739,870	9.48%	47,398,700	4,739,870	6.64%	47,398,700
Mohammed Othman Al-Abdullah AlKasabi	2,581,786	5.16%	25,817,860	2,581,786	3.61%	25,817,860
Daoud Suleiman Ibrahim AlSabati	2,487,814	4.98%	24,878,140	2,487,814	3.48%	24,878,140
Rashid Rashid Saad Bin Owein	1,978,380	3.96%	19,783,800	1,978,380	2.77%	19,783,800
Treasury Shares	1,606,230	3.21%	16,062,300	1,606,230	2.25%	16,062,300
Kafou Commercial Investment Company	1,483,785	2.97%	14,837,850	1,483,785	2.08%	14,837,850
Abdullah Ahmed Abdullah Alfiddi	1,257,482	2.51%	12,574,820	1,257,482	1.76%	12,574,820

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1) (2)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) (1) (2)	Overall Nominal Value (SAR)
Salem Saeed Abdullah AlAyedh AlQahtani	1,236,488	2.47%	12,364,880	1,236,488	1.73%	12,364,880
Fahad Mohammed Saleh AlForayyan	1,023,574	2.05%	10,235,740	1,023,574	1.43%	10,235,740
Ibrahim Abdullah Issa Al-Ghumlas	977,730	1.96%	9,777,300	977,730	1.37%	9,777,300
Fhaid Moazi Fhaid AlOsaimi	865,541	1.73%	8,655,410	865,541	1.21%	8,655,410
Samir Mohamed Idris Mahmoud	839,179	1.68%	8,391,790	839,179	1.17%	8,391,790
Omar Mohammed Omar AlDhuwayyan	816,760	1.63%	8,167,600	816,760	1.14%	8,167,600
Saad Abdulaziz Mohammed Al-Hoshan	798,123	1.60%	7,981,230	798,123	1.11%	7,981,230
Majid Mubarak Said Bajowaiber	756,065	1.51%	7,560,650	756,065	1.06%	7,560,650
Rashid Mohammed Rashid AlSamil	746,119	1.49%	7,461,190	746,119	1.04%	7,461,190
Fahad Mohammed Saad Bin Qassim	725,907	1.45%	7,259,070	725,907	1.02%	7,259,070
Suleiman Abdulrahman Suleiman AlAmeer	617,487	1.23%	6,174,870	617,487	0.86%	6,174,870
Mohammed Abdulaziz Abdullah AlKhowaiter	593,003	1.19%	5,930,030	593,003	0.83%	5,930,030
Mohammed Abdulaziz Othman AlShabanah	546,441	1.09%	5,464,410	546,441	0.77%	5,464,410
Atiyah Mohammed Atiq AlAtwi	535,779	1.07%	5,357,790	535,779	0.75%	5,357,790
Naeem Abdulaziz Othman AlShabanah	529,362	1.06%	5,293,620	529,362	0.74%	5,293,620
Abdulrahman Sultan Abdulaziz AlSultan	525,360	1.05%	5,253,600	525,360	0.74%	5,253,600
Turki Maazi Fhaid AlOsaimi	494,595	0.99%	4,945,950	494,595	0.69%	4,945,950
Mnahi Saad Mnahi Alsaad AlQahtani	494,595	0.99%	4,945,950	494,595	0.69%	4,945,950
Othman Abdullah Abdulrahman AlNutheir	485,148	0.97%	4,851,480	485,148	0.68%	4,851,480
Hajref Maazi Fhaid AlOsaimi	483,938	0.97%	4,839,380	483,938	0.68%	4,839,380
Ahmed Abdulkarim Mohammed AlRasheed	480,066	0.96%	4,800,660	480,066	0.67%	4,800,660
Abdulaziz Mohammed Saleh AlHuwaerini	476,557	0.95%	4,765,570	476,557	0.67%	4,765,570
Mansour Zaid Ibrahim AlMahmoud	461,008	0.92%	4,610,080	461,008	0.65%	4,610,080
Tarek Burjes Abdulmohsen AlAbdulKarim	448,760	0.90%	4,487,600	448,760	0.63%	4,487,600
Abdulaziz Mohammed Abdulaziz AlRawwaf	357,743	0.72%	3,577,430	357,743	0.50%	3,577,430
Thamer Mohammad Hamad AlSalloum	348,982	0.70%	3,489,820	348,982	0.49%	3,489,820
Abdulrahman Mohammed Abdulmohsen Almotawwa	317,705	0.64%	3,177,050	317,705	0.44%	3,177,050
Hisham Samih Sultan AlHarithi	315,495	0.63%	3,154,950	315,495	0.44%	3,154,950
Huda Rashid Mohammed AlSaeed	314,532	0.63%	3,145,320	314,532	0.44%	3,145,320
Abeer Abdulaziz Abdullah AlKhoiter	271,502	0.54%	2,715,020	271,502	0.38%	2,715,020
Lama Abdulaziz Abdullah AlKhoiter	271,502	0.54%	2,715,020	271,502	0.38%	2,715,020
Khalid Mohammed Ali Al-Onaizan	250,437	0.50%	2,504,370	250,437	0.35%	2,504,370
Abdulrahman Abdullah Mohammed AlAmeer	247,298	0.49%	2,472,980	247,298	0.35%	2,472,980
Saud Fahad Abdulrahman AlMahmoud	231,735	0.46%	2,317,350	231,735	0.32%	2,317,350
Mohammed Abdullah Mohammed AlSmari	231,566	0.46%	2,315,660	231,566	0.32%	2,315,660
Naif Talal Ibrahim Al-Maiman	176,326	0.35%	1,763,260	176,326	0.25%	1,763,260
Abdullah Mohammed Abdullah AlAqeel	169,689	0.34%	1,696,890	169,689	0.24%	1,696,890
Assaf Abdullah Mohammed	165,566	0.33%	1,655,660	165,566	0.23%	1,655,660

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1) (2)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) (1) (2)	Overall Nominal Value (SAR)
Abdullah Saad Abdullah Bin Jawhar	161,064	0.32%	1,610,640	161,064	0.23%	1,610,640
Waleed Yousef Abdulrazzaq Al-Ghumlas	160,655	0.32%	1,606,550	160,655	0.23%	1,606,550
Yasser Abdullah Abdulaziz AlSalman	148,379	0.30%	1,483,790	148,379	0.21%	1,483,790
Mohammed Saad Mohammed AlMuhanna	148,379	0.30%	1,483,790	148,379	0.21%	1,483,790
Khalid Mohammed Fahad AlThuhaiban	146,416	0.29%	1,464,160	146,416	0.20%	1,464,160
Mansour Abdullah Fahad AlThunayan	137,433	0.27%	1,374,330	137,433	0.19%	1,374,330
Hind Abdullah Fahad AlThunayan	137,433	0.27%	1,374,330	137,433	0.19%	1,374,330
Laila Mohammed Abdullah AlDukhi	134,937	0.27%	1,349,370	134,937	0.19%	1,349,370
Mansour Suleiman Ibrahim AlMubrak	127,831	0.26%	1,278,310	127,831	0.18%	1,278,310
Mohammed Abdullah Ibrahim AlSayegh	120,486	0.24%	1,204,860	120,486	0.17%	1,204,860
Saleh Abdulaziz Mohammed AlHoushan	118,139	0.24%	1,181,390	118,139	0.17%	1,181,390
Turki Abdulaziz Mohammed Al-Hoshan	107,453	0.21%	1,074,530	107,453	0.15%	1,074,530
Areej Abdulaziz Abdullah AlKhoiter	101,814	0.20%	1,018,140	101,814	0.14%	1,018,140
Saad Mohammed Abdullah AlDukhi	100,025	0.20%	1,000,250	100,025	0.14%	1,000,250
Abdulatif Fouzan Fahad AlFahad	100,000	0.20%	1,000,000	100,000	0.13%	1,000,000
Mohammed Abdulaziz Mohammed AlHuwairini	95,311	0.19%	953,110	95,311	0.13%	953,110
Ibrahim Abdullah Mohammed Al Assaf	89,154	0.18%	891,540	89,154	0.12%	891,540
Abdulaziz Abdullah Mohammed Al Assaf	89,154	0.18%	891,540	89,154	0.12%	891,540
Aljoharah Abdullah Fahad AlThunayan	87,294	0.17%	872,940	87,294	0.12%	872,940
Khalid Abdulrahman Abdullah Al-Muqrin	81,655	0.16%	816,550	81,655	0.11%	816,550
Abdulaziz Fahad Abdulaziz Al-Helwan	79,426	0.16%	794,260	79,426	0.11%	794,260
Yazeed Abdullatif AlShawair	79,426	0.16%	794,260	79,426	0.11%	794,260
Mohammed Abdulaziz Mohammed AlHoushan	77,952	0.16%	779,520	77,952	0.11%	779,520
Humoud Abdullah Fahad AlThunayan	71,218	0.14%	712,180	71,218	0.10%	712,180
Sheikha Ali Mohammed	64,653	0.13%	646,530	64,653	0.09%	646,530
Muneera Abdullah Fahad AlThunayan	61,218	0.12%	612,180	61,218	0.09%	612,180
Mohammed Abdullah Mohammed Al Assaf	61,175	0.12%	611,750	61,175	0.09%	611,750
Nadiah Mohammed Abdullah AlDukhi	60,000	0.12%	600,000	60,000	0.09%	600,000
Hanan Khaled Suleiman AlKhulaiwi	56,934	0.11%	569,340	56,934	0.08%	569,340
Muneera Abdullah Mohammed AlAssaf	49,846	0.12%	498,460	49,846	0.07%	498,460
Faisal Jameel Abdulsalam AlQadi	49,460	0.10%	494,600	49,460	0.07%	494,600
Fawzi Ibrahim Mohammed AlHussein	47,656	0.10%	476,560	47,656	0.07%	476,560
Ali Ibrahim Abdullah AlAjlan	46,000	0.09%	460,000	46,000	0.06%	460,000
Khalid Abdullah Mohammed Alhamdan	45,791	0.09%	457,910	45,791	0.06%	457,910
Mona Al-Hamidi Burgess AlMuammar	39,713	0.08%	397,130	39,713	0.06%	397,130
Mohammed Hamdan Hamdan Qureshi AlZahrani	39,713	0.08%	397,130	39,713	0.06%	397,130
Reem Fahad Abdullah Bin Baraka	32,585	0.07%	325,850	32,585	0.05%	325,850
Abdulrahman Naeem Abdulaziz AlShabanah	25,000	0.05%	250,000	25,000	0.03%	250,000

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1) (2)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) (1) (2)	Overall Nominal Value (SAR)
Abdulaziz Naeem Abdulaziz AlShabanah	25,000	0.05%	250,000	25,000	0.03%	250,000
Haila Abdullah Mohammed AlAssaf	24,923	0.05%	249,230	24,923	0.03%	249,230
Nasser Mohammed Sanad AlSanad	24,730	0.05%	247,300	24,730	0.03%	247,300
Mansour Suleiman Abdullah Bin Dakhil	24,730	0.05%	247,300	24,730	0.03%	247,300
Marwan Mohammed Abdulsalam AlQadi	24,197	0.05%	241,970	24,197	0.03%	241,970
Saud Sultan Abdulaziz AlSultan	23,763	0.05%	237,630	23,763	0.03%	237,630
Iman Abdulaziz Mohammed AlBahlal	19,396	0.04%	193,960	19,396	0.03%	193,960
Mohammed Sultan Abdulaziz AlSultan	19,396	0.04%	193,960	19,396	0.03%	193,960
Lamia Nasser Fahad AlBaker	18,000	0.04%	180,000	18,000	0.03%	180,000
One Vision Limited Company	17,253	0.03%	172,530	17,253	0.02%	172,530
Maram Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Saud Mohammed Abdulrahman AlDossari	15,885	0.03%	158,850	15,885	0.02%	158,850
Saleh Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Mai Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Abdullah Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Abdulrahman Abdulaziz Abdulrahman AlFayez	15,543	0.03%	155,430	15,543	0.02%	155,430
Mohammed Saad Ibrahim AlManae	14,900	0.03%	149,000	14,900	0.02%	149,000
Sheikha Mohammed Ahmed AlAqeel	10,000	0.02%	100,000	10,000	0.01%	100,000
Amal Abdulaziz Othman AlShabanah	10,000	0.02%	100,000	10,000	0.01%	100,000
Samar Abdulaziz Othman AlShabanah	10,000	0.02%	100,000	10,000	0.01%	100,000
Faisal Ibrahim Nasser AlQahtani	9,326	0.02%	93,260	9,326	0.01%	93,260
Sara Abdulaziz Mohammed AlNasser	8,651	0.02%	86,510	8,651	0.01%	86,510
Saud Mohammed Saad AlAmmari	8,443	0.02%	84,430	8,443	0.01%	84,430
Zaid Mohammed Abdullah AlHazzani	7,784	0.02%	77,840	7,784	0.01%	77,840
Abdulaziz Ibrahim Nasser AlQahtani	5,000	0.01%	50,000	5,000	0.003%	50,000
Public	-	-	-	21,428,572	30%	214,285,720
Total	**50,000,000**	**100%**	**500,000,000**	**71,428,572**	**100%**	**714,285,720**

Source: The Company.

(1) The ownership percentages are rounded.

(2) As of the date of this Prospectus, none of the Company's current Shareholders have any indirect ownership in the Company.

4.10.2 Overview of Corporate Shareholders

Corporate Shareholders in the Company as of the date of this Prospectus are as follows:

4.10.2.1 Kafou Commercial Investment Company

Kafou Commercial Investment Company is a limited liability company, registered under commercial registration No. 1010226145, dated 25 Thul-Qi'dah 1427H (corresponding to 16 December 2006G). Its head office is located in Al Rabie District, Riyadh 13316, Kingdom of Saudi Arabia. Its current capital is five hundred thousand Saudi Arabian Riyals (SAR 500,000) divided into five hundred (500) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share. According to its commercial registration, its main activities consist of buying, selling and subdividing land and real estate, and on-the-map selling activities, the management and leasing of real estate with its own or leased property (residential) and the management and leasing of real estate with its own or leased property (non-residential), head office activities (supervising and managing other units in the company) and combined office administrative service activities.

The following table shows the shareholding structure of Kafou Commercial Investment Company as of the Date of this Prospectus:

Table 4.28: Shareholding Structure of Kafou Commercial Investment Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value (SAR)	Ownership Percentage
Kafou Holding Company	475	1000	95%
Kafou Technical Services Company	25	1000	5%
Total	**500**	**1000**	**100%**

Source: The Company.

(a) Kafou Holding Company

Kafou Holding Company is a Saudi closed joint stock company. The following table shows the shareholding structure of Kafou Holding Company as of the Date of this Prospectus:

Table 4.29: Shareholding Structure of Kafou Holding Company as of the Date of this Prospectus

Shareholder	Ownership Percentage
Faisal Mohammed Abdulmohsen AlAshqar	40%
Khalid Mohammed Abdulmohsen AlAshqar	23%
Afaten Mohammed Abdulmohsen AlAshqar	11%
Mai Mohammed Abdulmohsen AlAshqar	11%
Mohammed Abdulmohsen AlAshqar	5%
Badriya Abdullah Hamad AlZamil	5%
Fahad Mohammed Abdulmohsen AlAshqar	5%
Total	**100%**

Source: The Company.

(b) Kafou Technical Services Company

Kafou Technical Services Company is a Saudi limited liability company. The following table shows the ownership structure of Kafou Technical Services Company as of the date of this Prospectus:

Table 4.30: Shareholding Structure of Kafou Technical Services Company as of the Date of this Prospectus

Shareholder	Ownership Percentage
Kafou Holding Company	95%
Kafou Commercial Investment Company	5%
Total	**100%**

Source: The Company.

4.10.2.2 One Vision Limited Company

One Vision Limited Company is a limited liability company registered under commercial registration No. 1010646544, dated 22 Thul-Hijjah 1441H (corresponding to 12 August 2020G). Its head office is located in Hittin District, Riyadh 13513, Kingdom of Saudi Arabia and its current capital is fifty thousand Saudi Arabian Riyals (SAR 50,000) divided into one thousand (1000) shares with a nominal value of fifty Saudi Arabian Riyals (SAR 50) per share. According to its commercial registration, its main activities consist of the wholesale of food and beverages, and food and beverage distribution centres, retail sale of tobacco products in specialized stores, and suppling drinks (to coffee shops).

The following table shows the ownership structure of One Vision Limited Company as of the date of this Prospectus:

Table 4.31: Shareholding Structure of One Vision Limited Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value (SAR)	Ownership Percentage
Twelve Cups Limited Company	600	50	60%
Abdulrahman Mohammed Bin Saad AlMuqbel	200	50	20%
Abdulaziz Abdulrahman Suleiman AlJalajil	200	50	20%
Total	**500**	**1000**	**100%**

Source: The Company.

Twelve Cups Limited Company is a Saudi limited liability company. The following table shows its ownership structure as of the date of this Prospectus:

Table 4.32: Shareholding Structure of Twelve Cups Limited Company as of the Date of this Prospectus

Shareholder	Ownership Percentage
Bader Abdulrahman Suleiman AlJalajil	50%
Ghassan Abdullah Suleiman AlHazza	50%
Total	**100%**

Source: The Company.

4.10.3 Overview of Substantial Shareholders

The following tables set out the details of Shareholders directly or beneficially holding 5.0 per cent. or more of the Shares in the Company as of the Date of this Prospectus:

Table 4.33: Details of Shareholders Directly Holding 5.0 Per Cent. or More Shares in the Company as of the Date of this Prospectus

Shareholder	No. of Shares	Shareholding (%)[1]
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	5,231,809	10.46%
Talal Ibrahim Ali Al-Maiman	5,223,943	10.45%
Sultan Moazi Fhaid AlOsaimi	4,739,870	9.48%
Mohammed Othman Al-Abdullah AlKasabi	2,581,786	5.16%
Total	**17,777,408**	**35.55%**

Source: The Company.

As of the date of this Prospectus, none of the Company's Shareholders directly own 5.0 per cent. or more of the Shares have any indirect ownership in the Company.

4.11 Business Continuity

Over the twelve (12) months preceding the date of this Prospectus, there has not been any interruption or suspension in the Company's business that could have a material impact on its financial condition, and the Company does not intend to make any fundamental change in the nature of its business.

The COVID-19 pandemic continues to disrupt global markets, as many geographies are experiencing issues due to the identification of multiple new variants of this virus, despite having previously controlled the outbreak through aggressive precautionary measures. However, as of the date of this Prospectus, the Government managed to successfully control the outbreak.

The Company continues to evaluate the current macroeconomic situation, including the impact that the pandemic and resultant Government and Saudi Central Bank support measures, such as deferred payments and other mitigating packages, have had on the financing portfolio, along with conducting a review of credit exposure concentrations at a more granular level with a particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The Company has also made updates within its expected credit loss model.

During the financial years ended 31 December 2020G and 2021G, the Company has revised certain inputs and assumptions (including but not limited to macroeconomic factors and scenario probabilities) used for the determination of expected credit loss. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

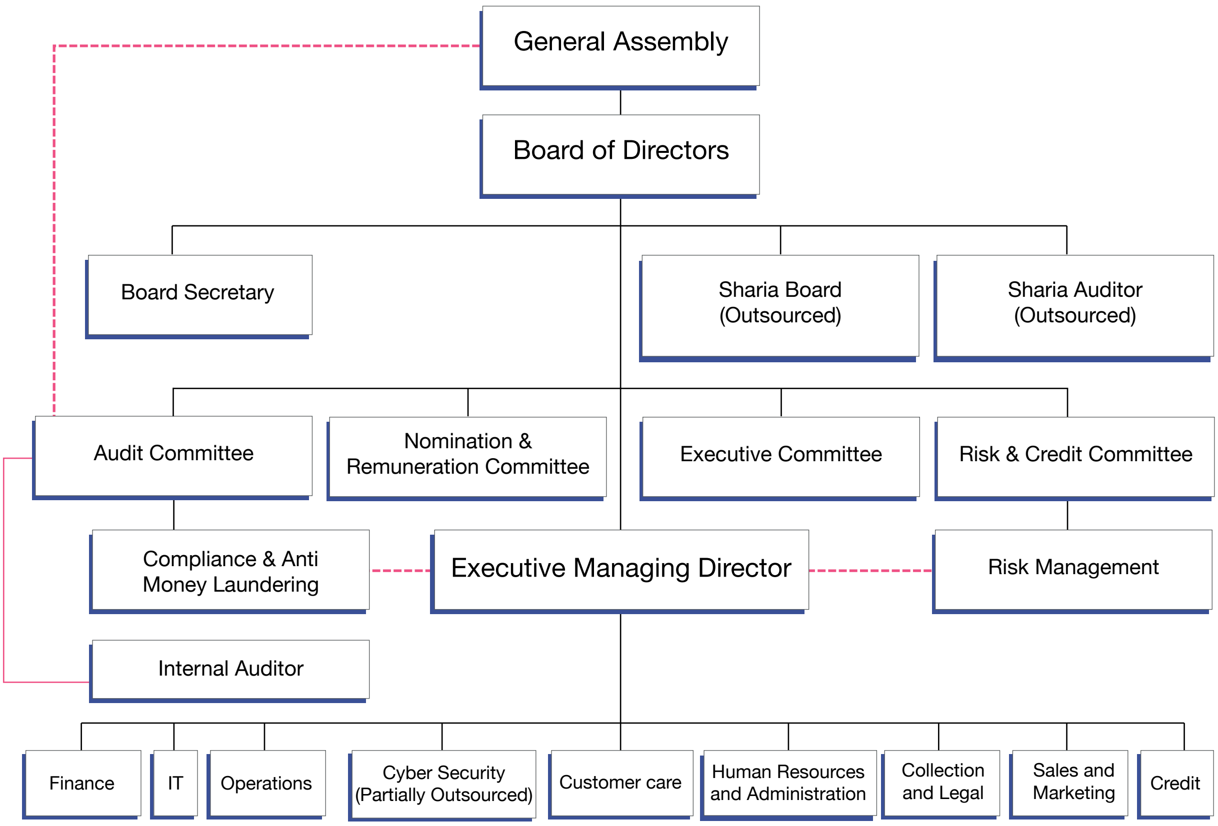
5 ORGANISATIONAL STRUCTURE AND CORPORATE GOVERNANCE

5.1 Organisational Structure

The Shareholders of the Company delegate responsibility to the Board of Directors for the overall direction, supervision and control of the Company. The Board of Directors delegates responsibility for the overall day-to-day management of the Company to the Executive Management of the Company and, in particular, the Executive Managing Director.

The following chart sets out the organisational structure of the Company:

Exhibit 5.1: Organisational Structure of the Company



Source: The Company.

The following table summarises the direct ownership structure of the Company pre- and post-Offering:

Table 5.1: Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	5,231,809	10.46%	52,318,090	5,231,809	7.32%	52,318,090
Talal Ibrahim Ali Al-Maiman	5,223,943	10.45%	52,239,430	5,223,943	7.31%	52,239,430
Sultan Moazi Fhaid AlOsaimi	4,739,870	9.48%	47,398,700	4,739,870	6.64%	47,398,700
Mohammed Othman Al-Abdullah AlKasabi	2,581,786	5.16%	25,817,860	2,581,786	3.61%	25,817,860
Daoud Suleiman Ibrahim AlSabati	2,487,814	4.98%	24,878,140	2,487,814	3.48%	24,878,140
Rashid Rashid Saad Bin Owein	1,978,380	3.96%	19,783,800	1,978,380	2.77%	19,783,800
Treasury Shares	1,606,230	3.21%	16,062,300	1,606,230	2.25%	16,062,300
Kafou Commercial Investment Company	1,483,785	2.97%	14,837,850	1,483,785	2.08%	14,837,850
Abdullah Ahmed Abdullah Alfiddi	1,257,482	2.51%	12,574,820	1,257,482	1.76%	12,574,820
Salem Saeed Abdullah AlAyedh AlQahtani	1,236,488	2.47%	12,364,880	1,236,488	1.73%	12,364,880
Fahad Mohammed Saleh AlForayyan	1,023,574	2.05%	10,235,740	1,023,574	1.43%	10,235,740
Ibrahim Abdullah Issa Al-Ghumlas	977,730	1.96%	9,777,300	977,730	1.37%	9,777,300
Fhaid Moazi Fhaid AlOsaimi	865,541	1.73%	8,655,410	865,541	1.21%	8,655,410
Samir Mohamed Idris Mahmoud	839,179	1.68%	8,391,790	839,179	1.17%	8,391,790
Omar Mohammed Omar AlDhuwayyan	816,760	1.63%	8,167,600	816,760	1.14%	8,167,600
Saad Abdulaziz Mohammed Al-Hoshan	798,123	1.60%	7,981,230	798,123	1.11%	7,981,230
Majid Mubarak Said Bajowaiber	756,065	1.51%	7,560,650	756,065	1.06%	7,560,650
Rashid Mohammed Rashid AlSamil	746,119	1.49%	7,461,190	746,119	1.04%	7,461,190
Fahad Mohammed Saad Bin Qassim	725,907	1.45%	7,259,070	725,907	1.02%	7,259,070
Suleiman Abdulrahman Suleiman AlAmeer	617,487	1.23%	6,174,870	617,487	0.86%	6,174,870
Mohammed Abdulaziz Abdullah AlKhowaiter	593,003	1.19%	5,930,030	593,003	0.83%	5,930,030
Mohammed Abdulaziz Othman AlShabanah	546,441	1.09%	5,464,410	546,441	0.77%	5,464,410
Atiyah Mohammed Atiq AlAtwi	535,779	1.07%	5,357,790	535,779	0.75%	5,357,790
Naeem Abdulaziz Othman AlShabanah	529,362	1.06%	5,293,620	529,362	0.74%	5,293,620
Abdulrahman Sultan Abdulaziz AlSultan	525,360	1.05%	5,253,600	525,360	0.74%	5,253,600
Turki Maazi Fhaid AlOsaimi	494,595	0.99%	4,945,950	494,595	0.69%	4,945,950
Mnahi Saad Mnahi Alsaad AlQahtani	494,595	0.99%	4,945,950	494,595	0.69%	4,945,950
Othman Abdullah Abdulrahman AlNutheir	485,148	0.97%	4,851,480	485,148	0.68%	4,851,480
Hajref Maazi Fhaid AlOsaimi	483,938	0.97%	4,839,380	483,938	0.68%	4,839,380
Ahmed Abdulkarim Mohammed AlRasheed	480,066	0.96%	4,800,660	480,066	0.67%	4,800,660
Abdulaziz Mohammed Saleh AlHuwaerini	476,557	0.95%	4,765,570	476,557	0.67%	4,765,570
Mansour Zaid Ibrahim AlMahmoud	461,008	0.92%	4,610,080	461,008	0.65%	4,610,080
Tarek Burjes Abdulmohsen AlAbdulKarim	448,760	0.90%	4,487,600	448,760	0.63%	4,487,600
Abdulaziz Mohammed Abdulaziz AlRawwaf	357,743	0.72%	3,577,430	357,743	0.50%	3,577,430
Thamer Mohammad Hamad AlSalloum	348,982	0.70%	3,489,820	348,982	0.49%	3,489,820
Abdulrahman Mohammed Abdulmohsen Almotawwa	317,705	0.64%	3,177,050	317,705	0.44%	3,177,050

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Hisham Samih Sultan AlHarithi	315,495	0.63%	3,154,950	315,495	0.44%	3,154,950
Huda Rashid Mohammed AlSaeed	314,532	0.63%	3,145,320	314,532	0.44%	3,145,320
Abeer Abdulaziz Abdullah AlKhoiter	271,502	0.54%	2,715,020	271,502	0.38%	2,715,020
Lama Abdulaziz Abdullah AlKhoiter	271,502	0.54%	2,715,020	271,502	0.38%	2,715,020
Khalid Mohammed Ali Al-Onaizan	250,437	0.50%	2,504,370	250,437	0.35%	2,504,370
Abdulrahman Abdullah Mohammed AlAmeer	247,298	0.49%	2,472,980	247,298	0.35%	2,472,980
Saud Fahad Abdulrahman AlMahmoud	231,735	0.46%	2,317,350	231,735	0.32%	2,317,350
Mohammed Abdullah Mohammed AlSmari	231,566	0.46%	2,315,660	231,566	0.32%	2,315,660
Naif Talal Ibrahim Al-Maiman	176,326	0.35%	1,763,260	176,326	0.25%	1,763,260
Abdullah Mohammed Abdullah AlAqeel	169,689	0.34%	1,696,890	169,689	0.24%	1,696,890
Assaf Abdullah Mohammed	165,566	0.33%	1,655,660	165,566	0.23%	1,655,660
Abdullah Saad Abdullah Bin Jawhar	161,064	0.32%	1,610,640	161,064	0.23%	1,610,640
Waleed Yousef Abdulrazzaq Al-Ghumlas	160,655	0.32%	1,606,550	160,655	0.23%	1,606,550
Yasser Abdullah Abdulaziz AlSalman	148,379	0.30%	1,483,790	148,379	0.21%	1,483,790
Mohammed Saad Mohammed AlMuhanna	148,379	0.30%	1,483,790	148,379	0.21%	1,483,790
Khalid Mohammed Fahad AlThuhaiban	146,416	0.29%	1,464,160	146,416	0.20%	1,464,160
Mansour Abdullah Fahad AlThunayan	137,433	0.27%	1,374,330	137,433	0.19%	1,374,330
Hind Abdullah Fahad AlThunayan	137,433	0.27%	1,374,330	137,433	0.19%	1,374,330
Laila Mohammed Abdullah AlDukhi	134,937	0.27%	1,349,370	134,937	0.19%	1,349,370
Mansour Suleiman Ibrahim AlMubrak	127,831	0.26%	1,278,310	127,831	0.18%	1,278,310
Mohammed Abdullah Ibrahim AlSayegh	120,486	0.24%	1,204,860	120,486	0.17%	1,204,860
Saleh Abdulaziz Mohammed AlHoushan	118,139	0.24%	1,181,390	118,139	0.17%	1,181,390
Turki Abdulaziz Mohammed Al-Hoshan	107,453	0.21%	1,074,530	107,453	0.15%	1,074,530
Areej Abdulaziz Abdullah AlKhoiter	101,814	0.20%	1,018,140	101,814	0.14%	1,018,140
Saad Mohammed Abdullah AlDukhi	100,025	0.20%	1,000,250	100,025	0.14%	1,000,250
Abdulatif Fouzan Fahad AlFahad	100,000	0.20%	1,000,000	100,000	0.13%	1,000,000
Mohammed Abdulaziz Mohammed AlHuwairini	95,311	0.19%	953,110	95,311	0.13%	953,110
Ibrahim Abdullah Mohammed Al Assaf	89,154	0.18%	891,540	89,154	0.12%	891,540
Abdulaziz Abdullah Mohammed Al Assaf	89,154	0.18%	891,540	89,154	0.12%	891,540
Aljoharah Abdullah Fahad AlThunayan	87,294	0.17%	872,940	87,294	0.12%	872,940
Khalid Abdulrahman Abdullah Al-Muqrin	81,655	0.16%	816,550	81,655	0.11%	816,550
Abdulaziz Fahad Abdulaziz Al-Helwan	79,426	0.16%	794,260	79,426	0.11%	794,260
Yazeed Abdullatif AlShawair	79,426	0.16%	794,260	79,426	0.11%	794,260
Mohammed Abdulaziz Mohammed AlHoushan	77,952	0.16%	779,520	77,952	0.11%	779,520
Humoud Abdullah Fahad AlThunayan	71,218	0.14%	712,180	71,218	0.10%	712,180
Sheikha Ali Mohammed	64,653	0.13%	646,530	64,653	0.09%	646,530
Muneera Abdullah Fahad AlThunayan	61,218	0.12%	612,180	61,218	0.09%	612,180
Mohammed Abdullah Mohammed Al Assaf	61,175	0.12%	611,750	61,175	0.09%	611,750
Nadiah Mohammed Abdullah AlDukhi	60,000	0.12%	600,000	60,000	0.09%	600,000

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) [1]	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Hanan Khaled Suleiman AlKhulaiwi	56,934	0.11%	569,340	56,934	0.08%	569,340
Muneera Abdullah Mohammed AlAssaf	49,846	0.12%	498,460	49,846	0.07%	498,460
Faisal Jameel Abdulsalam AlQadi	49,460	0.10%	494,600	49,460	0.07%	494,600
Fawzi Ibrahim Mohammed AlHussein	47,656	0.10%	476,560	47,656	0.07%	476,560
Ali Ibrahim Abdullah AlAjlan	46,000	0.09%	460,000	46,000	0.06%	460,000
Khalid Abdullah Mohammed Alhamdan	45,791	0.09%	457,910	45,791	0.06%	457,910
Mona Al-Hamidi Burgess AlMuammar	39,713	0.08%	397,130	39,713	0.06%	397,130
Mohammed Hamdan Hamdan Qureshi AlZahrani	39,713	0.08%	397,130	39,713	0.06%	397,130
Reem Fahad Abdullah Bin Baraka	32,585	0.07%	325,850	32,585	0.05%	325,850
Abdulrahman Naeem Abdulaziz AlShabanah	25,000	0.05%	250,000	25,000	0.03%	250,000
Abdulaziz Naeem Abdulaziz AlShabanah	25,000	0.05%	250,000	25,000	0.03%	250,000
Haila Abdullah Mohammed AlAssaf	24,923	0.05%	249,230	24,923	0.03%	249,230
Nasser Mohammed Sanad AlSanad	24,730	0.05%	247,300	24,730	0.03%	247,300
Mansour Suleiman Abdullah Bin Dakhil	24,730	0.05%	247,300	24,730	0.03%	247,300
Marwan Mohammed Abdulsalam AlQadi	24,197	0.05%	241,970	24,197	0.03%	241,970
Saud Sultan Abdulaziz AlSultan	23,763	0.05%	237,630	23,763	0.03%	237,630
Iman Abdulaziz Mohammed AlBahlal	19,396	0.04%	193,960	19,396	0.03%	193,960
Mohammed Sultan Abdulaziz AlSultan	19,396	0.04%	193,960	19,396	0.03%	193,960
Lamia Nasser Fahad AlBaker	18,000	0.04%	180,000	18,000	0.03%	180,000
One Vision Limited Company	17,253	0.03%	172,530	17,253	0.02%	172,530
Maram Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Saud Mohammed Abdulrahman AlDossari	15,885	0.03%	158,850	15,885	0.02%	158,850
Saleh Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Mai Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Abdullah Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Abdulrahman Abdulaziz Abdulrahman AlFayez	15,543	0.03%	155,430	15,543	0.02%	155,430
Mohammed Saad Ibrahim AlManae	14,900	0.03%	149,000	14,900	0.02%	149,000
Sheikha Mohammed Ahmed AlAqeel	10,000	0.02%	100,000	10,000	0.01%	100,000
Amal Abdulaziz Othman AlShabanah	10,000	0.02%	100,000	10,000	0.01%	100,000
Samar Abdulaziz Othman AlShabanah	10,000	0.02%	100,000	10,000	0.01%	100,000
Faisal Ibrahim Nasser AlQahtani	9,326	0.02%	93,260	9,326	0.01%	93,260
Sara Abdulaziz Mohammed AlNasser	8,651	0.02%	86,510	8,651	0.01%	86,510
Saud Mohammed Saad AlAmmari	8,443	0.02%	84,430	8,443	0.01%	84,430
Zaid Mohammed Abdullah AlHazzani	7,784	0.02%	77,840	7,784	0.01%	77,840
Abdulaziz Ibrahim Nasser AlQahtani	5,000	0.01%	50,000	5,000	0.003%	50,000
Public	-	-	-	21,428,572	30%	214,285,720
Total	**50,000,000**	**100%**	**500,000,000**	**71,428,572**	**100%**	**714,285,720**

Source: The Company.

[1] The ownership percentages are rounded.

5.2 Board of Directors and Secretary of the Board of Directors

5.2.1 Composition of the Board of Directors

The Board of Directors consists of eight Directors who are appointed by the General Assembly by means of a cumulative vote, after meeting the Saudi Central Bank's eligibility requirements and obtaining a non-objection letter from the Saudi Central Bank. The Companies Law, the Corporate Governance Regulations, the bylaws, and the internal corporate governance regulations of the Company determine the duties and responsibilities of the Board of Directors. The term of the Directors' membership on the Board of Directors, including the Chairman, shall be for a maximum period of three years.

The following table sets out the Directors as of the date of this Prospectus.

Table 5.2: Board of Directors as of the Date of this Prospectus

Name	Position	Nationality	Capacity	Direct Share Ownership [1]		Indirect Share Ownership		Date of Appointment [2]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	Chairman	Saudi	Non-Executive	10.46%	7.32%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Khalid Mohammed Ali Al-Onaizan	Deputy Chairman	Saudi	Independent	0.50%	0.35%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Waleed Yousef Abdulrazzaq Al-Ghumlas [3]	Executive Managing Director	Saudi	Executive	0.32%	0.23%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Abdullah Mohammed Abdulaziz Alrayes	Director	Saudi	Independent	-	-	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Ibrahim Abdullah Issa Al-Ghumlas	Director	Saudi	Independent	1.96%	1.37%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Fhaid Moazi Fhaid AlOsaimi	Director	Saudi	Non-Executive	1.73%	1.21%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Naif Talal Ibrahim Al-Maiman [4]	Director	Saudi	Non-Executive	0.35%	0.25%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Saad Abdulaziz Mohammed Al-Hoshan [5]	Director	Saudi	Non-Executive	1.60%	1.11%	-	-	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)

Source: The Company.

(1) The ownership percentages are rounded.

(2) The dates listed in this table are the dates of appointment to the current positions on the Board of Directors. Their respective biographies in Section 5.2.4 (*Biographies of the Directors and the Secretary*) describe the dates of their appointment, to the Board of Directors and other positions.

(3) Waleed Yousef Abdulrazzaq Al-Ghumlas joined the Company in 2014G, as the Chief Executive Officer. in 2019G, the Board of Directors terminated the Chief Executive Officer position and merged the duties and responsibilities of the Chief Executive Officer with those of the Executive Managing Director position. Therefore, Waleed Yousef Abdulrazzaq Al-Ghumlas was appointed as the Executive Managing Director of the Company on 2019G.

(4) As of the date of this Prospectus, Naif Talal Ibrahim Al-Maiman's father directly owns 5.0 per cent. of the shares in the Subsidiary.

(5) As of the date of this Prospectus, Saad Abdulaziz Mohammed Al-Hoshan directly owns 8.0 per cent. of the shares in the Subsidiary.

The Secretary of the Board of Directors, Essa Abdulrahman Essa Bin Ghumlas, was appointed to this position on 17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G) (for a summary of his biography, see Section 5.2.4 (*Biographies of the Directors and the Secretary*)).

5.2.2 Responsibilities of the Board of Directors

The Company is supervised by the Board of Directors consisting of professional and highly experienced persons. With consideration to the powers set by the General Assembly in the Companies Law and its implementing regulations, as well as the Company's Bylaws, the Board of Directors is vested with full powers to manage the business of the Company and supervise its affairs. The Board of Directors delegates responsibility for the overall day-to-day management of the Company to the Executive Management.

Some powers are delegated to the Committees of the Board of Directors, consisting of the Audit Committee, the Nomination and Remuneration Committee, the Risk and Credit Committee, the Executive Committee, and the Shari'ah Committee (collectively, the "**Committees**"), and a number of administrative departments with responsibility for dealing with a range of operational and business matters (for further details, see Section 4.8 (*Overview of the Company's Departments*)). In addition, the Board of Directors has the power to form any number of Committees it considers necessary for the effective governance, oversight and operations of the Company or to delegate some of its powers to one or more of the Directors or third parties. However, despite any delegation, the ultimate responsibility for the Company rests with the Board of Directors.

The responsibilities of the Board of Directors, the Chairman and the Secretary can be summarised as follows:

5.2.2.1 Board of Directors

The responsibilities of the Board of Directors include the following:

- participating in the overall direction and management of the Company;
- overseeing the Committees in line with the policies and objectives of the Company;
- approving the appointment of the Chief Executive Officer and the Chief Financial Officer of the Company;
- laying down a comprehensive strategy for the Company, the main work plans and the policy related to risk management;
- determining the appropriate capital structure of the Company, its strategies and financial objectives and approving its annual budgets;
- supervising the main capital expenditures of the Company and the acquisition/disposal of assets;
- determining the performance objectives to be achieved and supervising their implementation;
- monitoring the overall performance of the Company;
- reviewing and approving the organisational and functional structures of the Company;
- developing a written policy regulating conflicts of interest and remedy of any possible cases of conflict by the Directors, Executive Management and Shareholders;
- developing written policies regulating the Company's relationship with the Shareholders, including policies in connection with the indemnification of Shareholders and the settlement of complaints or disputes between the Company and Shareholders;
- developing policies in connection with maintaining relationships with customers and suppliers and protecting the confidentiality of information in relation thereto;
- establishing a code of conduct for the Company's executives and employees in line with the proper professional and ethical standards;
- developing policies in connection with the Company's social contributions;
- establishing policies and procedures to ensure the Company's compliance with the relevant laws and regulations and the Company's continuous obligation to disclose material information to the Shareholders and other relevant parties;
- laying down policies, standards and procedures in connection with the membership of the Board of Directors and their implementation;
- ensuring the alignment of strategies and plans with the Company's existing resources, risks, economic and market conditions and growth;
- entering into financial transactions on behalf of the Company;
- ensuring the integrity of the financial and accounting procedures, including procedures related to the preparation of financial reports;
- ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the Company could encounter and disclosing them with transparency;
- holding a meeting in the last quarter of each year to approve the budget for the following year;
- establishing Committees of the Board of Directors with specific mandates, approving its charters and appointing its members (except for the Audit Committee);
- evaluating the performance of the Company's Senior Executives in connection with the achievement of strategy;
- ensuring that a sound system of internal control (supported by the Audit Committee) is established, implemented and maintained at all levels;
- reviewing the effectiveness of the Company's internal control systems;

- ensuring compliance with the Company's corporate governance regulations and its policies and procedures;
- approving the delegation of authority matrix, budgets and financial statements;
- determining the privileges to be delegated to the Company's Senior Executives;
- approving new business initiatives and business closures;
- reviewing the performance of the Committees established by the Board of Directors;
- reviewing compliance with the authority matrix;
- ensuring disclosure of key business transactions and Related Party transactions in the Board of Directors' annual report;
- calling for a meeting of the General Assembly at least once a year within six months following the end of the Company's financial year;
- periodically reviewing the Company's corporate governance regulations, and evaluating whether any changes are required in light of updated regulations, changes in practices and communicating such changes to the Secretary;
- providing recommendations to the Shareholders for dividends to be distributed in accordance with the Company's dividend distribution policy and for any retention of profits;
- setting a specific timetable at the beginning of each year for receiving reports from committees and internal and external auditors; and
- ensuring familiarity with the rules, regulations, and instructions related to the Company's business, and following up on developments in this regard.

5.2.2.2 Chairman

The responsibilities of the Chairman include the following:

- promoting constructive relationships between the Board of Directors and the Senior Executives, and between the executive Directors and the non-executive Directors;
- ensuring that the Board of Directors agenda is focused on the Company's strategy, performance, value creation for Shareholders and accountability at all levels;
- promoting a culture in the boardroom that supports constructive criticism and alternative views on issues under consideration, and encourages discussion and voting on these issues;
- ensuring that both the Directors and the Shareholders receive adequate and timely information;
- delegating tasks to individual Directors and following up on their progress;
- ensuring that the Directors disclose their business and conflicts of interest in any matter discussed at meetings of the Board of Directors; and
- ensuring the adequacy of human and financial resources to achieve the objectives and main plans of the financial institution and to implement its obligations.

5.2.2.3 Secretary

The responsibilities of the Secretary include the following:

- managing all of the administrative, technical and logistics issues related to the affairs of the Board of Directors and the General Assembly meetings;
- managing and coordinating the meeting agendas of the Board of Directors and the Committees;
- attending the meetings of the Board of Directors;
- preparing visual presentations, preparing and distributing minutes of meetings, archiving all data, information and records related to the Board of Directors and the Committees and monitoring the implementation of resolutions of the Board of Directors and the Committees;
- ensuring the flow of information within the Board of Directors and between the Board of Directors and the Executive Management;
- preparing and maintaining a register of procedures and resolutions of the Board of Directors and the Committees and safekeeping the Company's official records;
- managing and developing the Board of Directors' secretariat division;
- informing the members of the Board of the dates of the Board's meetings well in advance of the specified dates;
- acting as a liaison officer with the CMA and other official entities and ensuring compliance with the Corporate Governance Regulations and other related regulations;
- assisting in the updating and implementation of the Company's corporate governance;
- assisting the Nomination and Remuneration Committee in preparing and implementing the orientation programme for incoming Directors;

- preparing status reports on the resolutions of the Board of Directors and their implementation;
- ensuring that the procedures, rules and regulations applicable to the Board of Directors are followed by the Directors;
- maintaining and updating the Company's Corporate Governance Manual as per the instructions of the Board of Directors;
- organizing the disclosure record of the members of the Board and the Executive Management; and
- performing other tasks as delegated by the Board of Directors.

5.2.3 Service Contracts with Directors

No service or employment contracts have been concluded between the Directors and the Company.

5.2.4 Biographies of the Directors and the Secretary

The experience, qualifications and current and other positions of each of the Directors and the Secretary are set out below:

5.2.4.1 Abdulrahman Mohammed Abdulrahman Al-Ghumlas, Chairman

Nationality:	Saudi
Age:	46 years
Position	Company Chairman of the Board of Directors
Capacity	Non-Executive
Academic and Professional Qualifications:	– Bachelor's Degree in Islamic Shari'ah, Imam Mohammad Ibn Saud Islamic University, Riyadh, Kingdom of Saudi Arabia, 2000G; – Diploma in Applied Legal Procedures, Riyadh Chamber of Commerce, Riyadh, Kingdom of Saudi Arabia, 2000G; – Certified Arbitrator, Ministry of Justice, Riyadh, Kingdom of Saudi Arabia, 2003G; – Certified Lawyer, Ministry of Justice, Riyadh, Kingdom of Saudi Arabia, 2003G; and – Certified Documenter, Ministry of Justice, Riyadh, Kingdom of Saudi Arabia, 2016G.
Appointment Date (Current Term):	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Current Positions:	– Company Chairman of the Board of Directors, since 2014G; and – Lawyer, Ghumlas Law firm, a sole proprietorship, legal advisory services sector, since 2000G;
Key Previous Experience:	None.

5.2.4.2 Khalid Mohammed Ali Al-Onaizan, Deputy Chairman

Nationality:	Saudi
Age:	59 years
Position	Company Deputy Chairman of the Board of Directors.
Capacity	Independent
Academic and Professional Qualifications:	Bachelor's Degree in Statistics, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1985G.
Appointment Date (Current Term):	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Current Positions:	– Company Deputy Chairman of the Board of Directors, Chairman of the Risk and Credit Committee and Member of the Nomination and Remuneration Committee, since 2019G; and – Member of the Risk and Compliance Committee, Small and Medium Enterprise Bank, a governmental owned company, affiliated to the National Development Fund, since 2021G.
Key Previous Experience:	– Local Corporate Banking General Manager, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 2020G to 2021G; – Domestic Corporate Banking Risk Director, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 2019G to 2020G; – Global Consumer Credit Risk Head, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 2008G to 2019G; – Deputy Chairman and Chairman of the Executive Committee, Saudi Credit Bureau (SIMAH), a closed joint stock company, credit reporting sector, from 2010G to 2017G; – Collection Head and Anti-Financial Fraud Officer, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 2006G to 2008G; – Personal Finance - Mortgage and Card Initiation Head, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 2003G to 2006G; and – Commitment and Policy Manager in Personal Finance, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 2000G to 2003G.

5.2.4.3 Waleed Yousef Abdulrazzaq Al-Ghumlas, Executive Managing Director

Nationality:	Saudi
Age:	65 years
Position	Company Executive Managing Director, since 2019G.
Capacity	Executive
Academic and Professional Qualifications:	– Bachelor's Degree in City Planning, Jacksonville University, Jacksonville, Florida, United States of America, 1985G – Youth Management Programme, College of Business, Insead University, Paris, France, 2006G
Appointment Date (Current Term):	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Current Positions:	– Company Executive Managing Director, since 2019G; – Member of the Board of Directors, Azaim Alarab Company, a closed joint stock company, food operations sector, since 2013G; and – Founding Partner, Hawa Amman Company for Restaurants, a limited liability company, food operations sector, since 2020G.
Key Previous Experience:	– Chief Executive Officer of the Company, from 2014G to 2019G; – Member of the Board of Directors, Jeddah Economic City, a Saudi governmental entity, from 2018G to 2022G – Member of the Board of Directors, Small and Medium Enterprise Bank, a Government-owned company, affiliated to the National Development Fund from 2020G to 2021G; – General Director, Nayifat Finance Company, a public joint stock company, financial services sector, from 2010G to 2014G; and – Sales Manager, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 1990G to 2010G.

5.2.4.4 Abdullah Mohammed Abdulaziz Alrayes, Director

Nationality:	Saudi
Age:	58 years
Position	Company Director.
Capacity	Independent
Academic and Professional Qualifications:	– Bachelor's Degree in Economics, King Abdulaziz University, Jeddah, Kingdom of Saudi Arabia, 1987G; – Bachelor's Degree in Economics, Economic Institute Boulder, Boulder, Colorado State, United States of America, 1989G; and – Master's Degree in Economics, Ohio University, Athens, Ohio, United States of America, 1993G.
Appointment Date (Current Term):	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Current Positions:	– Company Director and Chairman of the Executive Committee, since 2014G; – Chairman of the Board of Directors, Azaim Alarab Company, a closed joint stock company, food operations sector, since 2017G; – Chairman of the Board of Directors, Rana Medical Services Company, a closed joint stock company, healthcare sector, since 2016G; and – Executive Managing Director of the Board of Directors, Rana Investment Company, a closed joint stock company, investments sector, since 2011G.
Key Previous Experience:	– Deputy Chairman of the Board of Directors, Delma Brokerage Company, an Emarati closed joint stock company, investment banking and brokerage sector, from 2011G to 2016G; – Vice President of Assets, Rana Investment Company, a closed joint stock company, investments sector, from 1998G to 2008G; – Economic Analyst, Ministry of Finance, a Saudi governmental ministry, from 1996G to 1997G; and – Economic Specialist, Ministry of Finance, a Saudi governmental ministry, from 1987G to 1996G.

5.2.4.5 Ibrahim Abdullah Issa Al-Ghumlas, Director

Nationality:	Saudi
Age:	56 years
Position	Company Director.
Capacity	Independent
Academic and Professional Qualifications:	Diploma in Accounting Financial Studies, Institute of Management, Riyadh, Kingdom of Saudi Arabia, 1989G.
Appointment Date (Current Term):	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Current Positions:	– Company Director, since 2014G; – Chairman of the Board of Directors, Alarabiya Dates Factory Company, a limited liability company, Agriculture sector, since 2007G; – Chairman of the Board of Directors, Rokn Alelaj Company, a limited liability company, healthcare sector, since 1998G;
Key Previous Experience:	– Accountant, Zakat, Tax and Customs Authority, a Saudi governmental ministry, from 1989G to 2006G; and – Company Member of the Executive Committee and Audit Committee, from 2019G to 2022G

5.2.4.6 Fhaid Moazi Fhaid AlOsaimi, Director

Nationality:	Saudi
Age:	48 years
Position	Company Director.
Capacity	Non-Executive
Academic and Professional Qualifications:	High School Diploma, Badr Secondary School, Riyadh, Kingdom of Saudi Arabia, 1992G.
Appointment Date (Current Term):	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Current Positions:	– Company Director, since 2019G; and – Company Risk and Credit Committee Member, since 2016G.
Key Previous Experience:	None.

5.2.4.7 Naif Talal Ibrahim Al-Maiman, Director

Nationality:	Saudi
Age:	41 years
Position	Company Director.
Capacity	Non-Executive
Academic and Professional Qualifications:	Bachelor's Degree in Banking and Financial Management, Lebanese American University, Beirut, Republic of Lebanon, 2007G.
Appointment Date (Current Term):	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Current Positions:	– Company Director and Member of the Risk and Credit Committee, since 2019G; – Chief Executive Officer, Kingdom Brokerage Company for Insurance, a mixed limited liability company, insurance sector, since 2021G; and – General Manager, Total Management Company, a limited liability company, various sectors including investments, real estate development, contracting, wholesale and retail trade, management and operation of restaurants and decoration works, since 2010G.
Key Previous Experience:	Relationship Manager, The Saudi British Bank, a public joint stock company, banking and financial services sector, from 2008G to 2013G.

5.2.4.8 Saad Abdulaziz Mohammed Al-Hoshan, Director

Nationality:	Saudi
Age:	55 years
Position	Company Director.
Capacity	Non-Executive
Academic and Professional Qualifications:	Commercial Diploma in Accounting, Secondary Commercial Institute, Riyadh, Kingdom of Saudi Arabia, 1988G.
Appointment Date (Current Term):	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)
Current Positions:	– Company Director, since 2019G; and – Member of the Company's Audit Committee, since 2022G.
Key Previous Experience:	– Consultant, Branch Management, Saudi National Bank, a public joint stock company, banking and financial services sector, from 2021G to 2022G; – Regional Director, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 2016G to 2020G; – Regional Manager, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 2013G to 2016G; – Branch Manager, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 2002G to 2013G; – Operations Director, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 1998G to 2002G; – Head Cashier, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 1989G to 1998G; and – Teller, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 1988G to 1989G.

5.2.4.9 Essa Abdulrahman Essa Bin Ghumlas, Board Secretary

Nationality:	Saudi
Age:	30 years
Position	Secretary of the Board of Directors
Academic and Professional Qualifications:	– Bachelor's Degree in Finance and Investment, Imam Mohammad Ibn Saud Islamic University, Riyadh, Kingdom of Saudi Arabia, 2018G. – Diploma in Computer Applications, Imam Mohammad Ibn Saud Islamic University, Riyadh, Kingdom of Saudi Arabia, 2018G.
Appointment Date (Current Term):	17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G)
Current Positions:	Company's Board of Directors Secretary, since 2020G.
Key Previous Experience:	– Company's Credit Supervisor, from 2019G to 2020G; and – Company's Credit Analyst, from 2016G to 2019G.

5.3 Committees of the Board of Directors

The Committees were established to optimise the management of the Company and to meet the relevant regulatory requirements. Each Committee is required to have clear rules identifying their role, powers and responsibilities. Minutes must be prepared for each meeting of each Committee (which are reviewed and approved by the Board of Directors).

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.3.1 Audit Committee

5.3.1.1 Responsibilities of the Audit Committee

The Audit Committee assists the Board with the oversight of: (i) the integrity, effectiveness and accuracy of the Company's financial statements, reports and internal control system; (ii) the Company's compliance with legal and regulatory requirements and the rules of professional conduct; (iii) the qualifications and independence of the Company's external auditors; (iv) the performance of the Company's internal audit (Noting that an external source is used to carry out the internal audit work, for further details, see Section 12.6 (*Material Agreements*)) and external auditors. The responsibilities of the Audit Committee include the following:

(a) Financial Statements and Reports:

- Reviewing significant issues related to accounting and reporting matters, including complex or unusual transactions, critical discretionary areas, and emerging professional and organisational announcements, and assessing their impact on the financial statements;
- reviewing material or unusual issues included in the Company's financial statements and reports and issues raised by the Company's Chief Financial Officer (or his/her delegate), compliance officer, or the external auditors;
- reviewing the results of the external audit, along with the management and the external auditors, including any difficulties encountered;
- reviewing the Company's interim and annual financial statements, expressing an opinion thereon, and making recommendations in this regard to the Board prior to their submission to the Board to ensure the validity, integrity and transparency thereof; and considering whether they are complete and consistent with information that the members are aware of and whether they reflect appropriate accounting principles and policies;
- reviewing other sections of the annual report and related organisational files before they are issued, and considering the accuracy and completeness of the information;
- reviewing all issues required to be referred to the Committee in light of the generally accepted auditing standards, in cooperation with the management and the external auditors;
- considering the accounting policies followed by the Company, expressing an opinion thereon and making recommendations to the Board in respect of the same;
- identifying how the management develops preliminary financial information, and the nature and extent of involvement of the Internal Audit Department and the external auditors;
- providing a technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced and understandable and contain information that enables the Shareholders and investors to assess the Company's financial position, performance, business model and strategy; and
- examining the accounting estimates with regard to significant matters contained in the Company's financial statements and reports.

(b) Internal Control:

- Considering and reviewing the Company's internal and financial control and risk management systems and the effectiveness thereof, including IT security and controls; and
- understanding the scope of the internal audit of financial reports by the Internal Audit Department, and obtaining reports that include important findings and recommendations, and management's observations and comments.

(c) Internal Audit:

- Adopting the internal audit charter;
- reviewing the performance and activities of the Head of the Internal Audit Department, and ensuring that there are no unjustified restrictions on his/her activities, and making recommendations to the Board with respect to his/her appointment, dismissal, annual remuneration and salary;
- overseeing and supervising the performance and activities of the Company's Internal Audit Department to verify the availability of the necessary resources and the effectiveness thereof in performing the tasks and duties assigned thereto in accordance with appropriate professional standards;
- approving the annual audit plan and all changes to the plan, and reviewing the performance and activities of the Internal Audit Department compared to the plan;

- working with the Head of the Internal Audit Department to review the internal audit budget, resource plan, activities, and organisational structure for the internal audit duties;
- reviewing the Company's internal audit procedures;
- considering the internal audit reports, and following up on the implementation of corrective measures with regard to the observations contained therein; and
- meeting separately with the Head of the Internal Audit Department on a regular basis to discuss any matters that the Committee or Internal Audit Department deem necessary to be discussed in private sessions.

(d) External Auditors:

- Reviewing the external auditors' proposed audit scope, approach and plan, and providing an opinion thereon, including coordinating audit efforts with internal audit activities;
- recommending that the Board nominate, dismiss, and determine the fees of the external auditors, and review the scope of the work thereof and the terms of contract with the same, provided that the recommendation takes into account the independence of the external auditors;
- reviewing the performance of the external auditors, supervising the activities thereof, and approving any activity outside the scope of audit work assigned thereto during the performance of the duties thereof;
- reviewing the external auditors' report, observations and reservations on the Company's financial statements, and following up on the relevant actions;
- verifying the independence, objectivity and fairness of the external auditors, and the effectiveness of auditing, taking into account the relevant rules and standards, and making recommendations to the Board in this regard;
- verifying that the external auditors is not providing technical or management services outside the scope of the audit work, and making recommendations to the Board in this regard;
- meeting privately with the external auditors on a regular basis to discuss any matters that the Audit Committee or external auditors deems necessary to be discussed in private sessions;
- responding to the inquiries of the external auditors; and
- settling any disputes that arise between the management and the external auditors regarding financial reporting.

(e) Compliance:

- Verifying and monitoring the Company's compliance with the applicable laws, regulations, policies and instructions;
- reviewing the effectiveness of the control system, ensuring compliance with laws and regulations, the results of investigations conducted by management, and following up on any non-compliance matters (including taking disciplinary action);
- reviewing reports and results of investigations conducted by competent auditors or supervisors in addition to any remarks given by the external auditors or internal auditors, and guaranteeing that the Company is taking the required measures in this regard.
- reviewing the process of communicating the rules of professional conduct to the Company's employees and observing compliance with the same;
- reviewing the contracts and transactions to be entered into by the Company with any related party, and making recommendations to the Board in relation to the same;
- ensuring that appropriate arrangements are put in place and implemented to allow for the confidential and anonymous submission by the Company's employees of concerns regarding any financial, accounting or auditing matters or any cases of non-compliance through a reasonable mechanism; and
- obtaining regular updates from the Company's management and legal advisor regarding compliance issues.

(f) Reporting:

- Submitting periodic reports to the Board regarding the Committee's activities and identified issues and providing recommendations to the Board that it deems appropriate in any matter within its competencies, as necessary;
- providing an open avenue of communication amongst the Internal Audit Management, the external auditors and the Board;
- providing an annual report to Shareholders describing the Committee's formation, duties and the performance of such duties in addition to such other information as may be required by applicable rules, including approving services outside the auditing scope;
- reviewing any other reports on the Committee's responsibilities, issued by the Company;
- preparing an annual written report assessing the adequacy and efficiency of the Company's internal control, financial and risk management systems - including information technology security and controls and its recommendations in respect thereof, as well as the tasks undertaken by the Committee within its competence. Copies of the report should

be made available for the Company's Shareholders at the Company's head office and published on the website of the Company and the Exchange at the time of publishing the invitation to convene the relevant annual General Assembly meeting, and at least ten days prior to such General Assembly meeting. A copy of the report should be read out at that meeting; and

- preparing a written report to the Board regarding the Company's internal audit procedures and the Committee's recommendations in this regard.

(g) Miscellaneous:

- Performing such other activities relating to the Audit Committee charter, as requested by the Board;
- initiating and overseeing special investigations as needed;
- reviewing and assessing the adequacy and propriety of the Audit Committee charter on a yearly basis, providing recommendations to the Board in this regard, and guaranteeing that necessary disclosures are made according to relevant laws and regulations;
- confirming, on a yearly basis, that all of the responsibilities set forth in the Audit Committee charter are performed; and
- regularly assessing the performance of the Committee and every member thereof.

5.3.1.2 Audit Committee Members

The Audit Committee shall be formed by an Ordinary General Assembly resolution and shall consist of at least three and no more than five members from among the Shareholders or others; provided that (i) at least one member is an Independent Director; (ii) no Executive Director is a member or Chairman; (iii) the number of members is not less than three and not more than five; (iv) one of its members is specialised in finance and accounting; and (v) a person who worked during the two previous years in the executive or financial management of the Company or who has audited the Company's accounts may not be a member of the Audit Committee, and the Chairman of the Board may not be appointed as the Chairman of the Audit Committee. The Audit Committee convenes periodically, provided that at least four meetings are held during the Company's financial year. The internal auditors and the external auditors may call for a meeting with the Audit Committee at any time as may be necessary.

The Audit Committee was formed, and its members were appointed according to the Company's Ordinary General Assembly decision dated 14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G). Their membership will end with the end of the current term of the Board of Directors on 18 Thul-Hijjah 1446H (corresponding to 14 June 2025G). The Audit Committee charter was approved by the Company's General Assembly resolution dated 14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G) and is comprised of the following members as of the date of this Prospectus:

Table 5.3: Audit Committee Members

Name	Position	Capacity
Nasser Mohammed Nasser Alsadoun	Chairman	Independent
Saad Abdulaziz Mohammed Al-Hoshan	Member	Non-Independent
Abdulrahman Sultan Abdulaziz Al-Sultan	Member	Independent

Source: The Company.

5.3.1.3 Biographies of the Members of the Audit Committee

The experience, qualifications and current and other positions of the members of the Audit Committee are set out below:

(a) Nasser Mohammed Nasser Alsadoun, Audit Committee Chairman

Nationality:	Saudi
Age:	41 years
Academic and Professional Qualifications:	– Bachelor's Degree in Financial Accounting, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2001G; – Master's Degree in Financial Accounting, Monash University, Melbourne, Australia, 2007G; and – PhD in Philosophy of Accounting, Monash University, Melbourne, Australia, 2011G.
Appointment Date:	16 Thul-Qi'dah 1443H (corresponding to 15 June 2022G)
Current Positions:	– Member of the Board of Directors, the Algerian Saudi Investment Company, a closed joint stock company, investment sector, since 2022G; – Assistant Vice President for Administrative and Financial Affairs, Prince Sultan University, a Saudi private university, since 2021G; – Company's Audit Committee Chairman, since 2019G; – Audit Committee Member, Takaful Charity Foundation, a Saudi governmental entity, since 2018G; – Chairman of the Audit Committee, Abdullah Bin Saedan and Sons Real Estate Company, a closed joint stock company, real estate sector, since 2017G; – Chairman of the Audit Committee, Education and Training Evaluation Commission, a Saudi governmental entity, since 2017G; – Member of the Board of Directors, Mulkia Gulf Real Estate REIT, a listed fund, real estate funds sector, since 2017G; – Member of the Board of Directors, Saudi Authority for Accredited Valuers, a Saudi governmental entity, since 2011G; and – Assistant Professor of Accounting, King Saud University, a public university, since 2001G.
Key Previous Experience:	– Member of the Accounting Standards Board, Saudi Organization for Chartered and Professional Accountants, a Saudi governmental entity, from 2018G to 2022G; – Audit Committee Member, Tatweer Education Holding Company, a closed joint stock company owned by the Public Investments Fund, education development sector, from 2018G to 2020G; – Chairman of the Board of Directors, Saudi Accounting Association, a Saudi governmental entity, from 2017G to 2020G; – Audit Committee Member, King Abdulaziz and his Companions Foundation for Giftedness and Creativity, a Saudi governmental entity, from 2017G to 2020G; – Audit Committee Member, General Authority for Small and Medium Enterprises (Monsha'at), a Saudi governmental entity, from 2017G to 2019G; – Member of the Board of Directors, Mulkia IPO Fund, an open-ended fund owned, a fund investing in IPOs, from 2015G to 2019G; – Member of the Board of Directors, Mulkia Saudi Equity Fund, an open-ended fund, a fund investing in investing in the Saudi capital market and listed securities in the Saudi capital market, from 2015G to 2019G; – Chairman of the Audit Committee, Rana Investment Company, a closed joint stock company, investments sector, from 2013G to 2019G; and – Member of the Auditing Standards Committee, Saudi Organization for Chartered and Professional Accountants, a Saudi governmental entity, from 2012G to 2017G.

(b) Saad Abdulaziz Mohammed Al-Hoshan, Audit Committee member

See Section 5.2.4.8 (*Saad Abdulaziz Mohammed Al-Hoshan, Director*) for further details regarding the experience, qualifications and current and previous positions of Saad Abdulaziz Mohammed Al-Hoshan.

(c) Abdulrahman Sultan Abdulaziz Al-Sultan, Audit Committee member

Nationality:	Saudi
Age:	43 years
Academic and Professional Qualifications:	– Bachelor's Degree in Pharmacy, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2001G; – Higher Diploma in Business in Management, Riyadh Chamber of Commerce, Riyadh, Kingdom of Saudi Arabia, 2003G; and – Master's Degree in Media, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2012G.
Appointment Date:	16 Thul-Qi'dah 1443H (corresponding to 15 June 2022G)
Current Positions:	– Company's Audit Committee Member, since 2022G; and – Director General of General Management and Strategic Communication, Saudi Ministry of Defence, a Saudi governmental ministry, since 2019G.
Key Previous Experience:	– Director of Consumer Awareness Department, Saudi Food and Drug Authority, a Saudi governmental entity, from 2013G to 2019G; – Head of Consumer Awareness Department, Saudi Food and Drug Authority, a Saudi governmental entity, from 2009G to 2013G; – Government Relations Manager, Aljazira Pharmaceutical Industries Company, a closed joint stock company, pharmaceuticals sector, from 2005G to 2009G; and – Registration Manager, Dallah Healthcare Company, a public joint stock company, health care sector, from 2002G to 2005G.

5.3.2 Nomination and Remuneration Committee

5.3.2.1 Responsibilities of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee oversees the nomination of Directors to the Board of Directors and the remuneration policy for the Directors and Senior Executives. The duties and responsibilities of the Nomination and Remuneration Committee are mainly to: (i) lead the process of nominating and evaluating the Directors, Senior Executives and employees of the Company; (ii) ensure the effectiveness and soundness of the Company's Board and Executive Management structures and the relevant internal policies and procedures; and (iii) assist the Board in the review and determination of the remuneration of Directors, members of the Committees, Senior Executives and employees of the Company. The responsibilities of the Nomination and Remuneration Committee further include the following:

(a) Nomination

- Preparing, recommending to the Board, and overseeing policies and criteria in relation to the appointment of Directors and members of the Executive Management (the "**Nomination Policy**");
- ensuring that all necessary and appropriate inquiries are made into the backgrounds and qualifications of such candidates before recommending them to the Board for nomination;
- recommending candidates for nomination (or re-nomination) to the Board in accordance with the applicable law and the Nomination and Remuneration Committee Charter;
- at least annually reviewing, assessing and recommending to the Board the skills, qualifications, and credentials required for membership on the Board and the Executive Management, including setting the timeline required for such membership and the job specifications for executive, non-executive, and independent Directors and members of the Executive Management;
- verifying on an annual basis the independence of each independent Director in accordance with the applicable law and the absence of any conflicts of interest, in the case a Director also serves as a member of the board of directors of another company;
- periodically reviewing and making recommendations to the Board concerning the succession plans for Directors and Senior Executives, taking into account the challenges and opportunities facing the Company, as well as the skills and expertise required in the future;
- evaluating and recommending to the Board potential candidates for Executive Management positions in the Company and, in particular, assisting the Board in selecting, developing, and evaluating potential candidates for the position of Chief Executive Officer; and
- developing and periodically reviewing procedures for filling vacancies on the Board and the Executive Management, and making recommendations to the Board regarding the selection and approval of candidates to fill such vacancies.

(b) Review and Assessment

- Regularly reviewing the structure, size, composition, strengths and weaknesses of the Board (including the skills, knowledge, and experience) and the Executive Management and making appropriate recommendations to the Board that are compatible with the interests of the Company;
- developing and overseeing an orientation programme for new Directors; and
- developing, recommending and overseeing an annual self-evaluation process for the Directors and certain Senior Executives.

(c) Remuneration

- Preparing, recommending and overseeing the implementation and disclosure of a policy for the remuneration of Directors, executives of the Company, and members of the Committees (the "**Remuneration Policy**"), which shall be presented before the General Assembly for approval;
- preparing an annual report on the remuneration and other payments (in cash or in kind) received by the Directors, Executive Management and members of the Committees, and the basis for the remuneration received with respect to the Remuneration Policy (including a description of any significant departures from the Remuneration Policy) (the "**Annual Report on Remuneration**"), for presentation before the Board for consideration;
- regularly reviewing and assessing the effectiveness and appropriateness of the Remuneration Policy and making recommendations to the Board in relation to the same;
- recommending to the Board the form and amount of remuneration to be granted to the Directors, Senior Executives, and members of the Board committees, in accordance with the approved Remuneration Policy;
- reviewing and making recommendations to the Board regarding the Company's incentive plans for Directors and employees, including in relation to adopting, amending, and terminating such plans;
- preparing and overseeing a career progression framework for the Company's employees detailing, among other things, the general range of professional ranks and levels, salary scale, benefits and allowances (in cash or in kind) for the relevant professional rank and level; and
- preparing all disclosures required under the policies of the Company and any laws, regulations, or rules to which the Company is subject, including, disclosures relating to the Remuneration Policy and the Annual Report on Remuneration, and disclosures regarding remuneration in the annual report of the Board.

(d) Miscellaneous

- Performing such other related activities as requested by the Board.

5.3.2.2 Nomination and Remuneration Committee Members

The Nomination and Remuneration Committee consists of at least three and no more than five members. Members of the Nomination and Remuneration Committee may not be executive members of the Board of Directors; provided that there shall be at least two independent members. The Chairman of the Board may not be appointed as the Chairman of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee shall convene periodically at least every six months of every financial year. Additional meetings may be held from time to time at the request of the Board or any of the members.

The Nomination and Remuneration Committee was formed, and its members were appointed pursuant to the Board of Directors' decision dated 17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G). Their membership will end with the end of the current term of the Board of Directors on 18 Thul-Hijjah 1446H (corresponding to 14 June 2025G). The Nomination and Remuneration Committee charter was approved by the Company's General Assembly resolution dated 14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G). The Nomination and Remuneration Committee is comprised of the following members as of the date of this Prospectus:

Table 5.4: Nomination and Remuneration Committee Members

Name	Position[(1)]	Capacity
Samir Mohamed Idris Mahmoud	Member	Non-Independent
Khalid Mohammed Ali Al-Onaizan	Member	Independent
Abdularahman Sultan Abdulaziz Alsultan	Member	Independent

Source: The Company.

(1) A Chairman of the Nomination and Remuneration Committee has not been appointed as of the date of this Prospectus. A chairman of the committee will be appointed, and a no objection letter shall be obtained from the Saudi Central Bank after holding its first meeting.

5.3.2.3 Biographies of the Members of the Nomination and Remuneration Committee

The experience, qualifications and current and other positions of the members of the Nomination and Remuneration Committee are set out below:

(a) Samir Mohammed Idris Mahmoud, Nomination and Remuneration Committee member

Nationality:	Saudi
Age:	51 years
Academic and Professional Qualifications:	Bachelor's Degree in Science, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1996G
Appointment Date:	17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G).
Current Positions:	– Company's Nomination and Remuneration Committee member, since 2022G; and – General Manager, Samir Mohammed Idris Trading Company Ltd., a Limited Liability Company, Constructions sector, Since 2013G.
Key Previous Experience:	None.

(b) Khalid Mohammed Ali Al-Onaizan, Nomination and Remuneration Committee member

See Section 5.2.4.2 (*Khalid Mohammed Ali Al-Onaizan, Deputy Chairman*) for further details regarding the experience, qualifications and the current and previous positions of Khalid Mohammed Ali Al-Onaizan.

(c) Abdulrahman Sultan Abdulaziz Alsultan, Nomination and Remuneration Committee member

See Section 5.3.1.3(c) (*Abdulrahman Sultan Abdulaziz Alsultan, Audit Committee Member*) for further details regarding the experience, qualifications and the current and previous positions of Abdulrahman Sultan Abdulaziz Alsultan.

5.3.3 Risk and Credit Committee

5.3.3.1 Responsibilities of the Risk and Credit Committee

The Risk and Credit Committee takes the necessary decisions regarding the issues under its authority and/or makes recommendations to the Board for approval/endorsement in accordance with the term of reference, powers and responsibilities assigned to it by the Board of Directors. The responsibilities of the Risk and Credit Committee further include the following:

- overseeing the performance of the Company risks and credit risks and monitoring operational risks;
- establishing a risk management position, and directly monitoring its performance;
- reviewing and approving all changes in credit standards, new product releases, offers, promotions, pricing, regulations, flow process, credit policies and procedures, and deviation policies prior to the approval of the Company;
- submitting a quarterly report to the Board of Directors that includes the performance details of the products and the strengths and weaknesses of the portfolio;
- maintaining the appropriate balance in the portfolio by entering and monitoring the implementation of credit limits and customer segments, based on the expected risks of each; and
- to the maximum extent possible, ensuring that all activities of the Committee shall be automated through systems and information technology.

5.3.3.2 Risk and Credit Committee Members

The Risk and Credit Committee consists of at least three members and no more than five members. There shall be at least three non-executive members, and it may not be chaired by the Chief Executive Officer. The Risk and Credit Committee shall convene periodically provided that at least four meetings are held every financial year.

The Risk and Credit Committee was formed, and its members were appointed pursuant to the Board of Directors' decision dated 17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G). Their membership will end with the end of the current term of the Board of Directors on 18 Thul-Hijjah 1446H (corresponding to 14 June 2025G) The Risk and Credit Committee is comprised of the following members as of the date of this Prospectus:

Table 5.5: Risk and Credit Committee Members:

Name	Position	Capacity
Khalid Mohammed Ali Al-Onaizan	Chairman	Independent
Fhaid Moazi Fhaid AlOsaimi	Member	Non-Independent
Naif Talal Ibrahim Al-Maiman	Member	Non-Independent
Yazeed Mohammed Ibrahim Ababtain	Member	Independent

5.3.3.3 Biographies of the Members of the Risk and Credit Committee

The experience, qualifications and the current and other positions of the members of the Risk and Credit Committee are set out below:

(a) Khalid Mohammed Ali Al-Onaizan, Risk and Credit Committee Chairman

See Section 5.2.4.2 (*Khalid Mohammed Ali Al-Onaizan, Deputy Chairman*) for further details regarding the experience, qualifications and the current and previous positions of Khalid Mohammed Ali Al-Onaizan.

(b) Fhaid Moazi Fhaid AlOsaimi, Risk and Credit Committee member

See Section 5.2.4.6 (*Fhaid Moazi Fhaid AlOsaimi, Director*) for further details regarding the experience, qualifications and the current and previous positions of Fhaid Moazi Fhaid AlOsaimi.

(c) Naif Talal Ibrahim Al-Maiman, Risk and Credit Committee member

See Section 5.2.4.7 (*Naif Talal Ibrahim Al-Maiman, Director*) for further details regarding the experience, qualifications and the current and previous positions of Naif Talal Ibrahim Al-Maiman.

(d) Yazeed Mohammed Ibrahim Ababtain, Risk and Credit Committee member

Nationality:	Saudi
Age:	36 years
Academic and Professional Qualifications:	– Bachelor's Degree in Computer Information Technology, Purdue University Northwest, Indiana, United States of America, 2013G; – Master's Degree in Computer Information Technology, Purdue University Northwest, Indiana, United States of America, 2014G; and – PhD in Philosophy of Computer Information Technology, Purdue University Northwest, Indiana, United States of America, 2018G.
Appointment Date:	17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G).
Current Positions:	– Company's Risk and Credit Committee member, since 2022G; and – Cyber Security and Business Continuity Head, King Faisal Specialist Hospital and Research Centre, a non-profit organization, medical and research sector, since 2020G.
Key Previous Experience:	– Networks and Security Director, King Faisal Specialist Hospital and Research Centre, a non-profit organization, medical and research sector, in 2020G; and – Information Security and Disaster Recovery Analyst, King Faisal Specialist Hospital and Research Centre, a non-profit organization, medical and research sector, from 2018G to 2020G.

5.3.4 Executive Committee

5.3.4.1 Responsibilities of the Executive Committee

The Executive Committee shall have the right to exercise all of the authorities delegated to it by the Board and shall supplement the role of the Board within the set limits in the interim period between meetings of the Board. The exercise of such authorities by the Committee shall not prejudice the authority reserved for the Board. The responsibilities of the Executive Committee further include the following:

(a) Review and Assessment

- Reviewing and providing recommendations on the following matters where applicable:
  - annual operating plans, and capital expenditure budgets and any material changes to them;
  - interim and annual declarations and distributions of dividends;
  - changes in the Company's share capital and/or equity;
  - approval of the Company's investor relations website framework and content (through which the Company communicates with its shareholders);
  - the Company's investment plans and strategies, including expansion into new business sectors and new geographic areas;
  - any decision to cease to operate all or any material part of the Company's business operations;
  - joint-ventures, acquisitions and divestments in line with long term business, financial and operating plans;
  - financing agreements and related security arrangements; and
  - changes in delegation levels as specified in the Authority Matrix.
- monitoring and receiving reports on the execution and completion of the Company's major projects and expansions;
- receiving and discussing reports from management on legal matters and litigation of material concern and providing recommendations on the required actions;
- receiving informational reports on miscellaneous subjects, including financial and operational reports, and providing recommendations thereon to the Company's management;
- monitoring the performance of the Company and its individual business units and seeking explanations for any departures or deviations from the approved plans and budget; and
- receiving reports on all key decisions made by the Company's management, making recommendations as appropriate for action, and assisting the Board in focusing discussions on relevant matters related to those recommendations.

(b) Miscellaneous:

Performing such other tasks as delegated to it by the Board of Directors from time-to-time.

5.3.4.2 Executive Committee Members

The Executive Committee consists of at least three and no more than five members, and may not be chaired by the Chief Executive Officer. The Executive Committee shall convene periodically provided that at least six meetings are held every financial year at the request of its chairman. Additional meetings may be held from time to time at the request of at least two of the Executive Committee members.

The Executive Committee was formed, and its members were appointed pursuant to the Board of Directors' decision dated 17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G). Their membership will end with the end of the current term of the Board of Directors on 18 Thul-Hijjah 1446H (corresponding to 14 June 2025G).

The Executive Committee is comprised of the following members as of the date of this Prospectus:

Table 5.6: Executive Committee Members

Name	Position[1]	Capacity
Abdullah Mohammed Abdulaziz AlRayes	Member	Independent
Abdullah Ahmed Abdullah AlFadda	Member	Independent
Nasser Mohammed Othman AlKasabi	Member	Independent
Waleed Yousef Abdulrazzaq Al-Ghumlas	Member	Non-Independent

Source: The Company.

(1) A Chairman of the Executive Committee has not been appointed as of the date of this Prospectus. A chairman of the committee will be appointed, and a no objection letter shall be obtained from the Saudi Central Bank after holding its first meeting.

5.3.4.3 Biographies of the Members of the Executive Committee

The experience, qualifications and the current and other positions of the members of the Executive Committee are set out below:

(a) Abdullah Mohammed Abdulaziz Alrayes, Executive Committee member

See Section 5.2.4.4 (*Abdullah Mohammed Abdulaziz Alrayes, Director*) for further details regarding the experience, qualifications and the current and previous positions of Abdullah Mohammed Abdulaziz Alrayes.

(b) Abdullah Ahmed Abdullah AlFadda, Executive Committee member

Nationality:	Saudi
Age:	54 years
Academic and Professional Qualifications:	Bachelor's Degree in Pharmaceutical Sciences, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1993G.
Appointment Date:	17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G).
Current Positions:	– Company's Executive Committee member, since 2022G; – Audit Committee member, Dr. Mohammed Rashed Al-Faqeeh and Partners, a closed joint stock company, owning and operating medical facilities sector, since 2016G; – Member of the Board of Directors, Dr. Mohammed Rashed Al-Faqeeh and Partners, a closed joint stock company, owning and operating medical facilities sector, since 2016G; – Consultant, Import and Distribution of Pharmaceuticals and Medical Consumables Company, a closed joint stock company, importing and distributing pharmaceuticals and medical consumables sector, from 1998G to 2003G; and – Pharmacist, Ministry of Health, a Saudi governmental entity, from 1993G to 1998G.
Key Previous Experience:	– Networks and Security Director, King Faisal Specialist Hospital and Research Centre, a non-profit organization, medical and research sector, in 2020G; and – Information Security and Disaster Recovery Analyst, King Faisal Specialist Hospital and Research Centre, a non-profit organization, medical and research sector, from 2018G to 2020G.

(c) Nasser Mohammed Othman AlKasabi, Executive Committee member

Nationality:	Saudi
Age:	44 years
Academic and Professional Qualifications:	– Bachelor's Degree in Industrial Engineering, King Abdulaziz University, Jeddah, Kingdom of Saudi Arabia, 2002G; and – Master's Degree in Business Administration, University of Glasgow, Glasgow, United Kingdom, 2009G.
Appointment Date:	17 Thul-Qi'dah 1443H (corresponding to 16 June 2022G).
Current Positions:	– Company's Executive Committee member, since 2022G; and – Corporate Strategy Department General Manager, Saudi Fund for Development, a Saudi governmental entity, since 2019G.
Key Previous Experience:	– Regional manager for a number of loan portfolios in several countries, Saudi Fund for Development, a Saudi governmental entity, from 2016G to 2018G; – Project management office manager, Saudi Fund for Development, a Saudi governmental entity, from 2010G to 2015G; – Industrial Engineer, Saudi Fund for Development, a Saudi governmental entity, from 2005G to 2008G; and – Industrial Loans Technical Analyst, Saudi Fund for Development, a Saudi governmental entity, from 2005G to 2008G.

(d) Waleed Yousef Abdulrazzaq Al-Ghumlas, Executive Committee member

See Section 5.2.4.3 (*Waleed Yousef Abdulrazzaq Al-Ghumlas, Executive Managing Director*) for further details regarding the experience, qualifications and the current and previous positions of Waleed Yousef Abdulrazzaq Al-Ghumlas.

5.3.5 Shari'ah Committee

5.3.5.1 Responsibilities of the Shari'ah Committee

The Shari'ah Committee oversees the Company's business with respect to the principles of Islamic Shari'ah. Its responsibilities include the following:

- holding meeting periodically and whenever needed, and at least once every six months;
- issuing decisions on Shari'ah issues referred to it in a timely manner and ensuring that the Company's operations are not affected by the difficulty of obtaining a decision from the committee;
- reviewing the Company's Shari'ah policies and procedures to ensure they comply with the provisions of Islamic Shari'ah;
- ensuring the compliance of the Company's financing products with the provisions and principles of Islamic Shari'ah, and approving the terms and conditions contained in the product manual, forms, contracts and other legal documents used in the implementation of operations;
- adopting an orderly procedure for issuing, documenting, approving and maintaining Shari'ah decisions to ensure the reliability of the decision-making process and protect the committee from any potential unjustified effects;
- informing the Board and recommending appropriate measures to resolve the situation in the event that it is proven to the committee that the Company has engaged in financing activities that are not in accordance with the provisions of Islamic Shari'ah;
- submitting to the Board an annual Shari'ah report on the Company's business and its compliance with Shari'ah controls; and
- informing the Saudi Central Bank of cases in which that the Company's business is not in accordance with the provisions and principles of Islamic Shari'ah, or in which the Company has not taken any corrective measures in this regard.

5.3.5.2 Shari'ah Committee Members

The Shari'ah Committee consists of at least two and no more than five members. The Chairman of the Shari'ah Committee must be an Independent member. The Shari'ah Committee shall convene periodically at least once every six months.

As of the date of this Prospectus, the Company is currently outsourcing the responsibilities of the Shari'ah Committee to an independent third-party consultancy firm. See Sections 4.6 (*Shari'ah Committee*) and 12.6 (*Material Agreements*) for further details regarding the agreement concluded with the outsourced Shari'ah consultancy firm.

5.4 Executive Management

5.4.1 Overview of Executive Management

The Executive Management is comprised of qualified and experienced members with the necessary knowledge and expertise to run the Company's business in line with the objectives and directives of the Board of Directors and the Shareholders. The Company has been successful in recruiting and retaining its Executive Management team, developing qualified employees and promoting them to senior positions in the Company.

5.4.2 Members of the Executive Executives

The following table sets out the details of the members of the Executive Management:

Table 5.7: Details of Senior Executives

Name	Position	Appointment Date	Nationality	Age (Years)	Number of Shares Held Pre-Offering (1)	Number of Shares Held Post-Offering (1)
Waleed Yousef Abdulrazzaq Al-Ghumlas (2)	Executive Managing Director	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)	Saudi	65	160,655	160,655
Mohammed Saleh Abdullah Al-Noshan	Chief Financial Officer	29 Safar 1444H (corresponding to 25 September 2022G)	Saudi	40	-	-
Heba Badah Alshahrani	Head of Compliance & Anti-Money Laundry	27 Ramadan 1442H (corresponding to 10 May 2021G)	Saudi	36	-	-
Taha Abdullah Alebrahim	Head of Information Technology	26 Safar 1442H (corresponding to 13 October 2020G)	Saudi	41	-	-

Name	Position	Appointment Date	Nationality	Age (Years)	Number of Shares Held Pre-Offering (1)	Number of Shares Held Post-Offering (1)
Faisal Jameel Abdulsalam AlQadi	Head of Risk	25 Shawwal 1434H (corresponding to 1 September 2013G)	Saudi	46	49,460	49,460
Sara Abdullah Alyousef	Head of Sales and Marketing	5 Shawwal 1442H (corresponding to 17 May 2021G)	Saudi	35	-	-
Mohammed Abdullah Alkhulify	Head of Human Resources	17 Shawwal 1439H (corresponding to 1 July 2018G)	Saudi	36	-	-
Yazeed Abdullatif Alshuwair	Head of Credit	14 Safar 1441H (corresponding to 13 October 2019G)	Saudi	34	79,426	79,426
Ahmed Mohammed AlMutawwa	Head of Operation	15 Shawwal 1442H (corresponding to 27 May 2021G)	Saudi	32	-	-
Abdulaziz Mohammed Alshathri	Head of Legal and Collection	16 Thul-Qi'dah 1439H (corresponding to 29 July 2018G)	Saudi	52	-	-
Huda Ibrahim Bin Jumaiah	Manager of Customer Care	7 Ramadhan 1437H (corresponding to 12 June 2016G)	Saudi	39	-	-
Muhammad Ali AlSalamn	Manager of Cyber Security	22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G)	Saudi	43	-	-

Source: The Company.

(1) As of the date of this Prospectus, none of the Company's Senior Executives have any indirect ownership in the Company.

(2) Waleed Yousef Abdulrazzaq Al-Ghumlas joined the Company in 2014G, as the Chief Executive Officer. In 2019G, the Board of Directors terminated the Chief Executive Officer position and merged the duties and responsibilities of the Chief Executive Officer with those of the Executive Managing Director position. Therefore, Waleed Yousef Abdulrazzaq Al-Ghumlas was appointed as the Executive Managing Director of the Company on 2019G.

5.4.3 Biographies of Senior Executives

The experience, qualifications and the current and other positions of each Senior Executive are set out below:

5.4.3.1 Waleed Yousef Abdulrazzaq Al-Ghumlas, Executive Managing Director

See Section 5.2.4.3 (*Waleed Yousef Abdulrazzaq Al-Ghumlas, Executive Managing Director*) for further details regarding the experience, qualifications and the current and previous positions of Waleed Yousef Abdulrazzaq Al-Ghumlas.

5.4.3.2 Mohammed Saleh Abdullah Al-Noshan, Chief Financial Officer

Nationality:	Saudi
Age:	40 years
Academic and Professional Qualifications:	– Bachelor's Degree in Accounting, Al Qassim University, Al Qassim, Kingdom of Saudi Arabia, 2005G; and – Master's degree in Islamic Banking and Finance, Bangor University, Wales, United Kingdom, 2011G.
Appointment Date	29 Safar 1444H (corresponding to 25 September 2022G)
Current Positions:	Company's Chief Financial Officer, since 2022G.
Key Previous Experience:	– Endowment Supervision Director, The General Authority for Awqaf, a Saudi governmental entity, from 2021G to 2022G; – Head of Inspection, The General Authority for Awqaf, a Saudi governmental entity, from 2019G to 2021G; – Licences Manager, General Authority for Small and Medium Enterprises (*Monsha'at*), a Saudi governmental entity, from 2018G to 2019G; – Head of the Office Inspection Department - Finance Companies Supervision Department, The Saudi Central Bank, a Saudi governmental entity, financial and monetary services sector, from 2017G to 2018G; – Team Leader - Office Examination Division, The Saudi Central Bank, a Saudi governmental entity, from 2016G to 2017G; – Financing Supervisor, Office Examination Division, The Saudi Central Bank, financial and monetary services sector, a Saudi governmental entity, from 2015G to 2016G; – Financing Supervisor, Finance Companies Licensing Division, The Saudi Central Bank, a Saudi governmental entity, financial and monetary services sector, from 2012G to 2015G; – Cooperative Lecturer, Majmaah University, a Saudi public university, educational sector, from 2011G to 2012G; – Finance Officer, Al Watania for Industries, a closed joint stock company, industrial sector, from 2005G to 2008G; and – Accounting Trainee, Mohammad Abdulaziz AlRajhi Contracting Establishment, a sole proprietorship, construction and contracting sector, in 2005G.

5.4.3.3 Heba Badah Alshahrani, Head of Compliance and Anti-Money Laundry

Nationality:	Saudi
Age:	36 years
Academic and Professional Qualifications:	– Bachelor's Degree in English Literature, Princess Nourah Bint Abdulrahman University, Riyadh, Kingdom of Saudi Arabia, 2008G; – Effective Compliance Leadership Certificate, Henley Business School, Greenland, United Kingdom, 2014G; – Certified Compliance and Anti Money Laundry Manager Certificate, Henley Business School, Greenland, United Kingdom, 2016G; – Certified Compliance Professional, International Academy of Business and Financial Management, Riyadh, Kingdom of Saudi Arabia, 2018G; and – Certified Anti-Money Laundering Expert, Association of Certified Anti-Money Laundering Specialists, Florida, United States of America, 2019G.
Appointment Date	28 Ramadan 1442H (corresponding to 10 May 2021G)
Current Positions:	Company's Head of Compliance and Anti-Money Laundry, since 2021G.
Key Previous Experience:	– Head of Compliance and Anti-Money Laundering, Allianz Saudi Fransi, a public joint stock company, insurance services sector, from 2020G to 2021G; – Head of Compliance and Anti-Money Laundering, Saudi Finance Company, a closed joint stock company, financing sector, from 2016G to 2020G; and – Senior Manager of Compliance and Anti-Money Laundering, Saudi ORIX Leasing Company, a closed joint stock company, financing sector, from 2014G to 2016G.

5.4.3.4 Taha Abdullah Alebrahim, Head of Information Technology

Nationality:	Saudi
Age:	41 years
Academic and Professional Qualifications:	– Master's Degree in Business Administration, Cleveland State University, Ohio, United States of America, 2014G; – Bachelor's Degree in Computer Engineering, King Fahd University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia, 2005G; and – Project Management Professional Certificate, Arizona Innovative Solution Group, Arizona, United State of America, 2007G.
Appointment Date	26 Safar 1442H (corresponding to 13 October 2020G)
Current Positions:	Company's Head of Information Technology, since 2020G.
Key Previous Experience:	– Chief Information Officer, Al-Jaber Financing Company, a closed joint stock company, financial services sector, from 2015G to 2020G; and – Technical Support Assistant Manager, Saudi Investment Bank, a public joint stock company, banking and financial services sector, from 2009G to 2011G.

5.4.3.5 Faisal Jameel Abdulsalam AlQadi, Head of Risk

Nationality:	Saudi
Age:	46 years
Academic and Professional Qualifications:	– Bachelor's Degree in Business Administration, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1999G; – Accredited Financial Analyst, Arab Institute for Accountants and Legal, Dubai, United Arab Emirates, 2021G; – Governance Risk Management and Compliance International Certificate, Arab Institute for Accountants and Legal, Riyadh, Kingdom of Saudi Arabia, 2021G; and – Risk Management Diploma, Arab Institute for Accountants and Legal, Riyadh, Kingdom of Saudi Arabia, 2021G.
Appointment Date	25 Shawwal 1434H (corresponding to 1 September 2013G)
Current Positions:	Company's Head of Risk, since 2013G.
Key Previous Experience:	– Company's Risk Committee member, from 2019G to 2022G; – Member of the Risk Committee for Finance Companies, a committee under the supervision of The Saudi Central Bank, a Saudi governmental entity, from 2016G to 2018G; – Credit Manager, Al-Rajhi Bank, a public joint stock company, banking and financial services sector, from 2010G to 2013G; and – Operation Manager and Credit Analyst, Al-Rajhi Bank, a public joint stock company, banking and financial services sector, from 1999G to 2010G.

5.4.3.6 Sara Abdullah Alyousef, Head of Sales and Marketing

Nationality:	Saudi
Age:	35 years
Academic and Professional Qualifications:	High School Diploma, Yamama High School, Riyadh, Kingdom of Saudi Arabia, 2004G.
Appointment Date	5 Shawwal 1442H (corresponding to 17 May 2021G)
Current Positions:	Company's Head of Sales and Marketing, since 2021G.
Key Previous Experience:	– Head of Telesales, Riyad Bank, a public joint stock company, banking and financial services sector, from 2019G to 2021G; – Head of Telesales, The Saudi Investment Bank, a public joint stock company, banking and financial services sector, from 2017G to 2019G; – Head of Telesales, Mobile Telecommunication Company Saudi Arabia, a public joint stock company, telecommunications sector, from 2014G to 2019G; and – Telesales Supervisor, Saudi Xerox, limited liability company, digital services sector, from 2009G to 2014G.

5.4.3.7 Mohammed Abdullah Alkhulify, Head of Human Resources

Nationality:	Saudi
Age:	36 years
Academic and Professional Qualifications:	High School Diploma, Alshou'la Schools, Riyadh, Kingdom of Saudi Arabia, 2003G.
Appointment Date	17 Shawwal 1439H (corresponding to 1 July 2018G)
Current Positions:	Company's Head of Human Resources, since 2018G.
Key Previous Experience:	– Human Resources Manager, Manazel Contracting Company, limited liability company, contracting sector, from 2012G to 2018G; – Chief Human Resources Officer, Morabaha Finance Company, a closed joint stock company, finance sector, from 2016G to 2017G; – Human Resources Specialist, Saudi Lime Industries Company, a closed joint stock company, industrial sector, from 2007G to 2012G; and – Human Resources Officer, Advanced Business Office for Human Resources Development, a sole proprietorship, financial and management consultation sector, from 2003G to 2005G.

5.4.3.8 Yazeed Abdullatif Alshuwair, Head of Credit

Nationality:	Saudi
Age:	34 years
Academic and Professional Qualifications:	– Bachelor's Degree in Accounting, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2010G; – Credit Adviser Certificate, The Financial Academy, Riyadh, Kingdom of Saudi Arabia, 2017G; and – Advance Corporate Credit, The Financial Academy, Riyadh, Kingdom of Saudi Arabia, 2019G.
Appointment Date	14 Safar 1441H (corresponding to 13 October 2019G)
Current Positions:	– Company's Head of Credit, since 2019G; and – Member of Small and Medium Enterprise Committee for Finance Companies, a committee under the supervision of The Saudi Central Bank, a Saudi governmental entity, since 2021G.
Key Previous Experience:	– Director of Products, Financial and Digital Technology, Saudi Contract Registration Company, a closed joint stock company, contract registration sector, in 2019G; – Credit Products Manager, Alinma Bank, a public joint stock company, banking and financial services sector, from 2017G to 2019G; and – Credit Manager, Alinma Bank, a public joint stock company, banking and financial services sector, from 2014G to 2017G.

5.4.3.9 Ahmed Mohammed AlMutawwa, Head of Operation

Nationality:	Saudi
Age:	32 years
Academic and Professional Qualifications:	– Bachelor's Degree in Business Administration, Imam Mohammad Ibn Saud Islamic University, Riyadh, Kingdom of Saudi Arabia, 2011G; and – Master's Degree in Business Administration, Flinders University, Adelaide, Australia, 2017G; – Credit Adviser Certificate, the Financial Academy, Riyadh, Kingdom of Saudi Arabia, 2020G; and – Project Management Professional, Project Management Institute, Riyadh, Kingdom of Saudi Arabia, 2021G.
Appointment Date	15 Shawwal 1442H (corresponding to 27 May 2021G)
Current Positions:	Company's Head of Operations, since 2021G.
Key Previous Experience:	– Acting Head of Operations, Quara Finance Company, a closed joint stock company, financial services sector, from 2020G to 2021G; – Project Manager, Employment and Entrepreneurship Services Center, Imam Mohammad Ibn Saud Islamic University, a Saudi public university, from 2020G to 2021G; and – Academic Tutor, Imam Mohammed Ibn Saud Islamic University, a Saudi public university, from 2012G to 2020G.

5.4.3.10 Abdulaziz Mohammed Alshathri, Head of Legal and Collection

Nationality:	Saudi
Age:	53 years
Academic and Professional Qualifications:	High School Diploma, Badr Secondary School, Riyadh, Kingdom of Saudi Arabia, 1991G.
Appointment Date	16 Thul-Qi'dah 1439H (corresponding to 29 July 2018G)
Current Positions:	Company's Head of Legal and Collection, since 2018G.
Key Previous Experience:	– Collection Manager, Aljazira Bank, a public joint stock company, banking and financial services sector, from 2011G to 2018G; and – Individual Collection Manager, Al Bilad Bank, a public joint stock company, banking and financial services sector, from 2006G to 2011G; – Deputy Collection Manager, Arab National Bank, a public joint stock company, banking and financial services sector, from 2001G to 2006G; and – Collection Team Leader, Samba Financial Group (merged with the Saudi National Bank), a public joint stock company, banking and financial services sector, from 1995G to 2000G.

5.4.3.11 Huda Ibrahim Bin Jumaiah, Manager of Customer Care

Nationality:	Saudi
Age:	39 years
Academic and Professional Qualifications:	High School Diploma, Dar Al-Marefa School, Riyadh, Kingdom of Saudi Arabia, 1999G.
Appointment Date	7 Ramadan 1437H (corresponding to 12 June 2016G)
Current Positions:	Company's Manager of Customer Care, since 2016G.
Key Previous Experience:	– Acting Manager of Customer Care, the Company, from 2016G to 2021G; and – Customer Service and Sales Officer, Nayifat Finance Company, a public joint stock company, financial services sector, from 2013G to 2016G.

5.4.3.12 Muhammad Ali AlSalman, Manager of Cyber Security

Nationality:	Saudi
Age:	43 years
Academic and Professional Qualifications:	– Bachelor's Degree in Computer Engineering, King Fahd University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia, 2005G; and – Master's Degree in Science of Interworking, University of Technology, Sydney, Australia, 2010G;
Appointment Date	22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G)
Current Positions:	Company's Manager of Cyber Security, since 2022G.
Key Previous Experience:	– Cyber Security Manager, Tayseer Arabian Company, a closed joint stock company, financial services sector, from 2020G to 2022G; – Information Security Supervisor, Kafaat Solutions, a limited liability company, management consulting services sector, from May 2019G to December 2019G; – SARIE Senior Security Officer and SARIE System Administrator, National Bank of Bahrain, a limited company with gulf capital, banking and financial services sector, from 2012G to 2019G; – Software Support Engineer and Quality Control Quality Assurance, Bull S.A.S, a foreign limited liability company, information technology sector, from 2011G to 2012G; – Information Security Specialist, Emirates NBD Bank, a joint stock company with gulf capital, banking and financial services sector, from 2005G to 2006G; – Computer Engineering Instructor, Riyadh College of Technology, a Saudi public university, from 2004G to 2005G; and – University Student COOP Programme Trainee, King Fahd University of Petroleum and Minerals, a Saudi public university, from 2002G to 2003G.

5.4.4 Employment Contracts with the Executive Managing Director and Chief Financial Officer

The following table shows a summary of the employment contracts with the Executive Managing Director and Chief Financial Officer:

Table 5.8: Summary of Employment Contracts Concluded with the Company's Executive Managing Director and Chief Financial Officer

Name	Title	Appointment Date	Date of Contract Conclusion	Date of Contract Expiration
Waleed Yousef Abdulrazzaq Al-Ghumlas[1]	Executive Managing Director	14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G)	-	-
Mohammed Saleh Abdullah Al-Noshan	Chief Financial Officer	29 Safar 1444H (corresponding to 25 September 2022G)	29 Safar 1444H (corresponding to 25 September 2022G)	indefinite

Source: The Company.

(1) No employment contract has been concluded with the Executive Managing Director, as he is not an employee of the Company. For further details, see Section 2.1.28 (*Risks Related to Reliance on Executive Management and Key Personnel*).

The duties and responsibilities of the Executive Managing Director can be summarised as follows:

- implementing the Company's internal policies and rules approved by the Board;
- implementing internal control systems and procedures, and generally overseeing them;
- implementing internal control and risk management systems and ensuring that they are effective and efficient, and ensuring compliance with the level of risks approved by the Board of Directors;
- proposing and developing internal policies related to the business of the Company, including specifying the duties, competencies and responsibilities assigned to the various organizational levels;
- proposing a clear policy to delegate tasks to the Senior Executives and the method for implementing such policy;
- managing the day-to-day affairs and business of the Company;
- proposing and developing the Company's short- and long-term strategy and overall commercial objectives, in close consultation with the Board of Directors;
- implementing the resolutions of the Board of Directors and the Committees;
- providing input to the Chairman on the Board of Directors meeting agenda;
- ensuring the provision of accurate and clear information to the Board of Directors in a timely manner; and
- ensuring that all material matters affecting the Company are brought to the attention of the Board of Directors.

The duties and responsibilities of the Chief Financial Officer can be summarised as follows:

- assisting in the formulation of the Company's objectives and lead the Company's financial planning Process;
- leading the financial reporting process and strengthening the Company's internal control systems;
- optimizing the Company's cash flow, liquidity and working capital facilities; and
- managing the financial forecast and budget processes and supervising the preparation of the Company's financial statements.

5.5 Remuneration of Directors and Senior Executives

Pursuant to the Company's Bylaws, the remuneration of Directors is determined in accordance with the Ministry of Commerce's relevant official resolutions and instructions, the provisions of the Companies Law, any other complementary laws thereto and the Company's Bylaws. In addition, attendance and transportation allowances are determined by the Board of Directors in accordance with the applicable laws, resolutions and instructions in the Kingdom as passed by the concerned authorities.

In accordance with Article 76 of the Companies Law, the maximum annual remuneration for each Director is SAR 500,000.

The following table sets out the remuneration of the Directors and top five Senior Executives granted by the Company and the Subsidiary for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G.

Table 5.9: Directors and Top Five Senior Executives Remuneration in the Financial Years Ended 31 December 2019G, 2020G and 2021G, and the Six-month Period Ended 30 June 2022G

	Financial Year Ended 31 December			Six-month period ended 30 June 2022G
	2019G	2020G	2021G	
	(SAR)			
Directors (annual remuneration)	1,010,000	1,010,000	1,010,000	-
Members of the Board of Directors and Members of Committees (remuneration for attending meetings of the Board and Committees)	270,000	240,000	320,000	388,000
Top Five Senior Executives (including the Executive Managing Director and CFO)	1,210,000	1,315,000	1,410,000	-
Total	**2,490,000**	**2,565,000**	**2,740,000**	**388,000**

Source: The Company.

5.6 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Board of Directors undertakes to comply with the Corporate Governance Regulations issued by the CMA on 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G), as amended on 24 Muharram 1444H (corresponding to 22 August 2022G).

The Corporate Governance Regulations set out the rules and standards that regulate the management of the Company to ensure compliance with the best corporate governance practices in order to protect the rights of Shareholders and other stakeholders. The provisions of the Corporate Governance Regulations are mandatory, except for certain provisions that are designated as guiding provisions.

The Company's internal Corporate Governance Manual, which was adopted by the Board of Directors on 11 Sha'ban 1443H (corresponding to14 March 2022G), includes provisions in relation to the following:

- rights of the Shareholders;
- the Board of Directors (including the Board formation, membership, meetings, working procedures, competencies, duties and powers, development, support, evaluation and remuneration);
- Committees of the Board of Directors;
- social responsibility;
- executive management, its functions and responsibilities;
- internal control and audit;
- the General Assembly and its meetings; and
- internal policies.

Further, and as of the date of this Prospectus, the Company complies with the mandatory provisions of the Corporate Governance Regulations, except for the following articles:

- Article 8(a) on the Company announcing information about the nominees for membership on the Board of Directors on the Exchange's website upon the invitation or calling for the General Assembly;
- Article 8(c) on limiting the General Assembly voting to candidates whose information was announced according to Article 8(a);
- Article 13(d) on publishing the invitation to the General Assembly on the websites of the Exchange and Company;
- Article 14(c) on making information related to the General Assembly's agenda available to the Shareholders through the websites of the Exchange and Company;

- Article 15(e) on announcing to the public and notifying the CMA and Exchange of the results of the General Assembly as soon as it ends;
- Article 17(d) on notifying the CMA of the names of the members of the Board of Directors, a description of their membership, as well as any changes in their membership;
- Article 19(b) on promptly notifying the CMA and the Exchange upon the termination of the membership of a Board member, specifying the reasons for such termination;
- Article 20(b) on the Board of Directors annually evaluating the extent of the Board member's independence and ensuring that there are no relationships or circumstances that affect or may affect his/her independence; and
- Article 68 on the Company publishing the Board membership nomination announcement on the websites of the Company and the Exchange to invite those interested in being nominated for Board membership, provided that the nomination period shall remain open for at least a month from the date of the announcement.

The Company is currently not in compliance with the above requirements of the Corporate Governance Regulations applicable to listed companies because it is not yet a listed company as of the date of this Prospectus. The Directors undertake to comply with such requirements as soon as the approval is issued for the listing of the Shares. In addition, the Directors confirm that the Company is currently in compliance with all the other provisions of the Corporate Governance Regulations and the Companies Law. Moreover, the Directors confirm compliance with all decisions and instructions issued by the CMA in relation to the provisions of the Corporate Governance Regulations.

The Company has five Board Committees (the Audit Committee, the Nomination and Remuneration Committee, the Risk and Credit Committee, the Executive Committee and the Shari'ah Committee), which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and recommendations to the Board of Directors (for further details, see Section 5.3 (*Board of Directors Committees*)).

The Company's Board of Directors consists of eight Directors, four of whom are non-executive Directors, including three independent Directors in accordance with the provisions of the Corporate Governance Regulations. The Board of Directors ensures, among other things, that:

- all of the Committees have clear competencies and that the roles and responsibilities of each Committee are detailed; and
- the minutes of all meetings are prepared, reviewed and signed by the Board of Directors in accordance with the Bylaws.

In accordance with Article 95(1) of the Companies Law and Article 8(b) of the Corporate Governance Regulations, the Shareholders have adopted the cumulative voting method in relation to the appointment of Directors as reflected in the Company's Bylaws (for further details, see Section 12.16 (*Summary of Bylaws*)). This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Each Shareholder has the right to use all of his/her voting rights for one nominee or to divide such voting rights between his/her selected nominees without any duplication of such votes. This method increases the chances for minority Shareholders to be represented on the Board of Directors through the right to accumulate votes for one nominee.

5.7 Conflicts of Interest

Neither the Company's Bylaws nor the Company's internal regulations and policies grant a Director the power to vote on any contract or transaction in which he/she has a direct or indirect interest. This is in compliance with Article 71 of the Companies Law. The Directors confirm that:

- they will comply with the Articles 71 and 72 of the Companies Law and the Articles 44 and 46 of the Corporate Governance Regulations;
- they will not vote on General Assembly resolutions that relate to any Related Party transaction or contract in which the Directors have a direct or indirect interest; and
- they will not compete with the Company's business without the approval of the Ordinary General Assembly in accordance with the Article 72 of the Companies Law.

The Directors declare that, except as disclosed in Section 5.2 (*Board of Directors and Secretary of the Board of Directors*), Section 5.9 (Employees Shares) and Section 12.12 (*Related Party Agreements and Transactions*), none of the Directors, Executives Management, or the Board Secretary, nor any of their relatives have any direct or indirect interest in the Shares or debt instruments of the Company or the Subsidiary, or any matter that may in any way affect the business of the Company.

The Directors also declare that, as of the date of this Prospectus, none of the Directors, Senior Executives is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company or any similar obligation in relation to the Company's business. To engage in businesses competing with the Company, the Directors must obtain approval from the General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

The Directors also declare that none of the members of the Board of Directors or senior executives or their relatives have a direct or indirect interest in any contract or arrangement in effect or intended to be concluded as of the date of this Prospectus, except for what has been disclosed in the table below and Section 12.12 (*Related Party Contracts and Transactions*). The following table provides a summary of the contracts and arrangements in effect or contemplated with any member of the Group in which a Director or Senior Executive or any of their relatives have a direct or indirect interest as of the date of this Prospectus:

Table 5.10: Summary of Contracts and Transactions in which a Director or Senior Executive or any of their Relatives have a Direct or Indirect Interest as of the Date of this Prospectus

Parties	Nature of the Contract or Transaction	Total Revenue from the Contract/Transaction		Direct or Indirect Interest
		For the financial year ended 31 December 2021G	For the six-month period ended 2022G	
The Company (as Lender) with Safwa Perfumes Company (as Borrower)	Financing Agreement	SAR 146,560	SAR 57,873	The board member, Saad Abdulaziz Mohammed Al-Hoshan is a shareholder in Safwa Perfumes Company.
The Company (as Lender) with Mohammed Abdulaziz AlHoshan (as Borrower)	Financing Agreement	SAR 64,241	SAR 16,019	Mohammed Abdulaziz Al-Hoshan is Saad Abdulaziz Mohammed Al-Hoshan brother.
The Company (as Lender) with Gulf Horizon Contracting Establishment (as Borrower)	Financing Agreement	-	SAR 8,771	The Chairman of the Board of Directors, Abdulrahman Mohammed Abdulrahman Al-Ghumlas's sister, is the owner of Gulf Horizons Contracting Establishment.
The Company (as Lender) with Gulf Horizon Contracting Establishment (as Borrower)	Financing Agreement	-	SAR 2,586	The Chairman of the Board of Directors, Abdulrahman Mohammed Abdulrahman Al-Ghumlas's sister, is the owner of Gulf Horizons Contracting Establishment.
The Company (as Lender) with Gulf Horizon Contracting Establishment (as Borrower)	Financing Agreement	-	-	The Chairman of the Board of Directors, Abdulrahman Mohammed Abdulrahman Al-Ghumlas's sister, is the owner of Gulf Horizons Contracting Establishment.
The Company (as Lender) with Gulf Horizon Contracting Establishment (as Borrower)	Financing Agreement	-	-	The Chairman of the Board of Directors, Abdulrahman Mohammed Abdulrahman Al-Ghumlas's sister, is the owner of Gulf Horizons Contracting Establishment.

Source: The Company.

As of the date of this Prospectus, the Directors are not engaged in any activities competing with the Company's activities.

5.8 Bankruptcy/Insolvency

The Directors declare that, as of the date of this Prospectus, there are no bankruptcy events involving the Directors, Executive Management or the Secretary.

Further, there was no declaration, of any insolvency in any of the companies in which any of the Directors, Senior Executives or Secretary were employed in a managerial or supervisory capacity during the past five years preceding the date of this Prospectus.

5.9 Employee Shares

Except as mentioned below, the Company does not have any employee share schemes in place prior to the application for the registration and Offering of securities that are the subject of this Prospectus except as shown in 5.7 (*Details of Senior Executives*). None of the Company's employees own shares in the Company as of the date of this Prospectus. However, it should be noted that the Company has decided to set up an employee incentive ownership plan for the purpose of providing incentives to outstanding employees of the Company to maintain them in order to achieve the goals of the Company. On 23 Rajab 1443H (corresponding to 24 February 2022G), the Company's Extraordinary General Assembly approved the issuance of one million six hundred six thousand two hundred thirty (1,606,230) shares to be purchased by the Company as treasury shares for the purpose of allocating these shares to the Employee's Shares Scheme that was approved by the Company's Extraordinary General Assembly resolution dated 21 Thul-Hijjah 1440H (corresponding to 20 August 2019G). The Extraordinary General Assembly authorised the Board of Directors to determine the terms of the Employee Share Scheme. As of the date of this Prospectus, the Board of Directors have not adopted a policy regarding Employee Share Scheme.

5.10 Employee Cash Incentive Plan

A one-time employee cash incentive plan is concurrent with the Offering in the aggregate amount of Eleven million one hundred and eighteen thousand eight hundred and fifty-seven Saudi Arabian Riyals (SAR 11,118,857) million. Such amount will be distributed to certain employees and members of the Board of Directors of the Company in accordance with the conditions of the cash incentive plan approved by the General Assembly of the Company on 23 Rajab 1443H (corresponding to 24 February 2022G).

5.11 Employees

The Company has adopted an employment policy aimed at building and enhancing relations between the Company and its employees. This policy covers all aspects of recruitment, work schedules, healthcare, social insurance benefits, salaries and other allowances, including accommodation and transportation allowances and rewards.

5.11.1 Number of Employees

As of 30 June 2022G, the Company employed a total of 171 employees (76.0 per cent. of whom were Saudi nationals), and the Group employed a total of 185 employees (78.2 per cent. of whom were Saudi nationals).

The following table shows the number of employees of the Company and the Subsidiairy by business departments as of 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G:

Table 5.11: Number of Employees of the Company and the Subsidiary by Business Department as of 31 December 2019G, 2020G and 2021G, and the Six-month Period Ended 30 June 2022G

Business Department	31 December												Six-month Period Ended 30 June			
	2019G				2020G				2021G				2022G			
	Saudi	Non-Saudi	Total	Saudization percentage	Saudi	Non-Saudi	Total	Saudization percentage	Saudi	Non-Saudi	Total	Saudization percentage	Saudi	Non-Saudi	Total	Saudization percentage
Sales and Marketing	34	12	46	73%	48	10	58	83%	44	12	56	78%	48	14	62	78%
Risk Department	2	0	2	100%	3	0	3	100%	2	0	2	100%	2	0	2	100%
Customer Care	4	0	4	100%	5	0	5	100%	3	0	3	100%	3	0	3	100%
Credit	6	1	7	86%	9	2	11	82%	9	2	11	82%	9	2	11	82%
Collection and Legal	13	1	14	93%	14	1	15	93%	22	1	23	96%	25	1	26	96%
Finance	3	3	6	50%	4	3	7	57%	6	4	10	60%	6	5	11	55%
Information Technology	3	4	7	43%	2	3	5	40%	4	4	8	50%	3	4	7	43%
Human Resources	3	0	3	100%	4	0	4	100%	5	0	5	100%	5	0	5	100%
Call Center	1	0	1	100%	1	0	1	100%	7	0	7	100%	7	0	7	100%
Leasing product, companies and individuals	1	4	5	20%	2	4	6	33%	2	3	5	25%	3	3	6	50%
Compliance & Anti-Money Laundry	1	0	1	100%	1	0	1	100%	4	0	4	100 %	5	0	5	100%
Operation	4	5	9	44%	6	4	10	60%	12	5	17	70%	11	5	16	68%
Others	2	6	8	25%	2	6	8	25%	2	7	9	23%	3	7	10	30%
Total	**77**	**36**	**82**	**68.29%**	**101**	**33**	**134**	**74.53%**	**122**	**38**	**160**	**75%**	**130**	**41**	**171**	**76%**

Source: The Company.

The table below shows the number of employees of the Company and the Subsidiary and the achieved Saudization percentages as of 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G:

Table 5.12: Number of Employees of the Company and the Subsidiary and the Achieved Saudization Percentages as of 31 December 2019G, 2020G and 2021G, and the Six-month Period ended 30 June 2022G

Entity	31 December												Six-month Period Ended 30 June			
	2022G				2020G				2021G				2022G			
	Saudi	Non-Saudi	Total	Saudization percentage/ Category	Saudi	Non-Saudi	Total	Saudization percentage/ Category	Saudi	Non-Saudi	Total	Saudization percentage/ Category	Saudi	Non-Saudi	Total	Saudization percentage/ Category
The Company	77	36	82	68.29% Low Green	101	33	143	74.53% / High Green	122	38	160	75% / Medium Green	130	41	171	76% / High Green
Digital Payments Company for FinTech	10	3	13	76.92% / Platinum	4	2	6	66.67% / High Green	17	1	18	77.8% / Platinum	13	1	14	94.44% / Platinum
Total	**87**	**39**	**126**	**69.47%**	**105**	**35**	**140**	**74.10%**	**139**	**39**	**178**	**75.29%**	**143**	**42**	**185**	**78.19%**

Source: The Company.

5.11.2 Saudization

The "Nitaqat" Saudization Programme was approved pursuant to the Minister of Human Resources and Social Development (formerly Minister of Labour) Resolution No. 4040 issued on 12/10/1432H (corresponding to 10 September 2011G), based on Council of Ministers Resolution No. 50 issued on 21/5/1415H (corresponding to 27 October 1994G), which was applied as of 12/10/1432H (corresponding to 10 September 2011G). The MHRSD established the "Nitaqat" programme to provide establishments with incentives to hire Saudi nationals. The programme assesses an establishment's performance based on specific ranges, which are platinum and green (which is further divided into three categories low green, middle green and high green), yellow and red. Establishments that are classified within the platinum and green categories are deemed to be compliant with the Saudization requirements and receive certain specified benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified as yellow or red (depending on the extent to which they are non-compliant) are deemed to be non-compliant with the Saudization requirements and are subject to certain punitive measures, such as a limited ability to renew work visas for foreign employees or complete inability to obtain or renew work visas for foreign employees.

For the Nitaqat classification of the Company and the Subsidiary, see 5.12 (*Number of Employees of the Company and the Subsidiary and the Achieved Saudization Percentages as of 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G*) above.

6 Management's Discussion and Analysis of Financial Condition and Results of Operations

6.1 Introduction

This Section presents management's discussion and analysis of the financial condition and results of operations of the Company and an analytical review of its performance and financial condition during the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month periods ended 30 June 2021G and 2022G.

The Company's financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month periods ended 30 June 2021G and 2022G were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**").

The financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month periods ended 30 June 2021G and 2022G were audited and reviewed by Ernst & Young Professional Services (Professional LLC) (the "**Auditors**").

The figures shown in the tables for this Section are in Saudi Riyals, unless otherwise stated, and the percentages are rounded to the nearest decimal number. Therefore, calculating the percentage of increase/decrease using the numbers in the tables (shown in millions) may not exactly match the percentages mentioned in the tables. In addition, for the purposes of this Section, the financial information for the financial year ended 31 December 2019G has been extracted from the comparative financial information presented in the Company's financial statements for the financial year ended 31 December 2020G. The financial information for the financial year ended 31 December 2020G has been extracted from the comparative financial information presented in the Company's financial statements for the financial year ended 31 December 2021G. The financial information for the six-month periods ended 30 June 2021G has been extracted from the comparative financial information presented in the Company's financial statements for the six-month period ended 30 June 2022G.

Neither the Auditors, their employees (forming part of the team serving the Company), nor any of their relatives, own any Shares or interest of any kind in the Company that would affect their independence. As of the date of this Prospectus, the independent Auditors have provided and have not withdrawn their written consent to the reference in this Prospectus to their role as the Auditors for the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G.

The above financial statements also form an integral part of this Prospectus, which should be read in conjunction with such statements and the accompanying notes thereto. Such financial statements have been included in Section 19 (*Financial Statements and Auditors' Report*) of this Prospectus.

This Section may include hypothetical statements regarding the prospects of the Company based on the management's current plans and expectations regarding the Company's growth, results of operations and financial condition, and therefore may involve risks and uncertainties. The Company's actual results may differ materially from those expressed or implied in such hypothetical statements as a result of various factors and future events, including those discussed below and elsewhere within this Prospectus, particularly in Section 2 (*Risk Factors*) of this Prospectus.

6.2 Directors' Declarations Regarding the Financial Statements

The Directors declare the following:

- the financial information contained in this Section has been extracted without material changes and presented in a form consistent with the audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and the accompanying notes, which have been prepared in accordance with the IFRS, without making any substantial amendment to them;
- there have been no material changes in the accounting policies of the Company and its Subsidiary in the past three years preceding the date of submitting the application for registration and offering of securities subject to this Prospectus;
- there has not been any interruption in the Company's business that had or could have a significant impact on the financial position during the last twelve (12) months from the date of this Prospectus;
- there was no reservation on the Company's financial statements for the period between 2019G and 2021G;
- the Company has not undergone any material restructuring in the past three financial years preceding the date of application for the registration and offer of securities and up to the date of approval of this Prospectus;
- no commissions, discounts, brokerages or other non-cash compensation have been granted by the Company to any of the members of the Board of Directors or Senior Executives, or those offering securities or experts within the three years immediately preceding the application for the registration and offer of securities, up to the date of approval of this Prospectus;

- there has been no material adverse change in the Company's financial or business position in the three years immediately preceding the application for the registration and offer of securities that are the subject of this Prospectus up to the date of approval of this Prospectus, other than what is mentioned in this Section and Section 2 (*Risk Factors*);
- the Company has no loans or other indebtedness including bank overdrafts and that there are no security obligations (including personal or non-personal security, mortgaged) or obligations under acceptance, acceptance credit, or lease purchase obligations, other than what is mentioned in this Section and Section 12 (*Legal Information*);
- the members of the Board of Directors declare that to their knowledge there are no mortgages, rights, burdens or costs on the Company's property as of the date of this Prospectus, other than what is mentioned in this Section and Section 12 (*Legal information*), and in other Sections of this Prospectus;
- the Board of Directors declares that the Company has working capital sufficient for a period of at least twelve (12) months immediately following the date of publication of this Prospectus;
- the Company does not have any property, including contractual securities or other assets, whose value is subject to fluctuations or whose value is difficult to ascertain, which would materially affect the evaluation of the financial position of the Company, except for what is mentioned in this Section;
- the Shares of the Company are not under option as of the date of this Prospectus;
- there is no intention to introduce any material changes to the nature of the Company's activity; and
- the members of the Board of Directors declare that all material facts related to the Company and its financial performance have been disclosed in this Prospectus and that there are no other information, documents or facts if omitted, shall result in the misleading of the statements in this Prospectus.

Basics of Preparation

6.2.1 Statement of Compliance

These financial statements of the Company have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.

6.2.2 Basis of Measurement

These financial statements have been prepared on a historical cost basis, except for equity instruments classified as fair value through other comprehensive income, which are classified at fair value using the accrual basis of accounting. For employees' end-of-service benefits, the actuarial present value calculation is used.

6.3 Summary of Significant Accounting Policies

The following is a statement of the significant accounting policies adopted by the Company in preparation of these financial statements:

6.3.1 Financial Instruments - Initial Recognition

6.3.1.1 Date of Recognition

Financial assets and liabilities, excluding Islamic finance receivables and balances due to clients, are initially recognised on the trading date, i.e., the date on which the Company becomes a party to the contractual provisions of the financial instrument. This includes ordinary transactions, i.e., purchases or sales of financial assets that require delivery of assets within the time frame stipulated by the laws or those generally accepted in the market. Islamic finance receivables to clients are recognised when funds are transferred to clients' accounts. The Company records the balances owed to clients when the funds are transferred to the Company.

6.3.1.2 Initial Measurement of Financial Instruments

The classification of financial instruments on initial recognition depends on their contractual terms and the business model for managing such instruments. Financial instruments are originally measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, as transaction costs are added to or subtracted from this amount. Islamic finance receivables are measured at the transaction price. If the fair value of the financial instruments on initial recognition differs from the transaction price, the Company calculates a one-day profit or loss, as described below.

6.3.1.3 One-day Profit or Loss

If the transaction price of the financial instrument differs from the fair value at its inception, the Company recognises the difference between the transaction price and the fair value in special commission income.

6.3.1.4 Categories of Measurement of Financial Assets and Liabilities

The Company classifies all of its financial assets based on the asset management business model and its contractual terms, which are measured as either:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Financial liabilities, other than loan commitments, are measured at amortised cost or at fair value through profit or loss when they are held for trading purposes or when a fair value allocation is applied.

6.3.1.5 Defining Fair Value

In order to show how fair values are derived, financial instruments are categorised based on the hierarchy of evaluation methods as described below:

- **Level 1 Financial Instruments:** Those for which the inputs used in the evaluation are unadjusted quoted prices from active markets for similar assets or liabilities that the Company has access to on the measurement date. The Company considers markets to be active only if there is sufficient trading activity with respect to the volume and liquidity of similar assets or liabilities and when binding and enforceable quotes are available on the financial position statement date.
- **Level 2 Financial Instruments:** Those for which the inputs used for valuation are significant and are obtained from directly or indirectly observable market data that is available over the entire life of the financial instrument. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for similar instruments in inactive markets and observable inputs other than quoted prices such as interest rates, yield curves, implied volatility and credit spreads. In addition, adjustments to the condition or location of the asset or its relevance to items comparable to the instrument evaluated may be required. However, if such adjustments are based on unobservable inputs that are significant to the measurement as a whole, the Company classifies the instruments as Level 3.
- **Level 3 Financial Instruments:** Instruments that contain one or more unobservable inputs that are significant to the measurement as a whole.

The Company periodically reviews its evaluation methods, including the methodologies and sample models used.

6.3.2 Financial Assets and Financial Liabilities According to the Financial Statement Clauses

6.3.2.1 Financial Assets at Amortised Cost

Financial assets are measured at amortised cost if the following two conditions are met and they are not carried at fair value through profit or loss:

- the acquisition of a financial asset is within a business model with the objective of acquiring financial assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of the principal amount and commission on the principal outstanding amount.

Below are the details of these conditions:

6.3.2.2 Business Model Valuation

The Company defines its business model at the level that best reflects how it manages its groups of financial assets to achieve its business objective, in particular:

- the risks that affect the performance of the business model (and the financial assets held within the business model), particularly how such risks are managed; and
- how business managers are compensated (for example, whether compensation is based on the fair value of the assets under management or the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects in the Company's evaluation. Business model valuation is done according to reasonably expected scenarios that can occur without taking into account "worst case" or "stress case" scenarios. If, after initial recognition, the cash flows are realised differently from the original expectations of the Company, the Company does not change the classification of the remaining financial assets held within that business model, but includes this information when evaluating the business model for the newly created or purchased financial assets.

6.3.2.3 Testing Payments Only from the Principal Amount and Commission

As a second step in the classification process, the Company evaluates the contractual terms of the financial asset to determine if it meets the test of payments only from the principal amount and commission.

For the purpose of this test, the "principal amount" is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of the principal amount or amortisation of the premium/discount).

Usually, the most important element of a commission in a lending arrangement is the consideration of the time value of money and credit risks. To make a test assessment of payments only from the principal amount and commission, the Company applies judgments and takes into account relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate has been fixed.

In contrast, the contractual terms which create exposure in excess of the minimum risk or volatility in the contractual cash flows unrelated to a basic lending arrangement do not result in contractual cash flows that are only payments of the principal amount and commission on the principal outstanding amount. In such cases, the financial asset is measured at fair value through profit or loss.

6.3.2.4 Debt Instruments at Fair Value Through Other Comprehensive Income

A debt instrument is measured at fair value through other comprehensive income if the following two conditions are met and it is not designated at fair value through profit or loss:

- the instrument is held within a business model whose objective is achieved through the collection of contractual cash flows and the sale of financial assets; and
- the contractual terms of the financial asset fulfil the test of payments only from the principal amount and commission.

Debt instruments carried at fair value through other comprehensive income are subsequently measured at fair value, and profits and losses arising from changes in fair value are recognised in other comprehensive income. Commission income and foreign exchange profits and losses are recognised in the statement of comprehensive income in the same way as financial assets measured at amortised cost.

6.3.2.5 Equity Instruments at Fair Value through Other Comprehensive Income

Upon initial recognition, the Company irrevocably chooses to classify certain investments in equity instruments as held at fair value through other comprehensive income when the controls for the definition of equity are included in "IAS 32 - Financial Instruments: Offering" are met, and are not acquired for trading purposes. This classification is determined on an instrument-by-instrument basis.

Profits or losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss and other comprehensive income when the right to pay them is recognised, unless the Company benefits from these proceeds as a recovery of part of the cost of the instrument, in which case, such profits are recorded in other comprehensive income. Investments in equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

6.3.2.6 Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Financial assets and financial liabilities in this category are those that are not held for trading and that have been designated by the management on initial recognition or where measurement at fair value is compulsory under IFRS 9. The management only designates a financial instrument at fair value through profit or loss upon initial recognition if one of the following conditions is met, noting this designation is determined on an instrument-by-instrument basis:

- the designation eliminates or significantly reduces asymmetries of accounting treatment that might otherwise arise from measuring assets or liabilities or recognising profits or losses on them on a different basis;
- the liabilities form a part of a group of financial liabilities which are managed and whose performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the liabilities include one or more embedded derivatives, unless substantial modification is made to the cash flows that are otherwise required by the contract or it is clear through analysis or lack thereof when a similar instrument is first identified that separating the combined derivative(s) is prohibited.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss except for changes in the fair value of liabilities carried at fair value through profit or loss due to changes in the Company's credit risk. These changes in fair value are recorded in the special credit reserve through other comprehensive income and are not recycled to profit or loss. Commission earned or incurred on instruments designated at fair value through profit or loss is accrued in commission income or commission expense, respectively, using the effective commission rate, taking into account any discount/premium and qualifying transaction costs as an integral part of the instrument. Commission earned on assets whose measurement at fair value through profit or loss is compulsory is recognised using the contractual commission rate. Dividend income from equity instruments measured at fair value through profit or loss is recognised in profit or loss as other operating income when the right to pay them is recognised.

6.3.3 Reclassification of Financial Assets and Liabilities

The Company does not reclassify its financial assets after initial recognition. Financial liabilities are never reclassified.

6.3.4 De-recognition of Financial Assets and Liabilities

6.3.4.1 De-recognition as a Result of a Material Amendment to the Terms and Conditions

The Company de-recognises a financial asset, such as a loan to a client, when the terms and conditions are renegotiated to the extent that it becomes, substantially, a new loan, with the difference being recognised as a profit or loss that is de-recognised, to the extent that no impairment loss has been recorded. Newly recognised loans are classified under Stage 1 for the purposes of measuring expected credit loss.

When assessing whether or not to de-recognise a client loan, the Company takes into account various factors.

If the adjustment does not result in substantially different cash flows, it does not lead to de-recognition. Based on the change in cash flows discounted at the original effective commission rate, the Company records an adjustment profit or loss, to the extent that no impairment loss has actually been recorded. As for financial liabilities, the Company considers an adjustment to be material based on qualitative factors, and if such adjustment results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability that is equal to or greater than ten per cent. As for financial assets, this evaluation depends on qualitative factors.

6.3.4.2 De-recognition Other than Material Adjustment

(a) Financial Assets

A financial asset (or, where applicable, a part of it or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the asset expire. The Company also de-recognises a financial asset if it transfers the financial asset and the transfer is eligible for de-recognition.

The Company transfers the financial asset only if it transfers its contractual rights to receive cash flows from the financial asset.

A transfer is only eligible for de-recognition if:

- the Company has transferred substantially all the risks and benefits of the asset; or
- the Company has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control of the asset.

The Company considers control to be transferred only if the transferee has the practical ability to sell the entire asset to an unrelated party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

In cases where the Company does not transfer or retain most of the risks and benefits associated with ownership and retained control of the asset, the asset is recognised to the extent of the Company's ongoing association with it, and in such case, the Company also recognises the liabilities associated with it. The transferred assets and the associated liabilities are measured on the same basis, which reflects the rights and obligations that the Company retained.

An ongoing association in the form of a guarantee over the transferred assets is measured at the lower of the asset's original carrying amount or the maximum amount the Company shall pay. In cases where the ongoing association takes the form of a written or purchased option (or both) over the transferred asset, the ongoing association is measured at the amount that the Company shall pay upon repurchase. In the case of a written put option relating to an asset measured at fair value, the entity's ongoing association is limited to the lower of the fair value of the transferred asset and the exercise price of the option.

(b) Financial Liabilities

Financial liabilities are de-recognised when the obligation specified in the contract is paid, cancelled or expired. If the current financial liabilities are exchanged for others from the same lender on completely different terms or by amending the terms of the existing liabilities, such exchange or amendment shall be considered as de-recognition of the original liabilities and recognition of new liabilities. The difference between the carrying amount of the original financial liabilities and the consideration paid is recognised in profit or loss.

6.3.5 Offsetting of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and reported net in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle the assets and liabilities on a net basis or to sell the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are normally recorded gross in the statement of financial position except when the offsetting conditions are fulfilled in accordance with the IFRS.

6.3.6 Impairment of Financial Assets

6.3.6.1 An Overview of Expected Credit Loss Principles

The Company records an allowance for expected credit losses for all loans and other financial assets not held at fair value through profit or loss, collectively referred to as "financial instruments". Equity instruments are not subject to impairment under IFRS 9.

The expected credit loss allowance is defined based on the expected credit losses over the life of the asset (lifetime expected credit losses), unless there has been a significant increase in credit risk since its inception, in which case the provision is determined on the basis of the expected credit losses over a 12-month period.

The 12-month expected credit loss represents part of a lifetime expected credit loss resulting from the default events relating to a financial instrument which are likely to occur within 12 months after the preparation date of the financial statements. All lifetime expected credit loss and 12-month expected credit loss are calculated on an individual or collective basis, depending on the nature of the respective portfolio of financial instruments.

The Company has developed a policy to conduct an assessment at the end of each financial period to ascertain whether the credit risk related to the financial instrument increased significantly since the initial recognition, taking into consideration the change in the risk of default that occurs over the remaining life of the financial instrument.

Based on the above process, the Company classifies its loans under Phase One, Phase Two or Phase Three, as shown below:

- **Phase One:** When loans are initially recognised, the Company recognises a provision based on 12-month expected credit loss. Phase One loans also include facilities where the credit risk improved and Phase Two loans have been reclassified.
- **Phase Two:** When a loan shows a significant increase in credit risk since its inception, the Company records a provision for lifetime expected credit losses. Phase Two loans also include facilities where credit risk improved and Phase Three loans have been reclassified.
- **Phase Three:** For loans that are considered credit impaired, the Company records a provision for lifetime expected credit losses.

As for financial assets for which the Company does not reasonably expect to recover all or part of the outstanding amount, the gross carrying amount of the financial asset is reduced. This is considered as a (partial) de-recognition of the financial asset.

6.3.6.2 Calculation of Expected Credit Losses

The Company calculates expected credit loss based on three probability-weighted scenarios to measure the expected cash shortfall, discounted at an approximation of the effective commission rate. The cash shortfall forms the difference between the cash flows due in accordance with the contract and the cash flows that the entity expects to receive.

The mechanisms for calculating expected credit losses are explained below and the main elements are as follows:

Probability of default:	The probability of default is an estimate of the probability of default over a given period. Default may only occur at a certain time within the assessed period if the facility has not been previously de-recognised and is still in the portfolio.
Exposure at default:	Exposure at default represents an estimate of the exposure at a future default date, taking into account expected changes in exposure after the date of preparation of the financial statements, including repayments of principal amount and commission, expected withdrawals on pledged facilities and accrued commission from missed payments.
Loss due to default:	Loss due to default is an estimate of the loss that would result if the default occurred in a given period. It is determined on the basis of the difference between the contractual cash flows due and those the lender expects to receive, including from the sale of any guarantees or credit enhancements that are an integral part of the loan and do not need to be recognised separately. It is usually shown as a percentage of exposure at default.

When estimating expected credit loss, the Company considers three scenarios (base case, ups and downs). Each of these scenarios is associated with the different phases of probability of default, exposure at default and loss due to default as shown below. Where applicable, the assessment of multiple scenarios also includes how the recovery of non-performing loans is expected, including the likelihood of the loans being processed and the value of the guarantee or the amount that might be received to sell the asset.

Impairment losses and provisions are accounted for and disclosed separately from adjustment losses or profits that are accounted for as an adjustment to the total carrying amount of the financial asset.

The mechanics of the expected credit loss method are summarised below:

Phase One	The 12-month expected credit loss is calculated as part of the lifetime expected credit loss that results from default events relating to a financial instrument that are likely to occur within 12 months after the preparation date of the financial statements. The Company calculates 12-month expected credit loss based on the expectation that default will occur within 12 months after the date of preparing the financial statements. The 12-month expected default probabilities are applied to the exposure at default multiplied by the expected loss due to the default and discounted by approximating to the original effective commission rate. This calculation is made for each of the four scenarios described above.
Phase Two	When a loan shows a significant increase in credit risk since its inception, the Company records a provision for lifetime expected credit losses. The mechanisms are similar to those described above, including the use of multiple scenarios, but the probability of default and exposure at default are estimated over the life of the instrument. The expected cash shortfall is discounted by approximating to the original effective commission rate.
Phase Three	As for loans with a low credit level, the Company recognises the expected credit losses over the life of these loans. This method is similar to that used for assets under Phase Two and has a probability of default set at 100 per cent.

The Company also considers forward-looking information when evaluating a significant decrease in credit risk since its inception, in addition to measuring expected credit losses.

Forward-looking information will include items such as expert judgment, macroeconomic factors (for example, unemployment, GDP, inflation and commission rates) and economic forecasts obtained through internal and external sources.

6.3.6.3 Debt Instruments Measured at Fair Value through Other Comprehensive Income

Expected credit losses for debt instruments measured at fair value through other comprehensive income do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equivalent to the provision that would arise if the assets were measured at amortised cost in other comprehensive income is recognised as the cumulative impairment amount, with a corresponding charge to profit or loss. The cumulative losses recognised in other comprehensive income are recycled to profit or loss when the assets are de-recognised.

6.3.7 Credit Reinforcements: Evaluation of Guarantees

To reduce credit risk on financial assets, the Company uses guarantees, to the extent possible. Guarantees take the form of personal guarantees, property or vehicles. Unless forfeited, the guarantees are not recorded in the Company's statement of financial position. The expected cash flows from credit enhancements, which do not need to be recognised separately under IFRS and constitute an integral part of the contractual terms of a debt instrument subject to expected credit losses, are included in the expected credit loss measurement. According to this basis, the fair value of the guarantees affects the calculation of expected credit loss. Guarantees are usually evaluated at inception as a minimum, and are re-evaluated annually by a certified external appraiser.

To the extent possible, the Company uses active market data to evaluate financial assets held as guarantees. Other financial assets, whose market value cannot be defined, are evaluated using models. Non-financial guarantees, such as properties, are valued based on data provided by third parties.

6.3.8 Write-off

Loans and debt securities are written off (in part or in whole) when there is no reasonable expectation of recovery thereof. However, financial assets that have been written off are still subject to enhancement activities in compliance with the Company's procedures for recovering due amounts. If the amount to be written off exceeds the accumulated loss provision, the difference is initially considered as an addition to the provision that applies to the total carrying amount. Any recoveries are subsequently presented as other income in the statement of comprehensive income.

6.3.9 Assets Confiscated and Intended for Sale

The Company's policy is to ascertain whether a confiscated asset is best used for the purposes of its internal operations or sold. Assets determined to be useful for internal operations are transferred to the relevant asset class at the lower of the re-confiscated value or the book value of the original guaranteed asset. Assets which are best sold are transferred to assets intended for sale at their fair value (for financial assets) and at fair value less selling costs for non-financial assets on the date of confiscation and in accordance with the Company's policy.

After initial recognition, any subsequent reduction to fair value less sale costs is charged to the statement of comprehensive income. Any subsequent profits on re-evaluation of fair value less sale costs of such assets are recognised in the statement of comprehensive income, to the extent that it does not exceed the cumulative reduction. Profits or losses on disposal are recognised in the statement of comprehensive income.

6.3.9.1 Recognition of Revenues/Expenses

(a) Special Commission Income and Expenses

Net special commission income consists of special commission income and special commission expenses calculated using the effective commission rate method. These are disclosed separately at the beginning of the income statement for special commission income and special commission expenses in order to provide similar and comparable information.

The effective commission rate is the rate that precisely discounts estimated future cash payments and receipts through the expected life of the financial asset and financial liability, or a shorter period, as appropriate, to the carrying amount of the financial asset.

When calculating the commission rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows after taking into account all contractual terms of the financial instruments and unexpected credit losses. The credit risk-adjusted effective commission rate is used through estimated future cash flows including expected credit losses for credit-impaired financial assets. The calculation of the effective commission rate includes transaction costs and any discount or premium on the acquisition of the financial asset, as well as the fees and costs that form an integral part of the effective commission rate. Transaction costs include incidental costs directly attributable to the acquisition or issuance of financial assets or financial liabilities.

(b) Measurement of Amortised Cost and Special Commission Income

The amortised cost of a financial asset or financial liability is the amount by which the financial asset or financial liability is measured on initial recognition minus the original amount paid, plus or minus the accumulated amortisation using the effective commission method for any difference between the initial amount and the adjusted maturity amount for financial assets with an expected credit loss provision.

The gross carrying amount of a financial asset is its amortised cost before it is adjusted for an expected credit loss provision.

When calculating special commission income or expense, the effective commission rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability.

Commission income is calculated using the effective commission rate over the amortised cost of the financial asset for financial assets that are credit impaired after initial recognition. In cases where the asset is no longer credit-impaired, the commission income is recalculated on a gross basis.

Commission income is calculated by applying the credit risk-adjusted effective commission rate to the amortised cost of the asset for financial assets that were credit-impaired upon initial recognition. Commission income is not recalculated on a gross basis even if the credit risk on the asset improved.

Revenues generated from early payment fees are recognised upon early termination of the contract by the client and the fees charged at that stage.

6.3.9.2 Share Profit

Basic and decreased share profits are calculated by dividing the net income for the year by the weighted average number of ordinary outstanding shares during the year.

6.3.9.3 Expenses

General and administrative expenses include direct and indirect costs that are not specifically part of operating costs.

6.3.9.4 Cash and Cash Equivalents

For the purposes of preparing the cash flow statement, cash and cash equivalents consist of bank balances, cash in hand and short-term bank deposits with an original maturity of three months or less, not including restricted cash deposits.

6.3.9.5 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. The cost less the estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

The carrying value of property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If such evidence exists and the carrying value exceeds the estimated recoverable amount, the assets are decreased to their recoverable amount, which is the higher of the fair value less sale costs and present value.

Leasehold improvements are amortised on a straight-line basis over the useful life of the improvement/asset or the lease term, whichever is shorter. Repair and maintenance expenses are charged to the statement of comprehensive income. Improvements that materially increase the value or life of the underlying asset are capitalised.

6.3.9.6 Intangible Assets

Intangible assets acquired independently are measured at cost on initial recognition. After initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and the amortisation method are reviewed at the end of each financial year and the effects of any changes in the estimate are accounted for on a prospective basis. Intangible assets consist of computer software and are amortised over a useful life of ten years.

The carrying amount of intangible assets is reviewed for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. If such evidence exists and the carrying value exceeds the estimated recoverable amount, the assets are decreased to their recoverable amount, which is the higher of the fair value less sale costs and present value.

6.3.9.7 Accounting for Lease Contracts

On initial recognition, the Company determines when the contract is concluded whether it is a lease or contains a lease. A contract is a lease, or contains a lease if the right to control the use of an identified asset for a specified period is transferred under the contract in exchange for it. Control is defined if most of the benefits will flow to the Company and the Company can direct the use of those assets.

Upon the inception or re-evaluation of a contract that contains a lease item, the Company allocates the consideration in the contract to each lease item on the basis of independent relative prices. However, regarding leases of plots and buildings in which the Company is a lessee, it has elected not to separate non-lease items and account for lease and non-lease items as a single lease item.

6.3.9.8 Right-of-use Assets

The Company applies the cost method and measures right-of-use assets at cost:

- less any accumulated depreciation and any accumulated impairment losses; and
- modified as a result of any re-measurement of the lease liability in respect of lease modifications.

Right-of-use assets are usually equal to lease liabilities. However, if there are any additional costs such as site preparation costs, non-refundable deposits, implementation funds or other expenses related to that transaction, those costs and expenses are added to the value of the right-of-use asset.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date until the end of the right-of-use asset's useful life or the end of the lease term, whichever is earlier. The estimated useful lives of right-of-use assets are defined on the same basis as property and equipment.

(a) Lease Liabilities

On initial recognition, a lease liability represents the present value of all remaining lease payments to the lessor, discounted using the commission rate implicit in the lease or, if that rate cannot be easily defined, the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

After the start date of the contract, the Company measures the lease liability by:

- increasing the carrying amount to reflect the commission on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any re-evaluation or modification of the lease. Lease liabilities are measured at amortised cost using the effective commission rate method and are re-measured when there is a change in future lease payments arising from a change in the index or commission rate, if there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee, the Company changes its estimate or it exercises the option to buy, extend or terminate.

When a lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recorded in profit or loss if the carrying amount of the right-of-use asset is reduced to nil.

(b) Short-term Leases and Leases of Impaired Assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of 12 months or less or leases of impaired assets. The Company recognises the lease payments associated with these lease contracts as an expense on a straight-line basis over the term of the lease.

6.3.9.9 Fair Value

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 on the measurement date. The fair value measurement is defined by the assumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the assets or liabilities; or
- in the absence of the principal market, in the most advantageous market for the assets or liabilities.

The principal or most advantageous markets must be accessible to the Company. The fair value of an asset or a liability is measured assuming that market participants would benefit when pricing the asset or liability and that they are acting in their best economic interests.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to achieve economic benefits through the optimal and best use of that asset or by selling it to another market participant who will use it in the best and optimal manner.

6.3.9.10 Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is concluded and are subsequently re-measured by changes in their fair value. Derivatives are recorded as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Any profit or loss arising from changes in the fair value of derivatives is recognised directly in the statement of comprehensive income.

6.3.9.11 Impairment of Non-current Assets

On the date of preparing each financial statement, the Company performs a valuation to verify whether there is any evidence of impairment in the value of an asset. If such evidence exists, or when annual testing for impairment is required, the Company estimates the asset's recoverable amount. The recoverable amount is the higher of the fair value of the asset or cash-generating unit, less selling expenses and the present value, and is defined for each asset except where the asset does not generate cash inflows that are largely independent of those arising from other assets or groups of assets. If the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and reduced to its recoverable amount.

While assessing present value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the asset. To determine fair value less sale costs, the appropriate valuation method is used.

These calculations are supported by valuation multiples or other available indicators of fair value.

Impairment losses are recognised in the statement of comprehensive income within expenses in line with the function of the asset whose value has been impaired. For assets other than goodwill, a valuation is conducted on the date of preparing each financial statement to verify whether there is any indication that previously recognised impairment losses do not exist or have decreased. If such evidence exists, the Company estimates the recoverable amount of the asset or cash-generating unit. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the date on which the impairment loss was last recognised.

If no impairment loss has been recognised during the previous years, the reversal of an entry is limited to the extent that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined after deducting depreciation. This reversal is recognised in the statement of comprehensive income. An impairment loss recognised for the carrying amount of goodwill is not reversed in subsequent periods.

6.3.9.12 Creditors and Due Amounts

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not by suppliers.

6.3.9.13 Employee End-of-service Benefits

The Company manages a defined benefits programme for employees in accordance with the provisions stipulated in Saudi labour law. The cost of providing benefits under the defined benefits programme is determined using the expected credit unit method.

Re-measurements of actuarial profits and losses are recognised directly in the statement of financial position, with the corresponding effect on other comprehensive income during the period in which they occur. Re-measurements are not reclassified to the statement of comprehensive income in subsequent periods.

The cost of previous service is recognised in the statement of comprehensive income before:

- the date of amendment or curtailment of the programme; and
- the date on which the Company recognised the related restructuring costs.

The net commission income for applying the discount rate is calculated on the net defined benefits liability. The Company recognises the following changes in the net defined benefits liability in the statement of comprehensive income:

- service costs that include current service costs, past service costs, profits and losses from non-routine curtailments and settlements (within general and administrative expenses); and
- net income or special commission expense.

6.3.9.14 Zakat

A Zakat provision is set aside in accordance with the regulations of the ZATCA in the Kingdom and on an accrual basis. Zakat is charged to the statement of comprehensive income.

6.3.9.15 Value-added Tax (VAT)

The Company collects VAT from clients for eligible services provided and pays VAT to its suppliers for eligible payments. Net VAT transfers are transferred monthly to the ZATCA, which represent the VAT collected from clients, after deducting any refundable VAT on payments. The Company bears the non-refundable VAT, which is recognised as expenses.

6.3.9.16 Loans

Financing that bears a special commission from financial institutions and shareholders is measured at amortised cost using the effective commission rate method. Profits and losses are recognised in the statement of comprehensive income when liabilities are de-recognised and through the amortisation of the effective commission rate.

Amortised cost is calculated after taking into account the premium or discount on purchase and fees or costs that form an integral part of the effective commission rate. The effective commission rate amortisation is included in special commission expense in the statement of comprehensive income.

6.3.9.17 Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all relevant conditions will be complied with. When a Government grant is related to an expense item, it is recognised as revenue over the period in order to regularly match the grant with the costs to be compensated. When a grant relates to an asset, it is recognised as revenue in equal amounts over the expected useful life of the underlying asset.

When the Company receives non-cash grants, the assets and the grant are recorded in the total nominal amounts in the statement of comprehensive income over the expected useful life of the asset, according to the method of depleting the benefits of the relevant asset in equal annual instalments.

6.3.9.18 Provisions

Provisions are recognised when the Company has (legal or expected) liabilities as a result of past events, it is probable that resources, including economic benefits, have to be used to settle such liability, and a reliable estimate of the value of the liability can be made. If the effect of the time value of money is material, the Company determines the level of the provision by discounting the cash flows using a pre-tax rate that reflects the current rates related to the liability. The expense related to any provision is presented within other operating expenses in the income statement after deducting any recovered amounts.

6.3.9.19 Foreign Currencies

Transactions in foreign currencies are converted into Saudi Riyals at the exchange rates prevailing on the date of such transactions. The value of cash assets and liabilities recorded in foreign currencies is re-converted at the exchange rates prevailing on the date of preparing the financial statements. All conversion differences are included in the statement of comprehensive income.

6.3.9.20 Sector Information

A sector is an essential part of the Company that provides certain products or services (a business sector), which is usually subject to risks and returns different from those of other sectors.

6.3.9.21 Managed Assets

Islamic finance receivables in which the Company acts as a managing agent are not considered assets of the Company and, accordingly, are not included in the accompanying financial statements.

6.4 Main Factors Affecting the Results of Operations

Below is a discussion of the most important factors that have affected or are expected to affect the Company's business, financial condition and results of operations. These factors are based on information currently available to the management and may not represent all of the factors relevant to an understanding of the results of the Company's current or future operations. See also Section 2 (*Risk Factors*) and the "*Important Notice*" Section on page (i) of this Prospectus.

6.4.1 Macroeconomic Factors

The Company's financial performance may be directly affected by the general economic conditions in the Kingdom.

Furthermore, any activities undertaken by the Government to relieve financial pressure, including, but not limited to, the additional reduction of Government subsidies on fuel or other public services or the imposition of new taxes on residents, et cetera, may affect business. The reduction or elimination of Government subsidies may increase the prices of public services, fuel and commodities, which could affect consumer spending and change the cost of doing business for the Company.

6.4.2 Outbreak of Infectious Diseases

In general, an outbreak of infectious disease or a similar threat to public health or the fear of such events may have an impact on the Company's business, financial condition, results of operations and/or prospects.

A new variant of the coronavirus (COVID-19) was discovered in Wuhan, Hubei Province, China in December 2019G. This disease spread to most countries worldwide, which led many of them, including the Kingdom, to take multiple measures to limit the spread of the coronavirus, including the imposition of temporary restrictions such as travel bans, curfews, and obliging people coming from other countries to quarantine for a specific period of time. The Company was also affected by preventive restrictions that had previously been imposed by the relevant authorities on business activity within the Kingdom, as this resulted in the temporary closure of some sites in a number of sectors. The extent of the impact of the coronavirus on the Company's business relates to the development of current events and new information that may manifest regarding the degree of severity of the virus and the necessary measures to contain it or mitigate its impact. In the event that the spread of the virus increases and the restrictions imposed to limit its spread continue, or new restrictions are announced to contain it in a more stringent manner, this will have a material adverse effect on the Company's business, financial condition, results of operations and future growth.

It should be noted that the COVID-19 crisis led to a relative decrease in the Company's revenue, which was affected by the suspension of profits recorded from SMEs as a result of the application of the sector financing support programme that was launched during the COVID pandemic period to facilitate business for the said SMEs.

6.5 Key Performance Indicators (KPIs) and Non-IFRS Financial Indicators

The following table shows the KPIs and non-IFRS financial indicators of the Company for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.1: KPIs and Non-IFRS Financial Indicators of the Company for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Unit	Financial Year Ended 31 December		
Financial KPIs		2019G	2020G	2021G
Net income/(loss)	SAR million	29.1	34.0	40.6
Income margin	%	68.0%	76.6%	85.0%
Net margin	%	26.9%	32.2%	30.3%
Return on assets	%	3.7%	3.5%	3.9%
Return on equity	%	10.0%	10.5%	11.1%
Net Islamic finance receivables to loans	Times	1.3	1.3	1.4
Debt to equity ratio	Times	1.6	1.9	1.8
Islamic finance receivables to equity	Times	2.0	2.4	2.5
Average borrowing rate	%	6.1%	3.6%	3.2%
Average lending rate	%	12.9%	10.6%	9.8%
Net profit margin difference	%	-	5.0%	(1.5%)
Total number of financing contracts	#	16,334	18,380	18,614

SAR Million Financial KPIs	Unit	Financial Year Ended 31 December		
		2019G	2020G	2021G
Number of new financing contracts	#	10,552	9,336	8,014
New loans granted	SAR million	375.5	548.9	555.1
Average new financing amount	SAR '000	35.7	58.8	69.3

Source: Management information.

In addition to the financial performance indicators used within the IFRS, the Company uses financial measures that are not included in these standards, including the net profit margin (before Zakat), return on average assets (before Zakat), return on average equity (before Zakat), net Islamic finance receivables to loans, debt to equity ratio, Islamic finance receivables to equity, average borrowing rate, average lending rate, net profit margin difference (%), total number of financing contracts, number of new financing contracts, new loan distributions and average financing amount. Since there is no unified and agreed-upon definition of financial performance indicators, other companies calculate them in different ways. Thus, the indicators that the Company uses, in terms of content, may differ from those used by those other companies under the same name, and such indicators should be relied upon in isolation without the financial performance indicators used within the IFRS. The Company considers the above indicators not used within the International Financial Reporting Standards to be useful as they represent an additional tool to help the management and prospective Investors reach informed conclusions about the financial and operational performance of the Company and its liquidity.

The indicators were calculated as follows: income margin (net special commission income/special commission income), net margin (total comprehensive income/special commission income), return on assets (total comprehensive income/total assets), return on equity (total comprehensive income/total equity).

6.6 Income Statement

The following table shows the Company's income statement for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.2: Results of Operations - Summary of Income Statement Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Special commission income	108.3	105.6	133.6	(2.5%)	26.5%	11.1%
Special commission expense	(34.7)	(24.7)	(20.0)	(28.8%)	(18.8%)	(24.0%)
Net special commission income	**73.6**	**80.9**	**113.6**	**9.8%**	**40.4%**	**24.2%**
Other revenue	16.3	17.4	18.9	6.9%	8.4%	7.6%
Total operating income	**89.9**	**98.3**	**132.4**	**9.3%**	**34.7%**	**21.4%**
General and administrative expenses	(33.8)	(35.0)	(46.1)	3.8%	31.7%	16.9%
Impairment losses on Islamic finance receivables	(20.1)	(23.4)	(38.8)	16.4%	65.6%	38.8%
Income before Zakat	**36.0**	**39.8**	**47.5**	**10.6%**	**19.3%**	**14.8%**
Zakat	(6.6)	(5.9)	(6.6)	(11.2%)	12.4%	(0.1%)
Net income for the year	**29.4**	**33.9**	**40.9**	**15.4%**	**20.4%**	**17.9%**
Actuarial gains (losses) from re-measurement of employee defined benefit liabilities	(0.3)	0.1	(0.3)	(124.0%)	(579.5%)	7.1%
Total comprehensive income	**29.1**	**34.0**	**40.6**	**16.8%**	**19.2%**	**18.0%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Commission income relates to three products, *Tawarruq, Ijarah* and *Murabaha*. Special commission income decreased by 2.5%, from SAR 108.3 million in 2019G to SAR 105.6 million in 2020G. This decrease is primarily due to the suspension of profit recorded from SMEs as a result of the application of the Private Sector Financing Support Programme for SMEs, which was launched during COVID-19 pandemic. Furthermore, loans amounting to SAR 177.0 million were issued at below-market interest rates to SMEs under the Lending Financing Programme. Special commission income increased by 26.5%, from SAR 105.6 million in 2020G to SAR 133.6 million in 2021G, due to the suspension of the Private Sector Financing Support Programme in June 2021G and an increase in the value of the Islamic finance portfolio.

Special commission expense consists mainly of the cost of Sukuk issuances and deferred commission expenses. Such expense decreased by 28.8 per cent., from SAR 34.7 million in 2019G to SAR 24.7 million in 2020G. This decrease was in line with the decrease in special commission income and was mainly driven by a decrease in deferred commission expenses related to the Private Sector Financing Support Programme, from SAR 14.3 million in 2019G to SAR 1.9 million in 2020G. Special commission expense continued to decrease in 2021G by 18.8 per cent., from SAR 24.7 million in 2020G to SAR 20.0 million in 2021G. This decrease is primarily due to the repayment of part of the principal Sukuk amount, in addition to continued amortisation, as Sukuk expenses decreased by 36.7 per cent., from SAR 14.0 million in 2020G to SAR 8.9 million in 2021G.

Net special commission income increased by 9.8 per cent., from SAR 73.6 million in 2019G to SAR 80.9 million in 2020G. The net margin also increased from 26.9 per cent. in 2019G to 32.2 per cent. in 2020G. The increase in net special commission income between the two years was mainly related to a decrease in special commission expense. It is worth noting that the aforementioned increase in net special commission income was mainly affected by a decrease in special commission expense by 28.8 per cent. and 18.8 per cent. in 2020G and 2021G, respectively. Net special commission income recorded an additional increase of 40.4 per cent., from SAR 80.9 million in 2020G to SAR 113.6 million in 2021G. This increase was in line with and mainly driven by an increase in special commission income between said years by 26.5 per cent., from SAR 105.6 million in 2020G to SAR 133.6 million in 2021G.

Other revenue represents miscellaneous revenue recognised in the normal course of business from separate sources that are closely related to the Company's main business. However, other revenue recorded between 2019G and 2021G mainly included recovered amounts from written-off Islamic finance receivables and early repayment fee revenue, both of which are directly related to the Company's business. It also includes revenue from short-term deposits and others. Other revenue increased by 6.9 per cent., from SAR 16.3 million in 2019G to SAR 17.4 million in 2020G. This increase resulted from an increase in the recovery of Islamic finance receivables from SAR 9.0 million in 2019G to SAR 10.6 million in 2020G. Other revenue increased by 8.4 per cent., from SAR 17.4 million in 2020G to SAR 18.9 million in 2021G. This increase was mainly related to a rise in early payment fees from SAR 4.8 million in 2020G to SAR 6.1 million in 2021G.

General and administration expenses relate mainly to salaries and employee costs but also include general and administrative expenses, depreciation expenses, professional fees and insurance expenses. General and administrative expenses increased by 3.8 per cent., from SAR 33.8 million in 2019G to SAR 35.0 million in 2020G. This increase was driven by an increase in salaries and employee costs (as a result of an increase in the number of employees). General and administrative expenses continued to increase by 31.7 per cent., from SAR 35.0 million in 2020G to SAR 46.1 million in 2021G. Such increase was mainly related to an increase in the cost of staff as a result of appointing a number of new employees to keep pace with the high level of activity and improve service performance. Employee cost expenses increased by 30.1 per cent. between 2020G and 2021G.

Impairment losses on Islamic finance receivables were mainly associated with the loss expense provision. Loss value increased by 16.4 per cent., from SAR 20.1 million in 2019G to SAR 23.4 million in 2020G, with an additional increase of 65.6 per cent. to SAR 38.8 million in 2021G. This loss in 2020G was mainly caused by an increase in the number of loans granted during the last two quarters of 2020G. The growth of provisions in 2020G was less than the overall growth in Islamic finance receivables, as loans amounting to SAR 173.0 million, representing 31.5 per cent. of the loans disbursed, were secured under the *Kafalah* programme through the Saudi Central Bank's Lending Financing Programme.

Income before Zakat increased by 10.6 per cent., from SAR 36.0 million in 2019G to SAR 39.8 million in 2020G, following a decrease in special commission expense between the two years. Income before Zakat increased by 19.3 per cent., from SAR 39.8 million in 2020G to SAR 47.5 million in 2021G. The aforementioned increase was mainly related to an increase in special commission income and a decrease in special commission expense between 2020G and 2021G.

Zakat expenses decreased by 11.2 per cent., from SAR 6.6 million in 2019G to SAR 5.9 million in 2020G. Such decrease was largely in line with the decrease in special commission income. In 2021G, Zakat expenses increased by 12.4 per cent., from SAR 5.9 million in 2020G to SAR 6.6 million in 2021G, which was largely in line with the rise in special commission income and the level of activity during such year.

Net income increased by 16.8 per cent., from SAR 29.1 million in 2019G to SAR 34.0 million in 2020G. The net income margin increased slightly, from 26.9 per cent. in 2019G, to 32.2 per cent. in 2020G. The increase in net income was in line with the decrease in special commission expense. Net income continued to increase by 19.2 per cent., from SAR 34.0 million in 2020G to SAR 40.6 million in 2021G, mainly as a result of the increase in special commission income.

6.6.1 Special Commission Income

The following table shows the details of the Company's special commission income by sector for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.3: Details of Special Commission Income by Sector for the Financial Years Ended 31 December 2019G, 2020G and 2021G [(1)]

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Retail sector	75.3	86.6	90.1	15.0%	4.0%	8.3%
SME sector	35.5	19.0	41.1	(46.4%)	155.7%	6.7%
Total	**110.8**	**105.6**	**131.1**	**(4.6%)**	**24.1%**	**7.8%**

Source: Management information.

(1) Islamic finance revenue represents a portion of special commission income sources before adding fees and other revenue and deducting outstanding revenue. For further details, see to Table 6.5 (*Details of the Company's Special Commission Income Sources for the Financial Years Ended 31 December 2019G, 2020G and 2021G*) and Table 6.65 (*Details of the Company's Special Commission Income Sources for the Six-Month Period Ended 30 June 2021G and the Six-Month Period Ended 30 June 2022G*).

Retail sector income increased by 15.0%, from SAR 75.3 million in 2019G to SAR 86.6 million in 2020G, as a result of an increase in client contracts from 15,898 contracts on 31 December 2019G to 17,731 contracts on 31 December 2020G. These contracts were not affected by any Government policies to provide financing at a below-market rate. Retail sector income did not witness any significant fluctuations in 2021G.

SME income witnessed a decrease of 46.4 per cent. in 2020G, from SAR 35.5 million in 2019G to SAR 19.0 million in 2020G. There were 379 SME sector contracts with outstanding receivables of SAR 98.7 million under the Deferred Payment Programme provided by the Saudi Central Bank to support private sector financing, as of 31 December 2020G. The number of SME contracts increased by 48.9 per cent., from 436 active contracts on 31 December 2019G to 649 active contracts on 31 December 2020G. The new addition in 2020G was driven by loan financing contracts granted under the Saudi Central Bank's financing programme.

Special commission income from SMEs increased by 115.7 per cent. in 2021G, mainly due to the Company's suspension of the Deferred Payment Programme in June 2021G, which led to the recognition of income. Furthermore, the Company issued 247 new contracts to SMEs which generated additional revenue during the year.

The following table shows the details of the Company's special commission income by product for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.4: Details of Special Commission Income by Product for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Tawarruq	104.0	103.8	127.5	(0.2%)	22.8%	10.7%
Ijarah	2.6	1.6	6.2	(39.0%)	292.0%	54.6%
Murabaha	1.7	0.3	-	(85.1%)	(100.0%)	(100.0%)
Total	**108.3**	**105.6**	**133.6**	**(2.5%)**	**26.5%**	**11.1%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Tawarruq: The average revenue of the *Tawarruq* product between 2019G and 2021G was 96.6% of the total Islamic finance income. The significant focus on the *Tawarruq* product is due to its ease of implementation, as the Company is only required to transfer money to the client's account, while in the case of the *Murabaha* product, the Company must purchase the product and deliver it to the client instead of transferring cash.

Ijarah: *Ijarah* product revenue decreased as a result of a decrease in lending rates in 2020G. As of 31 December 2020G, 297 *Ijarah* contracts with a total receivables amount of SAR 16.3 million (out of a total of 538 Ijarah contracts worth SAR 36.0 million), were part of the Saudi Central Bank's Deferred Payment Programme. Income from these contracts was not recognised from 14 March 2020G to 30 June 2021G. During the first three months and 13 days of 2020G, these 297 contracts generated income of SAR 0.6 million. Meanwhile, the remaining income of SAR 1.0 million was generated from 241 contracts with a total receivable value of SAR 19.7 million as of 31 December 2020G. Income from *Ijarah* special commissions increased again in 2021G, as a result of the suspension of the Deferred Payment Programme and the expansion of the *Ijarah* portfolio.

Murabaha: The average income from the *Murabaha* product represented 0.6 per cent. of the total financing income between 2019G and 2021G. *Murabaha* income decreased from SAR 1.8 million in 2019G to nil in the financial year 2021G. The *Murabaha* product is still available, but clients prefer to deal with the Tawarruq product, which requires less processing time compared to the processing time required by the *Murabaha* product.

6.6.2 Special Commission Income Sources

The following table shows the details of the Company's special commission income sources for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.5: Details of the Company's Special Commission Income Sources for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Islamic finance revenue	110.8	105.6	131.1	(4.6%)	24.1%	8.8%
Fee revenue	3.4	3.0	3.5	(10.4%)	15.5%	1.7%
Other revenue	3.1	4.1	5.8	31.1%	43.2%	37.0
Outstanding revenue	(8.9)	(7.1)	(6.8)	20.2%	(4.1%)	(12.5%)
Total	**108.3**	**105.6**	**133.6**	**(2.5%)**	**26.5%**	**11.1%**

Source: Management information.

6.6.2.1 Islamic Finance Revenue

Special commission income is Shari'ah-compliant in financing products. Income is recognised by the Company on a monthly basis over the term of the loan using the real rate of return. The Company generates its revenue from three product categories, namely *Tawarruq*, *Ijarah* and *Murabaha*. Revenue was mainly concentrated in the *Tawarruq* product and represented an average of 96.6 per cent. of the total special commission income during the reporting period. *Ijarah* and *Murabaha* represented on average 2.8 per cent. and 0.6 per cent. of the special commission income earned during the reporting period, respectively.

6.6.2.2 Fee Revenue

Fees revenue primarily represents contract fees or management fees and other fees that are amortised monthly over the term of the contract by the Company in connection with the provision of financing to clients.

In accordance with Article 83 of the Implementing Regulations of the Finance Companies Control Law issued by the Saudi Central Bank, all fees, commissions, and administrative service fees that the borrower is obliged to pay to the NBFI may not exceed one per cent. of the financing amount or five thousand Saudi Riyals (SAR 5,000), whichever is less, in the case of individual clients. For SMEs, there is a maximum of one per cent. only of the total financing amount.

The decrease in monthly fee income was affected by a decrease in the outstanding loan balance and a decrease in the number of new contracts concluded in 2020G. Income from fees levied decreased from SAR 3.4 million in 2019G to SAR 3.0 million in 2020G. It should be noted that no fees were imposed on Lending Financing Programme loans that were disbursed in 2020G (the value of such loans amounted to SAR 173.0 million). The Company also launched various offers such as the National Day Offer, during which fees were reduced or completely waived.

Fee revenue increased by 15.5 per cent. in 2021G, mainly due to a decrease in the number and scope of loans issued under the Lending Financing Programme (which are issued without any fees) in 2021G to SAR 73.0 million, compared to SAR 177.0 million in 2020G.

6.6.2.3 Other Revenue

The following table shows the details of the Company's other revenue for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.6: Details of Other Revenue for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Monsha'at	3.1	3.2	(0.2)	2.2%	(105.4%)	-
Private Sector Financing Support Programme	-	(0.8)	0.8	-	(200.0%)	-
Guaranteed Financing Programme	-	1.7	5.2	-	199.2%	-
Total	**3.1**	**4.1**	**5.8**	**31.1%**	**43.2%**	**37.0%**

Source: Management information.

6.6.2.4 Monsha'at

The Company obtained low-interest financing under the *Monsha'at* Programme. Other revenue from *Monsha'at*, which amounted to SAR 3.1 million and SAR 3.2 million in the years 2019G and 2020G, were represented by amortising the differential gain between the market interest rate on the loan and the actual interest rate on the loan from *Monsha'at*.

6.6.2.5 Private Sector Financing Support Programme (Deferred Payment)

This represents the net profit/loss generated from the Saudi Central Bank's Private Sector Financing Support Programme, which was launched by the Saudi Central Bank to support private sector financing in March 2020G to address the repercussions of the coronavirus pandemic on commercial activities by providing the necessary support to qualified micro, small and medium enterprises (first and second phases) according to the definition of the Saudi Central Bank under Circular No. 381000064902 dated 16 Jumada Al Akhirah 1438H (corresponding to 15 March 2017G). This was within the framework of the Deferred Instalment Payments Programme launched by the Saudi Central Bank in March 2020G and the subsequent announcement of additional extensions of the programme until March 2022G for a number of clients who needed additional time to total receivable settle the credit payments to the Company.

Instalment deferral waivers are a short-term liquidity support to address the borrower's potential cash flow shortfalls. Since July 2021G, this support has only been applied to micro, small and medium enterprises that were still under the influence of the precautionary measures that were applied following the spread of COVID-19 pandemic, in accordance with the directives issued by the Saudi Central Bank in this regard.

The accounting impact of the above changes has been assessed based on the credit facilities and has been addressed in accordance with the requirements of IFRS 9 as an amendment to the terms of the arrangement.

To compensate for all the related costs which the Company expects to incur under the Saudi Central Bank programme, it obtained the option to postpone the repayment of its bank loans in 2020G and 2021G, which amounted to SAR 56.2 million and SAR 41.0 million, respectively, being one of the small and medium enterprises of the bank dealing in such loans.

Following the deferral of the Company's credit instalments that fall within the same 15-month period, the Company recognised a one-day adjustment profit of SAR 16.3 million. As of 30 June 2021G, the Company settled an amount of SAR 16.3 million as an increase in the recoded adjustment gains. The net effect of the one-day adjustment gain and the adjustment of the adjusted gain recorded as part of special commission income has been presented.

According to the aforementioned programme, the Company had to postpone its profits of SAR 17.4 million in 2020G, which were related to loans amounting to the net related receivables of SAR 98.9 million. Such amount was offset by gains of SAR 14.3 million in 2020G related to bank borrowing under the Deferred Payment Programme. The net impact of this, after calculating amortisation, amounted to negative SAR 0.8 million in 2020G. However, in 2021G, this was reversed, taking into account the impact of the amortisation process.

6.6.2.6 Guaranteed Financing Programme

In 2020G and 2021G, the Company obtained a loan of SAR 250.0 million from the Saudi Central Bank related to the granting of credit facilities to eligible small and medium enterprises under the Guaranteed Financing Programme. This financing meets the conditions of a Government grant and the benefit is accounted for from the rate of financing provided as a subsidy in accordance with the accounting requirements for Government grants. As a result, total income of SAR 22.9 million was recognised in the comprehensive income statement as a one-day profit in 2020G and 2021G. Related amounts of SAR 0.01 million and SAR 1.6 million were recorded for 2020G and 2021G, respectively. In accordance with the requirements of the Deferred Payment Programme, the Company granted credit facilities to eligible SME clients at a price lower than the prevailing market price, which led to recording a one-day loss of SAR 22.5 million in 2020G and 2021G in the statement of comprehensive income and the recording of subsequent related amounts of SAR 0.9 million and SAR 7.2 million for 2020G and 2021G, respectively.

6.6.3 Islamic Financing Revenue by Branch

The following table shows the details of Islamic financing revenue by Company branch for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.7: Details of Islamic Financing Revenue by Branch for the Financial Years Ended 31 December 2019G, 2020G and 2021G [(1)]

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Riyadh	52.3	37.0	47.0	(29.3%)	26.9%	(5.2%)
Hail	9.6	10.0	10.0	3.9%	(0.0%)	1.9%
Tabuk	8.0	8.5	7.6	6.2%	(10.0%)	(2.2%)
Qurayyat	5.9	7.0	7.0	19.8%	(0.7%)	9.1%
Abha	5.3	5.3	4.9	0.8%	(7.3%)	(3.4%)
Jizan	5.2	5.7	5.0	10.5%	(12.5%)	(1.6%)
Jeddah	4.8	6.9	18.8	42.8%	172.2%	97.2%
Arar	4.7	4.2	3.2	(10.2%)	(22.5%)	(16.6%)
Sakaka	4.4	4.6	4.5	4.8%	(1.6%)	1.5%
Dawadmi	4.1	4.3	4.2	3.6%	(1.5%)	1.0%
Buraidah	2.4	2.8	3.4	15.1%	21.5%	18.3%
Najran	2.0	3.2	3.5	61.4%	10.0%	33.3%
Qatif	1.2	1.5	2.5	22.7%	69.0%	44.0%
Taif	0.8	1.6	2.4	103.2%	50.2%	74.7%
Dammam	0.2	3.1	7.1	1,515.7%	128.4%	507.4%
Total	**110.8**	**105.6**	**131.1**	**(4.6%)**	**24.2%**	**8.8%**

Source: Management information.

[(1)] Islamic financing revenue represents a portion of special commission income sources before adding fees and other revenue and deducting outstanding revenue. For further information, see Table 6.5. (*Details of the Company's Special Commission Income Sources for the Financial Years Ended 31 December 2019G, 2020G and 2021G*).

Commission income for the Riyadh region represented 47.2 per cent., 35.0 per cent. and 35.8 per cent. of the total financing revenue during the financial years 2019G, 2020G and 2021G, respectively. Business is concentrated in Riyadh region, as it is the business centre and economic hub of the Kingdom. Income from the Riyadh region decreased by 29.3 per cent., from SAR 52.3 million in the financial year ended 31 December 2019G to SAR 37.0 million in the financial year ended 31 December 2020G, as a result of the following:

- there were 314 loans from Riyadh under the Deferred Payment Programme. Revenues related to these loans were postponed from 14 March 2020G to June 2021G; and
- fewer new applications were received due to the lockdown period during the COVID-19 pandemic.

Commission income for the Jeddah region increased by 172.2 per cent. in 2021G as a result of an increase in the number and value of loans granted to Jeddah clients, where the average disbursement of loans amounted to SAR 200.1 million as of 31 December 2021G, compared to SAR 114.6 million as of 31 December 2020G. Furthermore, these disbursed loans generated SAR 17.0 million and SAR 5.9 million in revenue on 31 December 2020G and 31 December 2021G, respectively. It should be noted that the revenue recognised through loan payments is high at the beginning of the term and decreases as the maturity period of the loan shortens.

Income from the Hail branch amounted to 8.7 per cent., 9.4 per cent. and 7.6 per cent. of the total Islamic finance income in 2019G, 2020G and 2021G, respectively. The Hail branch was the third largest branch in the Kingdom in terms of revenue in 2021G. Hail branch income increased by 4.2 per cent., from SAR 9.6 million in financial year ended 31 December 2019G to SAR 10.0 million in 2020G, in connection with new client contracts.

6.6.4 Special Commission Expense

The following table shows the details of the Company's special commission expense for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.8: Details of the Special Commission Expense for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Monsha'at loss account receivables	3.9	-	-	(100.0%)	-	(100.0%)
Lease liabilities	0.4	0.4	0.3	(7.1%)	(25.7%)	(16.9%)
Sales commission	1.5	1.0	1.8	(31.9%)	78.0%	10.1%
Sukuk fees	12.5	14.0	8.9	12.6%	(36.7%)	(15.6%)
Administrative fees for credit facilities	1.9	3.4	4.9	81.6%	46.5%	63.1%
Credit facility commission	14.3	4.1	5.2	(71.5%)	26.4%	(40.0%)
Deferred interest expenses for *Monsha'at*	0.3	1.9	(1.0)	448.6%	(151.1%)	N/A
Total	**34.7**	**24.7**	**20.0**	**(28.8%)**	**(18.8%)**	**(24.0%)**

Source: Management information.

Special commission expense mainly includes Sukuk fees and administrative fees for credit facilities, which constituted 36.0 per cent. and 5.6 per cent. of the total special commission expense during the financial year ended 31 December 2019G, respectively. On the other hand, both components accounted for 56.7 per cent. and 13.8 per cent. of the total special commission expense during the financial year ended 31 December 2020G, and accounted for 44.5 per cent. and 24.5 per cent. of the total expense during the financial year ended 31 December 2021G, respectively.

6.6.4.1 Monsha'at Loss Account Receivables

Monsha'at loss account receivables mainly relate to the financing of *Monsha'at* receivables in 2018G. The recorded amount represents the first-day loss on low-commission financing obtained from the Social Development Bank. These amounts are calculated according to IFRS 9 and represent a difference in the low rate at which the loan is made to the client and the Company's average rate for SMEs.

Monsha'at loss account receivables decreased to nil in 2020G and 2021G, as the Company reclassified these expenses within other revenue in 2020G and 2021G.

6.6.4.2 Lease Liabilities

The Company adopted IFRS 16 in 2019G and the expenses did not witness any material fluctuations between 2019G and 2021G due to the lack of additional branches during the reporting period.

6.6.4.3 Sales Commission

Sales commission represents commissions paid to agents. Sales commission decreased by SAR 0.5 million in 2020G mainly due to COVID-19 restrictions between April and October of 2020G. Sales commission increased by SAR 0.8 million in 2021G, primarily due to an increase in business activities in 2021G for both individual clients and SMEs.

6.6.4.4 Sukuk Fees

The Company established a Sukuk issuance programme in 2017G and issued two tranches of Sukuk amounting to SAR 178.0 million in 2018G and SAR 80.0 million in 2019G at a return rate of 8.0 per cent. and 6.0 per cent., respectively. Sukuk fees include profit expenses and amortisation of advance fees. These fees increased by 12.6 per cent., from SAR 12.5 million in 2019G to SAR 14.0 million in 2020G, due to an increase in the basic balance in 2020G, as a result of the issuance of the second tranche in December 2019G. These expenses decreased in 2021G, by 36.7 per cent., due to a decrease in the balance of outstanding Sukuk. Voucher payments, including the profit and principal amount, on these Sukuk are made on a quarterly basis. The first Sukuk is payable in November 2023G and the second Sukuk is payable in December 2022G.

6.6.4.5 Administrative Fees for Credit Facilities

Administrative fees for credit facilities are the administrative fees associated with Riyad Bank facility transactions that were obtained in 2019G. Expenses increased by 81.6 per cent., from SAR 1.9 million in 2019G to SAR 3.4 million in 2020G as a result of an additional facility obtained from Riyad Bank. Administrative fees increased by 46.5 per cent., from SAR 3.4 million in 2020G to SAR 4.9 million in 2021G. The increase in 2021G was mainly due to obtaining two additional facilities from the Social Development Bank in June 2020G amounting to SAR 120.0 million (administrative fees for 6 months only, compared to 12 months in 2021G). In addition, the Company obtained additional facilities from the Social Development Bank amounting to SAR 70.0 million in 2021G. Furthermore, the Company obtained an additional loan of SAR 100.0 million from Bank Albilad in 2021G.

6.6.4.6 Credit Facility Commission - Head Office

These expenses are related to special commissions for the Company's loans, with the exception of loans obtained from the Social Development Bank. The value of credit facility commissions decreased by 71.5 per cent., from SAR 14.3 million in 2019G to SAR 4.1 million in 2020G. This decrease was related to the Private Sector Financing Support Programme of the Saudi Central Bank, as the Company did not pay any commission or interest on the commercial loans it obtained from banks.

Similarly, the Company did not charge any commission to its SME clients who met the pre-defined criteria of the Saudi Central Bank for the Private Sector Financing Support Programme.

6.6.4.7 Deferred Interest Expenses for Monsha'at

Deferred interest expenses for *Monsha'at* are associated with the Deferred Payment Programme issued by the Saudi Central Bank to support private sector financing to combat the coronavirus pandemic. Expenses increased by 448.6 per cent., or SAR 1.5 million, from SAR 0.3 million in 2019G to SAR 1.9 million in 2020G, due to increased payments under the *Monsha'at* Programme.

6.6.5 Other Revenue

The following table shows details of the Company's other revenue for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.9: Details of Other Revenue for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Recovery of written-off Islamic finance receivables	9.0	10.6	11.6	18.1%	9.5%	13.7%
Early payment fee income	3.1	4.8	6.1	52.5%	27.2%	39.3%
Income from short-term deposits	3.8	1.5	0.6	(61.2%)	(62.1%)	(61.6%)
Other	0.4	0.6	0.6	49.0%	12.2%	29.3%
Total	**16.3**	**17.4**	**18.9**	**6.9%**	**8.4%**	**7.6%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Other revenue represents miscellaneous revenue recorded in the normal course of business from separate sources. Other revenue recorded between 2019G and 2021G mainly consisted of written-off Islamic finance receivables, early payment fee income, short term deposit income, and other revenue. It increased by 6.9 per cent., from SAR 16.3 million in 2019G to SAR 17.4 million in 2020G. This increase resulted from an increase in the recovery of Islamic finance receivables from SAR 9.0 million in 2019G to SAR 10.6 million in 2020G. Other revenue increased by 8.4 per cent., from SAR 17.4 million in 2020G to SAR 18.9 million in 2021G. This increase was mainly related to an increase in early payment fees from SAR 4.8 million in 2020G to SAR 6.1 million in 2021G.

6.6.6 General and Administrative Expenses

The following table shows details of general and administrative expenses for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.10: General and Administrative Expenses for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Employee salaries and costs	20.3	22.3	29.0	9.7%	30.1%	19.4%
Depreciation	2.9	2.8	3.1	(3.6%)	12.5%	4.1%
Professional and legal fees	2.7	2.6	3.2	(5.3%)	23.3%	8.1%
Insurance expense	1.1	1.0	1.6	(10.0%)	60.1%	20.1%
Non-refundable value-added tax (VAT)	0.7	0.8	1.4	10.5%	72.2%	37.9%
Bank fees	1.5	0.8	1.0	(50.2%)	34.0%	(18.3%)
Amortisation	0.5	0.7	0.7	31.2%	9.1%	19.7%

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Repairs and maintenance	0.5	0.6	1.3	19.1%	103.1%	48.1%
Utilities expense	0.5	0.7	1.0	24.0%	7.53%	33.2%
Rent expense	0.1	-	-	-	-	(100.0%)
Other expenses	2.9	3.0	3.9	1.5%	32.9%	16.2%
Total	**33.8**	**35.0**	**46.1**	**3.8%**	**31.7%**	**16.9%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

General and administrative expenses increased by 3.8 per cent., from SAR 33.8 million in 2019G to SAR 35.0 million in 2020G. This increase resulted from an increase in employee salaries and costs of 9.7 per cent. in 2020G. General and administrative expenses continued to increase by 31.7 per cent., from SAR 35.0 million in 2020G to SAR 46.1 million in 2021G. This increase was mainly related to an increase in employee salaries and costs of 30.1 per cent. in 2021G.

General and administrative expenses were concentrated in employee salaries and costs, which represented 60.1 per cent., 63.5 per cent. and 62.8 per cent. of the total said expenses in 2019G, 2020G and 2021G, respectively.

6.6.6.1 Employee Salaries and Costs

Employee salaries and costs relate to salaries, allowances, housing allowances and transportation allowances for administrative staff (including the cost of external staff) who are distributed among the Accounting Department, the Legal Affairs Department, the Personnel Department and General Management. Employee salaries and costs increased by 9.7 per cent., from SAR 20.3 million in 2019G to SAR 22.3 million in 2020G. The aforesaid increase was related to an increase in the number of employees from 84 to 109 between the two years. Employee costs increased by 30.1 per cent., from SAR 22.3 million in 2020G to SAR 29.0 million in 2021G. Such increase was affected by a further increase in the number of employees from 109 to 160 between the two years.

6.6.6.2 Depreciation

Depreciation of property and equipment (classified under general and administrative expenses) consists of depreciation of furniture, equipment, computers and leasehold improvements. The aforementioned depreciation expenses did not witness substantial changes between 2019G and 2021G.

6.6.6.3 Professional and Legal Fees

Professional and legal fees include audit expenses, legal studies expenses and financial advisory expenses. They did not witness any material changes between 2019G and 2020G.

6.6.6.4 Insurance Expense

Insurance expenses mainly relate to vehicle insurance expenses, which increased by 60.1 per cent., from SAR 1.0 million in 2020G to SAR 1.6 million in 2021G. This rise is mainly due to an increase in vehicle insurance expenses in 2021G, driven by an increase in leasing activity that year. Insurance expenses did not witness any material fluctuations between 2019G and 2020G.

6.6.6.5 Non-refundable Value-added Tax (VAT)

Non-refundable VAT increased by 72.2 per cent., from SAR 0.8 million in 2020G to SAR 1.6 million in 2021G. This increase was mainly due to an increase in bank fees and an increase in VAT from 5.0 per cent. to 15.0 per cent. in 2019G. Non-refundable VAT expenses did not witness any material fluctuations between 2019G and 2020G.

6.6.6.6 Bank Fees

Bank fees relate to transaction fees; they decreased by 50.2 per cent., from SAR 1.5 million in 2019G to SAR 0.8 million in 2020G. This decrease was due to a decrease in transaction activity in 2020G due to the impact of the coronavirus pandemic (COVID-19). In contrast, bank fees increased by 34.0 per cent., from SAR 0.8 million in 2020G to SAR 1.0 million in 2021G. This increase is attributable to an increase in the value of bank transactions in 2021G, as a result of an increase in commercial activity.

6.6.6.7 Repairs and Maintenance

Repairs and maintenance expenses relate to IT and building maintenance expenses; they increased by 19.1 per cent., from SAR 0.5 million in 2019G to SAR 0.6 million in 2020G. These expenses continued to increase by 103.1 per cent., from SAR 0.6 million in 2020G to SAR 1.3 million in 2021G, as a result of an increase in the scope and number of maintenance works related to various new software (Kastle, Oracle, and Anti-Money Laundering software) during that period.

6.6.6.8 Utilities Expense

Public utilities expenses are related to electricity, telephone and internet services; they increased by 24.0 per cent., from SAR 0.5 million in 2019G to SAR 0.7 million in 2020G. Such expense continued to increase by 53.7 per cent., from SAR 0.7 million in 2020G to SAR 1.0 million in 2021G. This increase was primarily due to an increase in electricity, telephone and internet services expenses compared to 2020G, driven by the cost of installing direct lines between the branches and the service provider.

6.6.6.9 Rent Expense

Rent expenses are associated with the Company's branch in the Dammam region. The Company recorded a rent expense of SAR 0.1 million in 2019G. No rent expenses were recorded in 2020G or 2021G. The Company changed its estimate from a short-term lease in 2019G to a long-term lease in 2020G and 2021G and Rent was included under the right of assets item.

6.6.6.10 Other Expenses

Other expenses consist mainly of licence issuance and renewal fees, insurance expenses incurred by clients, commercial registration renewal fees and other miscellaneous expenses incurred in the normal course of business. They did not witness any significant change between 2019G and 2020G. Other expenses increased by 31.7 per cent., from SAR 3.0 million in 2020G to SAR 3.9 million in 2021G, due to an increase in amortised prepaid software maintenance expenses and Government expenses of SAR 1.3 million and SAR 1.0 million, respectively, in 2021G.

6.6.7 Impairment Losses on Islamic Finance Receivables – Provision Movement

The following table shows impairment losses in the value of the Company's Islamic finance receivables (provision movement) for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.11: Impairment Losses on Islamic Finance Receivables – Provision Movement for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Balance at the beginning of the year	13.2	22.8	27.9	72.7%	22.6%	39.6%
Increase in the provision during the year	20.1	23.4	38.8	16.4%	65.6%	(33.8%)
Required provision	(10.5)	(18.3)	(23.2)	73.5%	26.6%	41.9%
Total	**22.8**	**27.9**	**43.6**	**22.6%**	**65.0%**	**33.4%**

Source: Management information.

The fees were calculated in accordance with IFRS 9. The value of the additional provision related to the impairment of Islamic finance receivables increased by 16.4 per cent., from SAR 20.1 million in 2019G to SAR 23.4 million in 2020G, due to the increased disbursement of loans in the last two quarters of 2020G. The value of the provision continued to rise by 65.6 per cent., to SAR 38.8 million in 2021G, driven by an increase in certain provisions (on certain loans) from SAR 7.3 million in 2020G to SAR 23.3 million in 2021G (on certain loans), in anticipation of the change in the expected credit loss model in 2022G in accordance with the updated regulations of the Saudi Central Bank. It should be noted that the provision calculated as of 31 December 2021G included SAR 16.1 million linked to six performing loans for SMEs.

The following table shows a comparison of the new and old expected credit loss models:

Table 6.12: Comparison of the New and Old Expected Credit Loss Models

	Old Model	New Model
1	No minimum loss given default.	Minimum loss given default of 10% for Stages Two and Three.
2	Grading is based only on closing days past the payment date (Days Past Due (DPD)).	The final grading depends on a number of factors such as loan restructuring, management watch list, litigation, etc.
3	There is no monitoring period for Stage Three loans.	Stage Three clients must be monitored for six and 12 months for consumer and SMEs, respectively, before being reclassified to Stage Two and One.
4	120 days after the due date of the default criteria for the payment date (Days Past Due (DPD)).	90 days after due date of payment, default criteria.
5	Use of the inflation rate as a second external factor to calculate the probability of default (PD).	Use of expenses as a second external factor to calculate the probability of default (PD).

Source: Management information.

6.7 Statement of Financial Position

The following table shows the Company's statement of financial position as of 31 December 2019G, 2020G and 2021G:

Table 6.13: Summary of the Statement of Financial Position f as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Assets						
Cash and cash equivalents	156.6	89.1	42.8	(43.1%)	(51.9%)	(47.7%)
Restricted cash deposits	1.9	2.0	-	8.0%	(100.0%)	(100.0%)
Prepaid expenses and other assets	9.9	13.0	11.6	30.7%	(10.5%)	8.1%
Investments at fair value through other comprehensive income	0.9	0.9	0.9	-	-	-
Islamic finance receivables	590.4	793.6	924.1	34.4%	16.4%	25.1%
Assets confiscated for sale	4.2	66.6	49.4	1,482.5%	(25.8%)	242.7%
Right-of-use assets	5.5	5.4	4.3	(2.0%)	(21.6%)	(12.3%)
Intangible assets	4.2	5.0	4.6	18.0%	(6.4%)	5.1%
Property and equipment	4.9	5.1	4.5	5.0%	(12.5%)	(4.2%)
Total assets	**778.6**	**980.8**	**1,042.3**	**26.0%**	**6.3%**	**15.7%**
Liabilities and equity						
Payables, outstanding amounts and other	9.6	8.8	11.9	(8.0%)	35.6%	11.7%
Zakat provision	3.1	7.2	7.0	129.1%	(2.6%)	49.4%
Loans	467.0	631.2	649.3	35.2%	2.9%	17.9%
Lease liabilities	5.2	5.2	3.9	(0.1%)	(24.1%)	(12.9%)
Employee defined benefit liabilities	2.4	3.1	4.2	30.8%	36.3%	33.5%
Total liabilities	**487.2**	**655.4**	**676.4**	**34.5%**	**3.2%**	**17.8%**
Equity						
Share capital	255.0	280.5	311.4	10.0%	11.0%	10.5%
Statutory reserve	9.8	13.2	17.3	34.7%	30.7%	32.7%
Retained earnings	26.5	31.6	37.3	19.3%	17.8%	18.5%
Total equity	**291.3**	**325.3**	**365.9**	**11.7%**	**12.5%**	**12.1%**
Total liabilities and equity	**778.6**	**980.8**	**1,042.3**	**26.0%**	**6.3%**	**15.7%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Asset balances increased by 26.0 per cent., from SAR 778.6 million as of 31 December 2019G to SAR 980.8 million as of 31 December 2020G, due to an increase in the value of Islamic finance receivables of 34.4 per cent., from SAR 590.4 million as of 31 December 2019G to SAR 793.6 million as of 31 December 2020G. The assets balance continued to increase as of 31 December 2021G by 6.3 per cent., from SAR 980.8 million as of 31 December 2020G to SAR 1,042.3 million as of 31 December 2021G, as a result of an increase in the value of Islamic finance receivables by 16.4 per cent., from SAR 793.6 million as of 31 December 2020G to SAR 924.1 million as of 31 December 2021G.

Total equity increased by 11.7 per cent., from SAR 291.3 million as of 31 December 2019G to SAR 325.3 million as of 31 December 2020G. Such increase was affected by an increase in retained earnings from SAR 26.5 million as of 31 December 2019G to SAR 31.6 million as of 31 December 2020G. Total equity continued to increase by 6.3 per cent., from SAR 325.3 million as of 31 December 2020G to SAR 365.9 million as of 31 December 2021G. The aforementioned increase was affected by an increase in retained earnings, from SAR 31.6 million as of 31 December 2020G to SAR 37.3 million as of 31 December 2021G.

The balance of total liabilities increased by 34.5 per cent., from SAR 487.2 million as of 31 December 2019G to SAR 655.4 million as of 31 December 2020G, as a result of an increase in loan balances of 35.2 per cent., from SAR 467.0 million as of 31 December 2019G to SAR 631.2 million on 31 December 2020G. The balance of total liabilities continued to increase by 3.2 per cent., from SAR 655.4 million on 31 December 2020G to SAR 676.4 million on 31 December 2021G, as a result of an increase in loan balances of 35.2 per cent., from SAR 631.2 million as of 31 December 2020G to SAR 649.3 million as of 31 December 2021G. This increase in loan balances was driven by the Company's need to finance Islamic finance receivables. The Company also obtained commission-free and low-commission loans from the Saudi Central Bank and the Social Development Bank to support SMEs during COVID-19 pandemic.

6.7.1 Cash and Cash Equivalents

The following table shows the Company's cash and cash equivalents as of 31 December 2019G, 2020G and 2021G:

Table 6.14: Cash and Cash Equivalents as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Bank balances	116.6	59.0	42.8	(49.4%)	(27.4%)	(39.4%)
Short-term deposits	40.0	30.1	-	(24.8%)	(100.0%)	(100.0%)
Cash in hand	0.0	0.0	0.0	(8.3%)	7.2%	(0.8%)
Total	**156.6**	**89.1**	**42.8**	**(43.1%)**	**(51.9%)**	**(47.7%)**

Source: Management information.

The Company's cash balances mainly consist of bank balances, which represented 74.4%, 66.2% and 99.9% of the total cash and cash equivalents as of 31 December 2019G, 2020G and 2021G, respectively.

Bank balances are distributed among several banks that the Company deals with in order to collect its dues and settle its payables.

The balance of cash and cash equivalents decreased by 43.1%, from SAR 156.6 million as of 31 December 2019G to SAR 89.1 million as of 31 December 2020G. The cash and cash equivalents balance continued to decline by 51.9 per cent., from SAR 89.1 million as of 31 December 2020G to SAR 42.8 million as of 31 December 2021G. This decrease in the cash and cash equivalents balance was due to a decrease in cash flows related to the Company's financing activities, which decreased from a cash flow of SAR 164.2 million to a cash flow of SAR 18.1 million between 2020G and 2021G. The aforementioned decrease is due to a decline in the balance of Islamic finance receivables as a result of collection. The cash outflow from net cash generated from financing activities increased during the period, driven by a significant increase in loan payments, despite a decrease in the value of payments as a result of the grace period granted by the Saudi Central Bank to the Company, which led to the postponement of the payment of instalments for loans granted to the Company.

6.7.2 Restricted Cash Deposits

The following table shows restricted cash deposits as of 31 December 2019G, 2020G and 2021G:

Table 6.15: Restricted Cash Deposits as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Restricted cash deposits	1.9	2.0	-	8.0%	(100.0%)	(100.0%)
Total	**1.9**	**2.0**	**-**	**8.0%**	**(100.0%)**	**(100.0%)**

Source: Management information.

In line with the requirements of the financing facilities granted by SABB, the Company made an allocation of SAR 2.0 million on 31 December 2021G (SAR 1.9 million on 31 December 2020G). The cash deposit held with the bank was restricted, non-withdrawable and non-usable by the Company. In 2021G, the Company paid the full amount of the loan (SABB loan) and the restricted cash was recovered.

6.7.3 Prepaid Expenses and Other Assets

The following table shows prepaid expenses and other assets as of 31 December 2019G, 2020G and 2021G:

Table 6.16: Prepaid Expenses and Other Assets as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Amount receivable from the sale of confiscated assets	7.8	7.1	6.9	(8.8%)	(2.9%)	(5.9%)
Prepaid expenses	1.2	4.8	3.7	312.2%	(23.2%)	77.9%
Other receivables	0.6	0.7	0.2	11.6%	(74.2%)	(46.3%)
Advances to employees/advance payments to suppliers	0.3	0.2	0.5	(37.6%)	128.3%	19.3%
Other	0.1	0.2	0.4	351.0%	74.5%	180.6%
Total	**9.9**	**13.0**	**11.6**	**30.7%**	**(10.5%)**	**8.1%**

Source: The Company's audited financial statements for the financial years ended ended 31 December 2020G and 2021G.

The Company confiscated a guarantee in the form of a property for *Tawarruq* receivables due from a client who defaulted in 2019G. The Company sold the confiscated property for SAR 11.3 million in instalments over a period of 60 months. The balance represents the instalments receivable (after deducting unearned revenue) at the end of the year. There has been no default in instalments since the property was sold.

The balance represents the instalments receivable (net of unearned income) at the end of the year. There has been no default in instalments since the property was sold. The instalments balance decreased by SAR 0.6 million and SAR 0.2million as of 31 December 2020G and 31 December 2021G, as a result of the amortisation of property sale instalments.

Prepaid expenses mainly include advance payments to suppliers in connection with lease contracts, in addition to advance payments for software maintenance, professional fees, medical insurance and advance payments related to vehicle insurance, as well as other non-operating expenses paid in advance. Prepaid expenses increased by 312.2 per cent., from SAR 1.2 million as of 31 December 2019G to SAR 4.8 million as of 31 December 2020G. This increase is attributed to an increase in expenses paid in advance to sellers in connection with *Ijarah* contracts, in line with an increase in *Ijarah* finance in financial year ended 31 December 2020G. In addition, higher costs of maintenance and prepaid software licences resulting from upgrading operating systems and software such as Oracle software contributed to such increase. In contrast, prepaid expenses decreased by 23.2 per cent., from SAR 4.8 million as of 31 December 2020G to SAR 3.7 million as of 31 December 2021G, primarily due to the reclassification of payments to car suppliers, which was a negative balance of SAR 1.2 million as of 31 December 2021G. Advance payments to car suppliers amounted to SAR 1.8 million as of 31 December 2020G, which was due to car sellers as of 31 December 2021G. However, the management did not classify it as part of liabilities and presented it as a negative balance in advance payments.

This was partially offset by the increase in the outstanding client instalments account from SAR 0.2 million as of 31 December 2020G to SAR 1.5 million as of 31 December 2021G. Such account serves as a clearing account for payments made by clients. According to the management, this increase was in the normal course of business whereby some time is required to balance the receivables against payments made by customers.

Other receivables include a special commission on short-term deposits (as of 31 December 2019G) and a crowdfunding investment of SAR 0.7 million in 2020G through Lendo, a Saudi-based crowdfunding platform that supports SMEs in financing short-term invoices. These amounts decreased by SAR 0.5 million, from SAR 0.7 million as of 31 December 2020G to SAR 0.2 million as of 31 December 2021G, as the crowdfunding investment amounts had fallen due.

Advances to employees/advance payments to suppliers are related to advances paid to the Company's employees as personal loans. Such balance may change substantially or insignificantly, in terms of value, through the normal course of business based on loan requests from employees and the amounts provided.

Other upfront expenses include miscellaneous non-operating payments such as VAT, withholding tax payment calculation (excess VAT and withholding tax paid) and other payments. Such balance did not experience any material fluctuations during the financial period.

6.7.4 Investments at Fair Value through Other Comprehensive Income

The following table shows investments at fair value through other comprehensive income as of 31 December 2019G, 2020G and 2021G:

Table 6.17: Investments at Fair Value through Other Comprehensive Income as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Investments at fair value through other comprehensive income	0.9	0.9	0.9	-	-	-
Total	**0.9**	**0.9**	**0.9**	**-**	**-**	**-**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

The Company owns a non-current investment with a stake of 2.33 per cent. in the Saudi Financial Lease Contract Registry Company (SIJIL), which was established with other leasing and financing companies registered in the Kingdom for the purpose of registering financial lease contracts and registering and transferring asset title deeds under financial lease contract arrangements. The investment is carried at cost, as the management believes the fair value is not materially different from the cost, since the investment is immaterial and the management is confident that its effect is not material between the initial cost and the fair value.

6.7.5 Islamic Finance Receivables

The following table shows Islamic finance receivables as of 31 December 2019G, 2020G and 2021G:

Table 6.18: Islamic Finance Receivables as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Total Islamic finance receivables	855.0	1,107.6	1,275.7	29.6%	15.2%	22.2%
Less: Unrealised profit	(241.7)	(286.1)	(308.0)	18.3%	7.7%	12.9%
	613.2	**821.6**	**967.7**	**34.0%**	**17.8%**	**25.6%**
Less: Provision for impairment losses	(22.8)	(27.9)	(43.6)	22.6%	56.0%	38.3%
Islamic finance receivables, net	**590.4**	**793.6**	**924.1**	**34.4%**	**16.4%**	**25.1%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

The total Islamic finance receivables are presented net of outstanding balances (unpaid revenue amounts) and low-cost Private Sector Financing Support Programme loans to finance companies against the obligation to support SMEs with financing below the prevailing market rate.

Unrealised profit revenue includes deferred earnings, insurance income and administrative fees.

The Company started calculating the provision for impairment in accordance with IFRS 9 requirements as of 1 January 2018G.

Although receivables increased by 34.0 per cent., the provision for impairment increased by 22.6 per cent. on 31 December 2020G, from SAR 22.8 million as of 31 December 2019G to SAR 27.9 million as of 31 December 2020G. This is primarily due to a decrease in the impairment provision on new loans of SAR 173.0 million under the Lending Financing Programme, 95.0 per cent. of which is secured through the *Kafalah* programme, which led to a decrease in provisions. The provision estimate is calculated based on the expected credit loss model which includes various factors such as the probability of default, credit risk, correlations between macroeconomic scenarios and economic inputs and their impact on the probability of default and loss in the event of default.

6.7.5.1 Net Islamic Finance Receivables - by Product

The following table shows the net Islamic finance receivables by product as of 31 December 2019G, 2020G and 2021G:

Table 6.19: Net Islamic Finance Receivables by Product as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Tawarruq	566.6	757.7	882.1	33.7%	16.4%	24.8%
Ijarah	19.5	35.8	42.0	83.5%	17.1%	46.6%
Murabaha	4.2	0.1	-	(96.9%)	(100.0%)	(100.0%)
Total	**590.4**	**793.6**	**924.1**	**34.4%**	**16.4%**	**25.1%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.7.5.2 Islamic Finance Receivables - *Tawarruq*

The following table shows Islamic finance receivables - *Tawarruq* as of 31 December 2019G, 2020G and 2021G:

Table 6.20: Islamic Finance Receivables – Tawarruq as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Total *Tawarruq* receivables	823.0	1,058.5	1,219.3	28.6%	15.2%	21.7%
Less: Unrealised profit	(234.0)	(273.0)	(294.6)	16.7%	7.9%	12.2%
	589.0	**785.4**	**924.7**	**33.3%**	**17.7%**	**25.3%**
Less: Provision for impairment losses	(22.4)	(27.8)	(42.5)	24.1%	53.2%	37.9%
Islamic finance receivables - *Tawarruq*, net	**566.6**	**757.7**	**882.1**	**33.7%**	**16.4%**	**24.8%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

The total balance of *Tawarruq* receivables increased by 28.6 per cent. as of 31 December 2020G, from SAR 823.0 million as of 31 December 2019G to SAR 1,058.5 million as of 31 December 2020G. The balance of the total Tawarruq receivables continued to increase by 15.2 per cent., to SAR 1,219.3 million as of 31 December 2021G. The Company usually prefers to grant financing amounts through Tawarruq, as it is easier to process compared to other products. In the case of the Tawarruq product, the Company is only required to transfer the cash to the client's account, while with the Murabaha product, the Company first needs to purchase the product and deliver it to the client as opposed to performing a cash transfer. Moreover, the rise is also attributed to the Saudi Central Bank's increased focus on financing SMEs during COVID-19 period through the Lending Financing Programme.

6.7.5.3 Islamic Finance Receivables - *Ijarah*

The following table shows Islamic finance receivables - *Ijarah* as of 31 December 2019G, 2020G and 2021G:

Table 6.21: Islamic Finance Receivables – Ijarah as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Total *Ijarah* receivables	27.2	49.0	56.4	80.3%	15.1%	44.0%
Less: Unrealised profit	(7.3)	(13.0)	(13.4)	77.3%	2.7%	35.0%
	19.9	**36.0**	**43.0**	**81.4%**	**19.5%**	**47.2%**
Less: Provision for impairment losses	(0.3)	(0.2)	(1.1)	(47.0%)	515.6%	80.6%
Islamic finance receivables - *Ijarah*, net	**19.5**	**35.8**	**42.0**	**83.5%**	**17.1%**	**46.6%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Total *Ijarah* receivables increased by 80.3 per cent. on 31 December 2020G, from SAR 27.2 million as of 31 December 2019G to SAR 49.0 million as of 31 December 2020G. The balance continued to increase by 15.1 per cent., to SAR 56.4 million as of 31 December 2021G after the Company focused on increasing the *Ijarah* product by scaling up the marketing team's efforts, in addition to appointing a new manager to focus on the *Ijarah* finance sector.

6.7.5.4 Islamic Finance Receivables - *Murabaha*

The following table shows Islamic finance receivables - *Murabaha* as of 31 December 2019G, 2020G and 2021G:

Table 6.22: Islamic Finance Receivables – Murabaha as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Total *Murabaha* receivables	4.7	0.2	-	(96.8%)	(100.0%)	(100.0%)
Less: Unrealised profit	(0.4)	(0.0)	-	(97.6%)	(100.0%)	(100.0%)
	4.3	**0.1**	**-**	**(96.7%)**	**(100.0%)**	**(100.0%)**
Less: Provision for impairment losses	(0.1)	(0.0)	-	(87.4%)	(100.0%)	(100.0%)
Islamic finance receivables - *Murabaha*, net	**4.2**	**0.1**	**-**	**(96.9%)**	**(100.0%)**	**(100.0%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

The total balance of *Murabaha* receivables decreased from SAR 4.7 million as of 31 December 2019G to SAR 0.2 million as of 31 December 2020G, followed by an additional decrease to nil as of 31 December 2021G. *Tawarruq* financing is more suitable for the Company compared to *Murabaha* financing as it is easier to process than the *Murabaha* product.

6.7.5.5 Net Islamic Finance Receivables

The following table shows the net Islamic finance receivables as of 31 December 2019G, 2020G and 2021G:

Table 6.23: Net Islamic Finance Receivables as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Retail	367.1	423.3	458.2	15.3%	8.2%	11.7%
SMEs	223.3	370.3	465.9	65.9%	25.8%	44.5%
Total	**590.4**	**793.6**	**924.1**	**34.4%**	**16.4%**	**25.1%**

Source: Management information.

6.7.5.6 Islamic Finance Receivables - Retail

The following table shows Islamic finance receivables - retail *Murabaha* as of 31 December 2019G, 2020G and 2021G:

Table 6.24: Islamic Finance Receivables – Retail as of 31 December 2019G, 2020G and 2021G

SAR Million	As of31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Total Islamic finance receivables - retail	**373.2**	**432.8**	**459.8**	**16.0%**	**6.2%**	**11.0%**
Provision	(6.0)	(9.5)	(1.7)	58.2%	(82.6%)	(47.6%)
Net Islamic finance receivables - retail	**367.1**	**423.3**	**458.2**	**15.3%**	**8.2%**	**11.7%**

Source: Management information.

6.7.5.7 Islamic Finance Receivables - SMEs

The following table shows Islamic finance receivables - SMEs *Murabaha* as of 31 December 2019G, 2020G and 2021G:

Table 6.25: Islamic Finance Receivables – SMEs as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Total Islamic Finance Receivables - SMEs	240.1	388.7	507.9	61.9%	30.6%	45.5%
Provision	(16.8)	(18.4)	(41.9)	9.7%	128.0%	58.2%
Net Islamic finance receivables - SMEs	**223.3**	**370.3**	**465.9**	**65.9%**	**25.8%**	**44.5%**

Source: Management information.

6.7.5.8 Loan Commitment Ratios Required by the Saudi Central Bank

The following table shows the loan commitment ratios required by the Saudi Central Bank as of 31 December 2019G, 2020G and 2021G:

Table 6.26: Loan Commitment Ratios Required by the Saudi Central Bank as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December		
	2019G	2020G	2021G
Total equity (a)	291.3	325.3	365.9
Maximum limit according to the Saudi Central Bank (#)(b)	3	3	3
Maximum allowable (c=a*b)	873.9	976.0	1,097.6
Receivables (net) (d)	(590.4)	(793.6)	(924.1)
Available borrowing limits (e = c + d)	**283.5**	**182.3**	**173.5**
Commitment ratio according to the financial statements	2.0	2.4	2.5
Commitment status	**Committed**	**Committed**	**Committed**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G and management information.

The Company was committed to the required loan ratios according to the directives of the Saudi Central Bank between 31 December 2019G and 31 December 2021G. According to the directives of the Saudi Central Bank, the value of loans granted by finance companies involved in financing activities should not exceed three times the value of the equity declared in a certain period or year.

6.7.5.9 Islamic Finance Receivables (Before Provision for Impairment) by Income Level

The following table shows the Islamic finance receivables (before provision for impairment) by income level as of 31 December 2019G, 2020G and 2021G:

Table 6.27: Islamic Finance Receivables (Before Provision for Impairment) by Income Level as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Retail						
Less than 5,000	5.9	7.1	6.3	20.3%	(10.4%)	3.8%
5,001 – 10,000	136.5	162.5	157.5	19.1%	(3.1%)	7.4%
10,001 – 15,000	150.8	175.4	182.2	16.3%	3.9%	9.9%
15,001 – 20,000	45.6	58.4	69.3	28.1%	18.7%	23.3%
More than 20,000	34.4	29.5	44.5	(14.4%)	51.0%	13.7%
Total	**373.2**	**432.8**	**459.8**	**16.0%**	**6.2%**	**11.0%**

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
SMEs						
Less than SAR 3.0 million	49.8	50.5	104.1	1.6%	106.0%	44.6%
From SAR 3.0 million to SAR 40.0 million	109.6	203.2	284.4	85.4%	40.0%	61.1%
From SAR 40.0 million to SAR 200.0 million	80.7	115.1	105.3	42.7%	(8.5%)	14.2%
Over SAR 200.0 million	-	19.9	14.0	N/A	(29.5%)	N/A
Total	**240.1**	**388.7**	**507.9**	**61.9%**	**30.6%**	**45.5%**
Total	**613.2**	**821.6**	**967.7**	**34.0%**	**17.8%**	**25.6%**

Source: Management information.

(a) Retail

The Company's Islamic finance receivables are mainly related to income levels which range from SAR 5,000 to SAR 15,000 per month. Islamic finance receivables from this combined income represented 46.8 per cent., 41.1 per cent. and 35.1 per cent. of total Islamic finance receivables as of 31 December 2019G, 2020G and 2021G, respectively. This is due to the Company's focus on clients in that category, due to the need of low- and middle-income groups for finance. The return rate of individual clients varies based on the term and loan amount or if the Company runs promotional campaigns. However, the client's income does not affect the return rate.

(b) SMEs

Islamic receivables for SMEs were mainly concentrated in companies with revenues ranging from SAR 3.0 million to SAR 40.0 million. Receivables in this range constituted 17.9 per cent., 24.7 per cent. and 29.4 per cent. of the total receivables as of 31 December 2019G, 2020G and 2021G, respectively.

Islamic finance receivables for SMEs classified in the highest revenue range of SAR 200.0 million and above were only associated with one establishment.

6.7.5.10 Islamic Finance Receivables before Provision for Impairment by Sector

The following table presents Islamic finance receivables before provision for impairment by sector as of 31 December 2019G, 2020G and 2021G:

Table 6.28: Islamic Finance Receivables before Provision for Impairment by Sector as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Retail - by sector						
Public sector	328.3	389.0	417.5	18.5%	7.3%	12.8%
Private sector	39.7	37.9	35.1	(4.5%)	(7.5%)	(6.0%)
Retirees	5.2	6.0	7.2	15.8%	21.3%	18.5%
Total	**373.2**	**432.8**	**459.8**	**16.0%**	**6.2%**	**11.0%**
SMEs - by sector						
Agriculture and fishing	29.4	13.8	22.2	(53.0%)	60.7%	(13.1%)
Finance	6.9	5.2	2.3	(24.8%)	(55.1%)	(41.9%)
Industrial	1.2	15.7	20.8	1,253.7%	32.6%	323.7%
Building and construction	79.3	118.4	128.6	49.4%	8.6%	27.4%
Wholesale and retail	47.8	80.1	129.6	67.6%	61.8%	64.7%
Communications	26.6	27.4	41.2	2.9%	50.3%	24.3%

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Services	16.7	31.4	56.7	88.2%	80.6%	84.4%
Facilities and health	-	25.2	49.3	N/A	95.1%	N/A
Various other sectors	32.3	51.6	43.1	60.0%	(16.5%)	15.6%
Total	**240.1**	**368.9**	**493.9**	**53.7%**	**33.9%**	**43.4%**
Other than SMEs/other companies						
Wholesale and retail	-	19.9	14.0	N/A	(29.5%)	N/A
Total	**-**	**19.9**	**14.0**	**N/A**	**(29.5%)**	**N/A**
Total	**613.2**	**821.6**	**967.7**	**34.0%**	**17.8%**	**25.6%**

Source: Management information.

(a) Retail

Islamic finance receivables for the retail sector were concentrated at 88.0%, 89.9% and 90.8% of total retail receivables in the public sector as of 31 December 2019G, 2020G and 2021G, respectively. Retail receivables in the public sector represent 53.5 per cent., 47.3 per cent. and 43.1 per cent. of the total receivables as of 31 December 2019G, 2020G and 2021G, respectively.

(b) SMEs

SME receivables were mainly concentrated in enterprises operating in the building and construction sector and wholesale/retail sector. These sectors constituted 52.9 per cent., 53.8 per cent. and 52.3 per cent. of the total SME receivables as of 31 December 2019G, 2020G and 2021G, respectively. The concentration in these sectors is due to the classification of business activity based on the commercial register of establishments rather than the actual business activities of establishments.

6.7.5.11 Movement in the Provision for Impairment Losses

The following table presents the movement in the provision for impairment losses as of 31 December 2019G, 2020G and 2021G:

Table 6.29: Movement in the Provision for Impairment Losses as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
At the beginning of the year	13.2	22.8	27.9	72.7%	22.6%	45.5%
Charged for the year	20.1	23.4	38.8	16.4%	65.6%	38.8%
Written-off amounts during the year	(10.5)	(18.3)	(23.2)	73.5%	26.6%	48.2%
At the end of the year	**22.8**	**27.9**	**43.6**	**22.6%**	**56.0%**	**38.3%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

The movement in the provision for impairment losses increased by 22.6 per cent., from SAR 22.8 million as of 31 December 2019G to SAR 27.9 million as of 31 December 2020G. The provision continued to increase by 56.0 per cent., to SAR 43.6 million as of 31 December 2021G, as a result of the growth in Islamic finance receivables in 2021G, according to the estimation and expectations of the management for these receivables.

The increase resulted from an increase in fees throughout the year, driven by an increase in certain provisions (on certain loans) from SAR 7.3 million as of 31 December 2020G to SAR 23.3 million as of 31 December 2021G (on certain loans), in anticipation of a change in the expected credit loss model as of 31 December 2022G in accordance with the updated regulations of the Saudi Central Bank. The provision of SAR 23.3 million as of 31 December 2021G includes a provision of SAR 16.0 million linked to six operating loans for SMEs.

6.7.6 Assets Confiscated for Sale

The following table shows the assets confiscated for sale as of 31 December 2019G, 2020G and 2021G:

Table 6.30: Assets Confiscated for Sale as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Recovered assets	4.2	66.6	49.4	1,482.5%	(25.8%)	242.7%
Total	**4.2**	**66.6**	**49.4**	**1,482.5%**	**(25.8%)**	**242.7%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

During previous years, the Company acquired properties against defaulted *Tawarruq* receivables. Based on the external valuation of these properties conducted by Olaat Properties Management Company and Moheet Al Jazirah Ltd., the fair value of the properties exceeds the net outstanding balance of Islamic finance receivables (SAR 68.8 million). Accordingly, as of 31 December 2021G, these assets were recognised at the net outstanding balance of Islamic finance receivables (SAR 84.8 million), amounting to SAR 49.4 million (SAR 66.6 million as of 31 December 2020G).

6.7.7 Right-of-use Assets

The following table shows the right-of-use assets as of 31 December 2019G, 2020G and 2021G:

Table 6.31: Right-of-use Assets as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
As of 1 January	6.7	5.5	5.4	(17.6%)	(2.0%)	(10.2%)
Additions during the year	0.5	1.5	0.4	185.3%	(70.5%)	(8.3%)
Depreciation expense	(1.7)	(1.6)	(1.6)	(6.7%)	1.1%	(2.8%)
On 31 December	5.5	5.4	4.3	(2.0%)	(21.6%)	(12.3%)

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.7.8 Lease Liabilities

The following table shows the lease liabilities as of 31 December 2019G, 2020G and 2021G:

Table 6.32: Lease Liabilities as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
At the beginning of the year	6.2	5.2	5.2	(16.1%)	(0.1%)	(8.4%)
Additions during the year	0.5	1.5	0.4	189.3%	(70.9%)	(8.3%)
Commission increase	0.4	0.3	0.3	(12.5%)	(21.1%)	(16.9%)
Payments during the year	(1.9)	(1.8)	(1.9)	(3.0%)	6.2%	1.5%
At the end of the year	**5.2**	**5.2**	**3.9**	**(0.1%)**	**(24.1%)**	**(12.9%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

The Company adopted IFRS 16 as of 1 January 2019G.

The Company has lease contracts for 16 branch offices across the Kingdom and one head office in Riyadh. The term of these lease contracts ranges from two to five years and may include an option to extend. Lease agreements do not impose any undertakings. However, leased assets may not be used as collateral for borrowing purposes.

6.7.9 Intangible Assets

The following table shows the intangible assets as of 31 December 2019G, 2020G and 2021G:

Table 6.33: Intangible Assets as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Cost:						
Computer software	6.4	6.6	7.5	2.2%	13.5%	7.7%
Capital work in progress	-	1.3	0.8	N/A	(36.4%)	N/A
Total cost	**6.4**	**7.9**	**8.3**	**22.2%**	**5.3%**	**13.4%**
Accumulated amortisation:						
Computer software	2.2	2.9	3.6	30.0%	25.2%	27.6%
Capital work in progress	-	-	-	-	-	-
Total accumulated amortisation:	**2.2**	**2.9**	**3.6**	**30.0%**	**25.2%**	**27.6%**
Net book value:						
Computer software	4.2	3.7	3.8	(12.7%)	4.2%	(4.6%)
Capital work in progress	-	1.3	0.8	N/A	(36.4%)	N/A
Net book value	**4.2**	**5.0**	**4.6**	**18.0%**	**(6.4%)**	**5.1%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Intangible assets mainly include Kastle software (an integrated banking security and monitoring system), Oracle software and anti-money laundering software. Intangible assets increased by 18.0 per cent., from SAR 4.2 million as of 31 December 2019G to SAR 5.0 million as of 31 December 2020G. In contrast, intangible assets decreased by 6.4 per cent. to SAR 4.6 million as of 31 December 2021G.

The increase in 2020G resulted from the addition of SAR 1.3 million to capital work in progress in 2020G, mainly related to the Kastle software licence and the implementation fees paid in advance.

Intangible assets witnessed transfers of SAR 0.9 million on 31 December 2021G from capital work in progress to software, in relation to Kastle software and the relevant implementation fees.

Kastle software represented 67.1 per cent. and 50 per cent. of the net book value of software excluding capital work in progress as of 31 December 2020G and 31 December 2021G respectively.

Intangible assets are depreciated using the straight-line method over their useful life of ten years.

6.7.10 Property and Equipment

The following table shows property and equipment as of 31 December 2019G, 2020G and 2021G:

Table 6.34: Property and Equipment as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Cost						
Furniture, equipment and computers	4.1	5.4	5.9	32.6%	9.3%	20.4%
Leasehold improvements	5.6	5.7	6.1	1.6%	6.2%	3.9%
Total cost	**9.7**	**11.1**	**12.0**	**14.6%**	**7.7%**	**11.1%**
Accumulated depreciation:						
Furniture, equipment and computers	2.8	3.4	4.3	21.9%	27.4%	24.6%
Leasehold improvements	2.1	2.6	3.2	27.5%	22.0%	24.7%
Total accumulated depreciation:	**4.8**	**6.0**	**7.5**	**24.3%**	**25.0%**	**24.7%**

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Net book value:						
Furniture, equipment and computers	1.3	2.0	1.6	54.8%	(20.5%)	10.9%
Leasehold improvements	3.6	3.1	2.9	(13.4%)	(7.2%)	(10.4%)
Total net book value	**4.9**	**5.1**	**4.5**	**5.0%**	**(12.5%)**	**(4.2%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.7.10.1 Property and Equipment - Additions and Transfers

The following table shows property and equipment - additions and transfers as of 31 December 2019G, 2020G and 2021G:

Table 6.35: Property and Equipment - Additions and Transfers as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Additions						
Furniture, equipment and computers	0.6	1.3	0.5	105.9%	(62.1%)	(11.7%)
Leasehold improvements	0.2	0.1	0.4	(61.0%)	300.6%	25.1%
Total	**0.9**	**1.4**	**0.9**	**62.4%**	**(39.4%)**	**(0.8%)**
Transfers						
Leasehold improvements	1.4	-	-	(100.0%)	-	(100.0%)
Capital work in progress	(1.4)	-	-	(100.0%)	-	(100.0%)
Total	-	-	-	-	-	-

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Property and equipment increased by 5.0 per cent., from SAR 4.9 million as of 31 December 2019G to SAR 5.1 million as of 31 December 2020G. In contrast, property and equipment decreased by 12.5 per cent. to SAR 4.5 million as of 31 December 2021G.

Furniture, equipment, and computers are mainly comprised of surveillance cameras, the data centre (located in Riyadh), furniture and standby generators.

In 2020G, the main additions were related to surveillance cameras and a generator amounting to SAR 0.6 million and SAR 0.2 million, respectively.

Leasehold improvements mainly represent renovation work, building materials and other costs incurred by the Company for its branches. These improvements are amortised at a rate of 10.0 per cent. per annum or over ten years using the straight-line method.

6.7.11 Payables, Outstanding Amounts and Other

The following table shows payables, outstanding amounts and other as of 31 December 2019G, 2020G and 2021G:

Table 6.36: Payables, Outstanding Amounts and Other as of 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Outstanding expenses	4.2	4.3	4.3	3.0%	0.1%	1.5%
Payables	1.6	2.4	5.3	52.3%	118.0%	82.2%
Outstanding special commission expense	3.2	1.3	1.5	(59.6%)	19.1%	(30.6%)
Other	0.6	0.8	0.8	29.6%	2.3%	15.1%
Total	**9.6**	**8.8**	**11.9**	**(8.0%)**	**35.6%**	**11.7%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Outstanding expenses mainly consist of remuneration and incentives, such as the remuneration of the Board of Directors, in addition to external and internal audit fees payable, Zakat, MIS, utilities and prudential expenses. These expenses did not witness any material fluctuations between 31 December 2019G and 31 December 2021G.

The payables balance mainly relates to advances received from clients and trade payables. Client advances made represent instalments received on the last day of the month which must be recorded on the first or second day of the following month. The payables balance increased by 52.3 per cent., from SAR 1.6 million as of 31 December 2019G to SAR 5.3 million as of 31 December 2021G, mainly due to an increase in client payments from SAR 1.0 million as of 31 December 2020G to SAR 1.8 million as of 31 December 2020G, followed by a further increase to SAR 3.7 million as of 31 December 2021G as a result of the transactions recorded at the end of the year. The payables balance fluctuates on a monthly basis.

Outstanding special commission expense consists mainly of commission expenses payable on credit facilities, which represents an average of 90.9 per cent. of the total balance of payables, outstanding amounts and other during the financial period. The balance decreased by 59.6 per cent., from SAR 3.2 million as of 31 December 2019G to SAR 1.3 million as of 31 December 2020G. This decrease is due to a decrease in payable commission from SAR 2.9 million as of 31 December 2019G to SAR 1.1 million as of 31 December 2020G and SAR 1.4 million as of 31 December 2021G, as a result of the suspension of payment and outstanding commission on the majority of loans collected from banks under the Saudi Central Bank's Deferred Payment Programme. In June 2021G, the Company decided to stop using the Deferred Payment Programme.

Other outstanding amounts include advertisements and legal fee clearing accounts. This balance did not witness any material fluctuations between 31 December 2019G and 31 December 2021G.

6.7.12 Zakat Provision

The following table shows the Zakat provision as of 31 December 2019G, 2020G and 2021G:

Table 6.37: Zakat Provision as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
At the beginning of the year	-	3.1	7.2	N/A	129.1%	N/A
Charged for the year	6.6	5.9	6.6	(11.2%)	12.4%	(0.1%)
Paid during the year	-	(1.8)	(6.8)	N/A	272.5%	N/A
Transferred to prepaid Zakat	(3.5)	-	-	N/A	N/A	(100.0%)
At the end of the year	**3.1**	**7.2**	**7.0**	**129.1%**	**(2.6%)**	**49.4%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

The Company submitted its Zakat returns to the ZATCA for all previous years up to 2020G. It has obtained its final Zakat assessments for all years up to 2017G, while the assessments related to the years 2018G to 2020G are still under review by the ZATCA.

6.7.13 Loans

The following table shows the loans as of 31 December 2019G, 2020G and 2021G:

Table 6.38: Loans as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Bank loans	240.0	190.1	251.3	(20.8%)	32.2%	2.3%
Sukuk payable	190.3	130.3	69.7	(31.5%)	(46.5%)	(39.5%)
Loans from a Government entity	36.7	310.7	328.3	746.8%	5.7%	199.1%
Total	**467.0**	**631.2**	**649.3**	**35.2%**	**2.9%**	**199.1%**
Current portion	261.9	285.7	304.2	9.1%	6.5%	7.8%
Non-current portion	**205.1**	**345.5**	**345.1**	**68.4%**	**(0.1%)**	**29.7%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.7.13.1 Bank loans

The following table shows the loans - current portion and non-current portion as of 31 December 2019G, 2020G and 2021G:

Table 6.39: Loans - Current Portion and Non-current Portion as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Islamic finance	242.0	194.1	251.6	(19.8%)	29.6%	2.0%
Less: Unamortised upfront fees	(1.9)	(4.0)	(0.3)	105.5%	(93.2%)	(62.6%)
Total	**240.0**	**190.1**	**251.3**	**(20.8%)**	**32.2%**	**2.3%**
Current portion	185.2	113.1	88.9	(38.9%)	(21.4%)	(30.7%)
Non-current portion	**54.8**	**77.1**	**162.4**	**40.6%**	**110.7%**	**72.1%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.7.13.2 Loan Details - Islamic Finance

The following table provides a summary of loan details as of 31 December 2021G:

Table 6.40: Loan Details as of 31 December 2021G

SAR Million	As of 31 December 2021G						
	Type of Loan	Commission Rate	Receivables Coverage %	Profit Rate Swap	Limit SAR Million	Used SAR Million	Available SAR Million
Banks							
Bank Albilad 1	Revolving loan	7.1%	150%	N/A	80.0	56.5	-
Bank Albilad 2	Revolving loan	7.1%	125%	N/A	25.0	16.1	-
Bank Albilad 3	Revolving loan	6.8%	126%	N/A	30.0	10.3	-
Bank Albilad 4	Revolving loan	6.9%	125%	N/A	23.0	0.5	-
Bank Albilad 5	Revolving loan	4.0%	125%	N/A	40.0	32.3	-
Bank Albilad 6	Revolving loan	4.0%	125%	N/A	60.0	55.7	-
Al Rajhi Bank 1	Term	6.2%	126%	N/A	50.0	22.9	27.1
Al Rajhi Bank 2	Term	5.4%	125%	N/A	25.0	19.0	6.0
Al Rajhi Bank 3	Term	5.2%	129%	N/A	14.3	11.7	2.6
Riyad Bank	Term	5.5%	125%	Available	35.0	26.2	-
Subtotal					**382.3**	**251.3**	**35.7**
Sukuk 1	Term	8.0%	125%	N/A	178.0	43.7	-
Sukuk 2	Term	6.0%	125%	N/A	80.0	26.0	-
Subtotal					258.0	69.7	-
Saudi Central Bank	Term	-	-	N/A	250.0	162.4	-
Social Development Bank	Term	2.3%	125%	N/A	80.0	49.3	-
Social Development Bank	Term	2.3%	122%	N/A	50.0	45.0	-
Social Development Bank	Term	2.3%	136%	N/A	50.0	39.1	-
Social Development Bank	Term	2.3%	125%	N/A	20.0	11.9	-
Social Development Bank (*Monsha'at*)	Term	2.3%	-	N/A	36.0	2.0	-
Social Development Bank (*Monsha'at*)	Term	2.3%	-	N/A	20.0	18.6	-
Subtotal					**506.0**	**328.3**	**-**
Total					**1,146.3**	**649.3**	**35.7**

Source: Management information.

(1) **Note** (1)**:** In 2020G and 2021G, the Company participated in the Saudi Central Bank's Guaranteed Financing Programme and obtained financing consisting of 12 total instalments amounting to SAR 177.0 million from the Saudi Central Bank in 2020G and SAR 73.0 million in 2021G. This financing is commission-free and has varying maturities, starting from September 2023G. These loans offered to the Company carry a number of conditions, one of which is that they be used to provide loans to certain types/segments of clients at discounted rates.

Islamic finance mentioned in the above table includes the following:

- a balance of six Islamic revolving facilities (in 2020G: four facilities) with a total amount of SAR 171.5 million (in 2020G: SAR 87.0 million) as of 31 December 2021G, with a margin of 4 per cent. + SAIBOR. The original term of these facilities is one year, renewable for an additional year, and up to a total of four years at the discretion of the lender, and they carry a special commission according to the prevailing commercial rates. These facilities are guaranteed by the assignment of receivables. The choice of refinancing or renewing the facilities is left to the discretion of the lender; and
- a balance of four other Islamic facilities (in 2020G: five facilities) with a total amount of SAR 79.8 million (in 2020G: SAR 103.1 million) as of 31 December 2021G, obtained from commercial banks in order to finance the Company's Islamic financing assets, carry a commission rate ranging from 2.75 per cent. to 3.5 per cent. These facilities are guaranteed by the assignment of receivables and are repaid on a monthly basis over 48 instalments.

In 2021G, the Company obtained a new loan amounting to SAR 100.0 million (in 2020G: nil) from a local bank, which carries a commission rate of 4.41 per cent. These facilities are guaranteed by the assignment of receivables and are payable on a quarterly basis over 16 instalments. They fall due in February 2025G.

6.7.13.3 Sukuk Payable

The following table shows Sukuk payable as of 31 December 2019G, 2020G and 2021G:

Table 6.41: Sukuk Payable as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Islamic finance through Sukuk	195.7	133.4	71.2	(31.8%)	(46.7%)	(39.7%)
Less: Unamortised upfront fees	(5.4)	(3.1)	(1.5)	(42.8%)	(53.1%)	(48.2%)
Total	**190.3**	**130.3**	**69.7**	**(31.5%)**	**(46.5%)**	**(39.5%)**
Current portion	58.0	62.3	61.6	7.3%	(1.1%)	3.0%
Non-current portion	132.2	68.1	8.1	(48.5%)	(88.1%)	(75.2%)

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

The Company established a Sukuk issuance programme in 2017G. It issued Sukuk with a total principal amount of SAR 178.0 million in February 2018G. These Sukuk carry a fixed rate commission of 8 per cent. per annum, payable on a quarterly basis. The principal amount of Sukuk is payable in quarterly instalments starting from May 2018G, with the last instalment due in February 2023G.

In addition, the Company issued new Sukuk with a total principal amount of SAR 80.0 million in December 2019G. These Sukuk carry a fixed rate commission of 6 per cent. per annum, payable on a quarterly basis. The principal amount of Sukuk is payable in quarterly instalments starting from March 2020G, with the last instalment due in December 2022G. It should be noted that these Sukuk are guaranteed by the assignment of Islamic finance receivables.

The following table shows details of issued Sukuk as of 31 December 2021G:

Table 6.42: Details of Issued Sukuk as of 31 December 2021G

SAR Million	As of 31 December 2021G						
	Type of Loan	Commission Rate	Receivables Coverage %	Profit Rate Swap	Limit SAR Million	Used SAR Million	Available SAR Million
Sukuk 1	Term	8.0%	125%	N/A	178.0	43.7	-
Sukuk 2	Term	6.0%	125%	N/A	80.0	26.0	-
Total					**258.0**	**69.7**	

Source: Management information.

6.7.13.4 Sukuk Payable - Current Portion and Non-current Portion

The following table shows Sukuk payable - current portion and non-current portion as of 31 December 2019G, 2020G and 2021G:

Table 6.43: Sukuk Payable - Current Portion and Non-current Portion as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Current portion	58.0	62.3	61.6	7.3%	(1.1%)	3.0%
Non-current portion	132.2	68.1	8.1	(48.5%)	(88.1%)	(75.2%)
Total	**190.3**	**130.3**	**69.7**	**(31.5%)**	**(46.5%)**	**(39.5%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.7.13.5 Loans from a Government Entity

The following table shows loans from a Government entity as of 31 December 2019G, 2020G and 2021G:

Table 6.44: Loans from a Government Entity as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Current portion	18.6	110.4	103.7	492.0%	39.3%	187.1%
Non-current portion	18.0	200.3	174.6	1,010.1%	(12.9%)	211.0%
Total	**36.7**	**310.7**	**328.3**	**746.8%**	**5.7%**	**199.1%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

In September 2018G and December 2018G, the Company obtained loans from the Social Development Bank (a Government entity) amounting to SAR 20.0 million and SAR 36.0 million, respectively. These loans are payable in monthly instalments starting from December 2018G and April 2019G, respectively, with the last instalment due in November 2021G and March 2022G, respectively.

In 2021G and 2020G, the Company participated in the Guaranteed Financing Programme launched by the Saudi Central Bank and received financing in 17 instalments amounting to SAR 250.0 million from the Saudi Central Bank without any commission and with varying due dates starting from September 2023G until August 2024G.

The above loans received by the Company from the Social Development Bank carry a special commission at rates significantly lower than the prevailing market rates, while the loan received from the Saudi Central Bank does not carry any commission. These loans also carry a number of conditions, one of which is that they be used to provide loans to specific client types and sectors at discounted rates. The benefit resulting from "loans obtained by the Company at commission rates lower than the prevailing market rates" or "no commission" has been identified and accounted for as a "Government grant" and originally recognised as deferred revenue classified under "payables, outstanding amounts and other". This benefit is recognised in the Company's statement of comprehensive income on a regular basis as the expenses related to such benefit will be reimbursed.

In addition, in 2020G and 2021G, the Company obtained loans from the Social Development Bank amounting to SAR 200.0 million at the prevailing market rates ranging from 2.32% to 3.56% annually. The maturity of these loans starts from June 2023G until May 2026G.

The following table shows loans from a Government entity by entity as of 31 December 2021G:

Table 6.45: Loans from a Government Entity by Entity as of 31 December 2021G

SAR Million	As of 31 December 2021G						
	Type of Loan	Commission Rate	Receivables Coverage %	Interest Rate Swap	Limit SAR Million	Used SAR Million	Available SAR Million
Saudi Central Bank	Term	-	-	N/A	250.0	162.4	-
Social Development Bank	Term	2.3%	125%	N/A	80.0	49.3	-
Social Development Bank	Term	2.3%	122%	N/A	50.0	45.0	-

SAR Million	As of 31 December 2021G						
	Type of Loan	Commission Rate	Receivables Coverage %	Interest Rate Swap	Limit SAR Million	Used SAR Million	Available SAR Million
Social Development Bank	Term	2.3%	136%	N/A	50.0	39.1	-
Social Development Bank	Term	2.3%	125%	N/A	20.0	11.9	-
Social Development Bank (*Monsha'at*)	Term	2.3%	-	N/A	36.0	2.0	-
Social Development Bank (*Monsha'at*)	Term	2.3%	-	N/A	20.0	18.6	-
Total					**506.0**	**328.3**	

Source: Management information.

6.7.13.6 Loan Details

The following table shows the details of the loans as of 31 December 2019G, 2020G and 2021G:

Table 6.46: Loan Details as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Banks						
Albilad	96.8	89.5	171.7	(7.5%)	91.8%	33.2%
Riyad	35.0	32.8	26.3	(6.3%)	(20.0%)	(13.4%)
Al Rajhi	99.8	65.3	53.7	(34.6%)	(17.8%)	(26.7%)
Alawwal	10.4	6.5	-	(37.1%)	(100.0%)	(100.0%)
Total	**242.0**	**194.1**	**251.6**	**(19.8%)**	**29.6%**	**2.0%**
Sukuk						
Sukuk 1	112.6	52.0	43.7	(53.8%)	(15.9%)	(37.7%)
Sukuk 2	77.7	78.3	26.0	0.8%	(66.8%)	(42.1%)
Total	**190.3**	**130.3**	**69.7**	**(31.5%)**	**(46.5%)**	**(39.5%)**
Government entity						
Saudi Central Bank	-	175.3	183.8	N/A	4.8%	N/A
Social Development Bank	39.0	159.6	171.2	308.7%	7.3%	109.4%
Total	**39.0**	**334.9**	**355.0**	**757.8%**	**6.0%**	**201.5%**
Total	**471.3**	**659.4**	**676.3**	**39.9%**	**2.6%**	**19.8%**

Source: Management information.

The Company obtained medium- and long-term loans from various banks to finance its portfolio.

Such loans are guaranteed by the assignment of receivables to banks. The Company allocated Islamic financing receivables amounting to SAR 1.1 billion to commercial banks, a Government authority and two Sukuk as a guarantee to obtain financing as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively.

6.7.13.7 Financial Undertakings

The following table shows the financial undertakings as of 31 December 2019G, 2020G and 2021G:

Table 6.47: Financial Undertakings as of 31 December 2019G, 2020G and 2021G

	Financial Year Ended 31 December		
	2019G	2020G	2021G
Riyad Bank			
Must maintain a current ratio of at least 1.25	✓	✓	✓
Total financing may not be more than 3 times the total equity	✓	✓	✓
The leverage ratio (total liabilities/net worth) may not exceed 3	✓	✓	✓
Coverage of receivables may not be less than 100%	✓	✓	✓
Bank Albilad			
Receivables coverage 125%	✓	✓	✓
Al Rajhi Bank			
50% of the net profit must remain in the business for the next financial year	✓	✓	✓
Total financing may not be more than 3 times the total equity	✓	✓	✓
Receivables coverage 125%	✓	✓	✓
Social Development Bank			
50% of the net profit must remain in the business for the next financial year	✓	✓	✓
Coverage of receivables may not be less than 100%	✓	✓	✓

Source: Management information.

✓ Committed

× Uncommitted

The undertakings of some short- and long-term loans stipulate the Company's commitment to a certain level of financial conditions and certain other requirements. It should be noted that the Company is fully compliant with the undertakings mentioned in the agreements concluded with banks.

6.7.14 Employee Defined Benefit Liabilities

The following table shows the employee defined benefit liabilities as of 31 December 2019G, 2020G and 2021G:

Table 6.48: Employee Defined Benefit Liabilities as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Present value of employee defined benefit liabilities	2.4	3.1	4.2	30.8%	36.3%	33.5%
Total	**2.4**	**3.1**	**4.2**	**30.8%**	**36.3%**	**33.5%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.7.14.1 Movement in the Present Value of Employee Defined Benefit Liabilities

The following table shows the movement in the present value of employee defined benefit liabilities as of 31 December 2019G, 2020G and 2021G:

Table 6.49: Movement in the Present Value of Employee Defined Benefit Liabilities as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Present value of employee defined benefit liabilities at the beginning of the year Provision recognised in the statement of comprehensive income	1.5	2.4	3.1	59.5%	30.8%	44.5%
Current service cost	0.6	0.8	0.9	23.0%	20.6%	21.8%
Special commission expense	0.0	0.1	0.1	59.0%	4.6%	29.0%
Actuarial losses (gains) recognised in the statement of other comprehensive income	0.3	(0.1)	0.3	(124.0%)	(579.1%)	7.1%
Benefits paid	(0.1)	(0.1)	(0.2)	(31.3%)	301.2%	66.0%
Present value of employee defined benefit liabilities at the end of the year	**2.4**	**3.1**	**4.2**	**30.8%**	**36.3%**	**33.5%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

The employee end-of-service benefit provision represents the statutory provision for end-of-service benefits. These benefits are paid to employees upon resignation or termination of employment by the Company, in line with Saudi Labour Law. The provision increased by 30.8 per cent., from SAR 2.4 million as of 31 December 2019G to SAR 3.1 million as of 31 December 2020G. This is primarily due to an increase in the number of employees from 84 (including external employees) as of 31 December 2019G to 109 (including external employees) as of 31 December 2020G. Such provision also increased by 36.3 per cent. as of 31 December 2021G, resulting from an additional increase in the number of employees from 109 (including external employees) as of 31 December 2020G to 160 (including external employees) as of 31 December 2021G.

6.7.14.2 Benefit Expense (Recognised in the Statement of Comprehensive Income)

The following table shows the benefit expense (recognised in the statement of comprehensive income) as of 31 December 2019G, 2020G and 2021G:

Table 6.50: Benefit Expense (Recognised in the Statement of Comprehensive Income) as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Current service cost	0.6	0.8	0.9	23.0%	20.6%	21.8%
Special commission expense	0.0	0.1	0.1	59.0%	4.6%	29.0%
Benefit expense	**0.7**	**0.9**	**1.0**	**25.6%**	**19.2%**	**22.3%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.7.15 Share Capital

The share capital consists of 31,135,500 shares (2020G: 28,050,000 shares), with a value of SAR 10 per share.

The Board of Directors decided at its meeting held on 9 Rajab 1442H (corresponding to 21 February 2021G) to increase the Company's share capital from SAR 280.5 million to SAR 311.3 million through retained earnings. The capital increase was recognised in accordance with the Extraordinary General Assembly resolution dated 10 Ramadan 1442H (corresponding to 22 April 2021G) and Saudi Central Bank Approval No. 42054868/99 dated 5 Sha'ban 1442H (corresponding to 18 March 2021G). The statutory procedures related to the capital increase were completed in the second quarter of 2021G.

6.7.16 Statutory Reserve

The following table shows the statutory reserve as of 31 December 2019G, 2020G, and 2021G:

Table 6.51: Statutory Reserve as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Balance at the beginning of the year	6.9	9.8	13.2	42.3%	34.7%	38.5%
Increase in the reserve	2.9	3.4	4.1	16.8%	19.2%	18.0%
Total	**9.8**	**13.2**	**17.3**	**34.7%**	**30.7%**	**32.7%**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

According to Saudi Companies Law, the Company must transfer 10% of its annual income, after deducting Zakat, to the statutory reserve until such reserve reaches 30% of the capital. This reserve is not distributable.

6.7.17 Capital Management

The following table shows the capital management as of 31 December 2019G, 2020G and 2021G:

Table 6.52: Capital Management as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Payables, outstanding amounts and other	9.6	8.8	11.9	(8.0%)	35.6%	11.7%
Zakat provision	3.1	7.2	7.0	129.1%	(2.6%)	49.4%
Loans	467.0	631.2	649.3	35.2%	2.9%	17.9%
Lease liabilities	5.2	5.2	3.9	(0.1%)	(24.1%)	(12.9%)
Employee defined benefit liabilities	2.4	3.1	4.2	30.8%	36.3%	33.5%
Less: Bank balances and cash in hand	(156.6)	(89.1)	(42.8)	(43.1%)	(51.9%)	(47.7%)
Net debt	**330.7**	**566.4**	**633.6**	**71.3%**	**11.9%**	**38.4%**
Equity	291.3	325.3	365.9	11.7%	12.5%	12.1%
Capital and net debt	622.0	891.7	999.5	43.4%	12.1%	26.8%
Leverage ratio	53.2%	63.5%	63.4%	19.5%	(0.2%)	9.2%

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G and management information.

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and enhance future business developments. The management monitors the return on capital, as well as the level of dividend distributions to ordinary Shareholders. The Company's objectives in managing capital are also to maintain the Company's ability to continue to operate in accordance with the going concern concept, so that it can continue to provide returns to Shareholders, salaries and benefits to the Executive Management employees and adequate returns to Shareholders through pricing services in proportion to the level of risk.

The main objective of the Company's capital management is to maximise the benefit for Shareholders.

The Company manages its capital structure and makes adjustments to it in accordance with changes in economic conditions. It informally monitors capital using the leverage ratio, which represents net debt divided by total capital plus net debt. It includes within net debt short-term loans and trade and other receivables less bank balances and cash in hand.

6.7.18 List of Changes in Equity

The following table shows the list of changes in equity as of 31 December 2019G, 2020G and 2021G:

Table 6.53: List of Changes in Equity as of 31 December 2019G, 2020G and 2021G

SAR Million	Share capital	Statutory Reserve	Retained Earnings	Total
Balance as of 1 January 2019G	229.0	6.9	26.4	262.2
Capital increase	26.0	-	(26.0)	-
Net income for the year	-	-	29.4	29.4
Other comprehensive income	-	-	(0.3)	(0.3)
Total income	**-**	**-**	**29.1**	**29.1**
Transferred to statutory reserve	-	2.9	(2.9)	-
Balance as of 31 December 2019G	**255.0**	**9.8**	**26.5**	**291.3**
Capital increase	25.5	-	(25.5)	-
Net income for the year	-	-	33.9	33.9
Other comprehensive income	-	-	0.1	0.1
Total income	**-**	**-**	**34.0**	**34.0**
Transferred to statutory reserve	-	3.4	(3.4)	-
Balance as of 31 December 2020G	**280.5**	**13.2**	**31.6**	**325.3**
Capital increase	30.9	-	(30.9)	-
Net income for the year	-	-	40.9	40.9
Other comprehensive income	-	-	(0.3)	(0.3)
Total income	**-**	**-**	**40.6**	**40.6**
Transferred to statutory reserve	-	4.1	(4.1)	-
Balance as of 31 December 2021G	**311.4**	**17.3**	**37.3**	**365.9**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.8 Statement of Cash Flows

The following table shows the statement of cash flows for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.54: Summary of the Statement of Cash Flows for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Net cash used in from operating activities	(75.2)	(227.0)	(61.2)	201.9%	(73.1%)	(8.8%)
Net cash used in investing activities	(1.8)	(2.8)	(1.3)	55.5%	(55.1%)	(14.8%)
Net cash used in from financing activities	149.4	162.3	16.2	8.6%	(90.0%)	(62.8%)
Net increase in cash and cash equivalents	**72.4**	**(67.5)**	**(46.3)**	**(193.3%)**	**(31.5%)**	**N/A**
Cash and cash equivalents as of 1 January	84.2	156.6	89.1	86.0%	(43.1%)	2.5%
Cash and cash equivalents as of 31 December	**156.6**	**89.1**	**42.8**	**(43.1%)**	**(51.9%)**	**(43.8%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

6.8.1 Operating Activities

The following table shows the operating activities for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.55: Operating Activities for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Operating activities						
Income before Zakat	36.0	39.8	47.5	10.6%	19.3%	1.13%
Adjustments to:						
Impairment losses on Islamic finance receivables	20.1	23.4	38.8	16.4%	65.6%	8.33%
Depreciation of property and equipment	1.2	1.2	1.5	0.8%	27.8%	9.11%
Amortisation of intangible assets	0.5	0.7	0.7	31.2%	9.1%	3.17%
Depreciation of right-of-use assets	1.7	1.6	1.6	(6.7%)	1.1%	(5.2%)
Prepaid Zakat	(3.5)	-	-	(100.0%)	-	(100.0%)
Employee end-of-service benefit provision	0.7	0.9	1.0	25.6%	19.2%	19.6%
Financial burdens on a lease contract	0.4	0.3	0.3	(12.5%)	(21.1%)	(2.15%)
Operating cash flows before changes in working capital	**57.1**	**67.9**	**91.4**	**18.8%**	**34.7%**	**2.23%**
Working capital adjustments:						
Islamic finance receivables	(122.7)	(226.7)	(169.3)	84.7%	(25.3%)	15.4%
Prepaid expenses and other assets	(4.3)	(3.1)	1.4	(29.4%)	(144.9%)	N/A
Restricted cash deposits	-	-	2.0	-	N/A	N/A
Assets confiscated for sale	(4.2)	(62.4)	17.2	1,382.5%	(127.5%)	N/A
Payables, outstanding amounts and other	(1.0)	(0.9)	3.1	(10.9%)	(451.1%)	N/A
Net cash used in operations	**(75.1)**	**(225.1)**	**(54.2)**	**199.7%**	**(75.9%)**	**(13.5%)**
Zakat paid	-	(1.8)	(6.8)	N/A	272.5%	N/A
Paid employee end-of-service benefits	(0.1)	(0.1)	(0.2)	(31.3%)	301.2%	56.9%
Net cash used in operating activities	**(75.2)**	**(227.0)**	**(61.2)**	**201.9%**	**(73.1%)**	**(8.8%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

It should be noted that paid lease liabilities were classified under operating activities in 2019G. Between 2020G and 2021G, lease liabilities were classified under financing activities. In order to maintain consistency, the approved classification was followed in 2021G, and lease payment liabilities were classified under financing activities.

Cash flows from operating activities increased by 201.9 per cent. in 2020G, from cash outflows of SAR 75.2 million in 2019G to SAR 227.0 million in 2020G, due to an increase in Islamic finance receivables driven by the disbursement of new loans amounting to SAR 548.9 million. In addition, the increase in confiscated assets for sale amounting to SAR 62.8 million contributed to the increase in cash outflows from operating activities. In contrast, cash flows from operating activities decreased by 73.1 per cent. in 2021G, from cash outflows of SAR 227.0 million in 2020G to cash outflows of SAR 61.2 million in 2021G, as a result of an increase in collection, due to the Company opting not to participate in the Deferred Payment Programme in June 2021G and confiscated assets intended for sale.

6.8.2 Investing Activities

The following table shows the cash flows from investing activities for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.56: Investing Activities for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Investing activities						
Additions to property and equipment	(0.9)	(1.4)	(0.9)	62.4%	(39.4%)	(7.0%)
Additions to intangible assets	(1.0)	(1.4)	(0.4)	49.3%	(70.8%)	(30.8%)
Cash used in investing activities	**(1.8)**	**(2.8)**	**(1.3)**	**55.5%**	**(55.1%)**	**(14.8%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Cash used in investing activities increased by 55.5 per cent. in 2020G, primarily due to additions to property, equipment and intangible assets. However, it decreased by 55.1 per cent., to SAR 1.3 million in 2021G, due to the relative decrease in additions to property, equipment and intangible assets.

Additions to property and equipment mainly relate to surveillance cameras and generators, which amounted to SAR 0.6 million and SAR 0.2 million, respectively, in 2020G. There were no significant additions in 2021G.

Additions to intangible assets mainly relate to software additions. The increase in 2020G resulted from the addition of SAR 1.3 million to capital work in progress in 2020G, which consisted of a Kastle software licence and installation fees.

6.8.3 Financing Activities

The following table shows the cash flows from financing activities for the financial years ended 31 December 2019G, 2020G and 2021G:

Table 6.57: Financing Activities for the Financial Years Ended 31 December 2019G, 2020G and 2021G

SAR Million	Financial Year Ended 31 December			Increase/(Decrease)		CAGR
	2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Financing activities						
Loans received	264.3	327.0	243.0	23.7%	(25.7%)	(3.7%)
Loans paid	(113.0)	(162.8)	(224.9)	44.1%	38.1%	35.8%
Lease liability paid	(1.9)	(1.8)	(1.9)	(3.0%)	6.2%	1.3%
Net cash from financing activities	**149.4**	**162.3**	**16.2**	**8.6%**	**(90.0%)**	**(62.8%)**

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Cash flows from financing activities increased by 8.6 per cent. in 2020G, from SAR 149.4 million in 2019G to SAR 162.3 million in 2020G. This increase is due to an increase in borrowing proceeds of SAR 62.7 million in 2020G, compared to the increase in loan repayments of SAR 49.8 million in 2020G. However, net cash from financing activities decreased by 90.0 per cent. in 2021G, from SAR 162.3 million in 2020G to SAR 16.2 million in 2021G, due to a decrease in loans received.

6.9 Transactions with Related Parties and Related Party Balances

The following table shows transactions with Related Parties and Related Party balances as of 31 December 2019G, 2020G and 2021G:

Table 6.58: Transactions with Related Parties and Related Party Balances as of 31 December 2019G, 2020G and 2021G

SAR Million	Nature of Transaction	As of 31 December			Increase/(Decrease)		CAGR
Related Party		2019G	2020G	2021G	December 2020G	December 2021G	2019G-2021G
Executive Management personnel	Compensation - salaries and other incentives	3.3	3.6	3.7	9.2%	2.6%	5.9%
	Loans provided through Islamic finance	2.0	0.2	9.6	(88.7%)	4,209.7%	120.7%
	Board remuneration	1.0	1.0	1.0	-	-	-
	Provision for employee defined benefit liabilities	0.6	0.7	0.9	33.9%	26.0%	29.9%

Source: The Company's audited financial statements for the financial years ended 31 December 2020G and 2021G.

Related Party transactions related to key management personnel are compensation and loan transactions using Islamic finance, Board remuneration and the defined benefit liability provision for the Executive Management personnel.

6.9.1 Compensation - Salaries and Other Incentives

Compensation relates to salaries and other incentives paid to key management personnel in connection with the salaries and other benefits of the Executive Managing Director and Secretary of the Board of Directors. Such compensation amounted to SAR 3.3 million, SAR 3.6 million and SAR 3.7 million as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively.

6.9.2 Loans Provided through Islamic Finance

Loans provided through Islamic finance relate to loans obtained by key management personnel. Such loans increased from SAR 2.0 million as of 31 December 2019G to SAR 9.6 million as of 31 December 2021G.

6.9.3 Board Remuneration

This represents benefits paid to Board members, such as meeting attendance allowance and remunerations.

6.9.4 Provision for Employee Defined Benefit Liabilities

The provision for employee defined benefit liabilities is a legal requirement for all Saudi companies and is paid to employees upon resignation or termination of employment by the Company. The provision amounted to SAR 0.6 million, SAR 0.7 million and SAR 0.9 million as of 31 December 2019G, 31 December 2020G and 31 December 2021G, respectively.

6.10 Contingent Obligations and Liabilities

The following table shows the contingent obligations and liabilities as of 31 December 2019G, 2020G and 2021G:

Table 6.59: Contingent Obligations and Liabilities as of 31 December 2019G, 2020G and 2021G

SAR Million	As of 31 December		
	2019G	2020G	2021G
Letters of guarantee/capital liabilities	-	3.0	4.4
Total	**-**	**3.0**	**4.4**

Source: Management information.

As of 31 December 2021G, the Company had capital liabilities of SAR 4.4 million (in 2020G: SAR 3.0 million) related to the purchase of buildings and equipment.

6.11 Off-Balance Sheet Transactions

In 2021G, the Company entered into a partnership agreement valued at SAR 50.0 million with a Capital Market Institution (Riyadh Capital). In accordance with the agreement, the Company collects receivables from clients, and the proceeds from these receivables are shared.

6.12 Result of Operations of the Company for the six-month periods ended 30 June 2021G and 30 June 2022G

6.12.1 Key Performance Indicators (KPIs) and Non-IFRS Financial Indicators

The following table shows the KPIs and non-IFRS financial indicators of the Company for the six-month period ended 30 June 2022G:

Table 6.60: KPIs and Non-IFRS Financial Indicators for the Six-month Period Ended 30 June 2022G

SAR Million		Financial Year Ended 31 December			Six-month Period Ended 30 June 2022G
		2019G	2020G	2021G	
Financial KPIs	Presentation Unit				
Net income/(loss)	SAR million	29.1	34.0	40.6	26.4
Gross income margin	%	68.0%	76.6%	85.0%	85.3%
Net margin	%	26.9%	32.2%	30.3%	34.1%
Return on assets	%	3.7%	3.5%	3.9%	4.4%
Return on equity	%	10.0%	10.5%	11.1%	9.9%
Net Islamic finance receivables to loans	Times	1.3	1.3	1.4	1.6
Debt to equity ratio	Times	1.6	1.9	1.8	1.2
Islamic finance receivables to equity	Times	2.0	2.4	2.5	1.9
Average borrowing rate	%	6.1%	3.6%	3.2%	3.3%
Average lending rate	%	21.0%	17.9%	16.5%	16.1%
Net profit margin difference	%	-	5.0%	(1.5%)	2.3%
Number of new financing contracts	#	10,552	9,336	8,014	4,441
New loan distributions	SAR million	375.5	548.9	548.9	306.1
Average new financing amount	SAR '000	35.7	58.8	58.8	68.9

Source: Management information.

In addition to the financial performance indicators used within the IFRS, the Company uses financial measures that are not included in these standards, including the net profit margin (before Zakat), return on average assets (before Zakat), return on average equity (before Zakat), net Islamic finance receivables to loans, debt to equity ratio, Islamic finance receivables to equity, average borrowing rate, average lending rate, net profit margin difference (%), total number of financing contracts, number of new financing contracts, new loan distributions and average financing amount. Since there is no unified and agreed-upon definition of financial performance indicators, other companies calculate them in different ways. Thus, the indicators that the Company uses, in terms of content, may differ from those used by those other companies under the same name and such indicators should be relied upon in isolation without the financial performance indicators used within the IFRS. The Company considers the above indicators not used within the International Financial Reporting Standards to be useful as they represent an additional tool to help the management and prospective Subscribers reach informed conclusions about the financial and operational performance of the Company and its liquidity.

The indicators were calculated as follows: income margin (net special commission income/special commission income), net margin (total comprehensive income/special commission income), return on assets (total comprehensive income/total assets), return on equity (total comprehensive income/total equity).

6.12.2 Income Statement

The following table shows the Company's income statement for the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.61: Results of Operations - Summary of Income Statement for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Special commission income	60.8	77.4	27.3%
Special commission expense	(10.0)	(11.4)	13.4%
Net special commission income	**50.7**	**66.0**	**30.0%**
Other revenue	8.3	12.6	51.5%
Total operating income	59.1	78.6	33.1%
General and administrative expenses	(22.3)	(26.5)	18.5%
Impairment losses on Islamic finance receivables	(12.9)	(18.8)	46.5%
Income before Zakat	23.9	33.3	39.5%
Zakat	(4.5)	(6.9)	53.7%
Net income for the year	**19.4**	**26.4**	**36.2%**

Source: The Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

Special commission income increased by 27.3 per cent., or SAR 16.6 million, from SAR 60.8 million in the six-month period ended 30 June 2021G to SAR 77.4 million as of 30 June 2022G. The aforementioned increase was mainly driven by an increase in the number and value of loans granted to individual clients and SMEs in the six-month period ended June 2022G.

Special commission expense increased by 13.4 per cent., or SAR 1.3 million, from SAR 10.0 million in the six-month period ended 30 June 2021G to SAR 11.4 million in the six-month period ended 30 June 2022G. This rise was driven by an increase in the profit rate percentage on average loans obtained from banks.

Net special commission income increased by 30.0 per cent., or SAR 15.2 million, from SAR 50.7 million in the six-month period ended 30 June 2021G to SAR 66.0 million in the six-month period ended 30 June 2022G. The aforementioned increase was in line with the increase in the special commission income between the two periods.

Other revenue increased by 51.5 per cent., or SAR 4.2 million, from SAR 8.3 million in the six-month period ended 30 June 2021G to SAR 12.6 million in the six-month period ended 30 June 2022G. In general, the increase in other revenue resulted from an increase in revenue collected from receivables related to written-off debts amounting to SAR 4.4 million in the six-month period ended 30 June 2021G to SAR 8.4 million in the six-month period ended 30 June 2022G.

General and administrative expenses increased by 18.5 per cent., or SAR 4.1 million, from SAR 22.3 million in the six-month period ended 30 June 2021G to SAR 26.5 million as of 30 June 2022G. This increase is mainly due to an increase in employee salaries and costs following an increase in the number of employees from 144 to 171 between the two periods.

The value of impairment losses on Islamic finance receivables increased by 46.5 per cent., or SAR 6.0 million, from SAR 12.9 million in the six-month period ended 30 June 2021G to SAR 18.8 million in the six-month period ended 30 June 2022G. This increase was driven by an increase in the balance of Islamic finance receivables of 12.3 per cent., from SAR 891.8 million in the six-month period ended 30 June 2021G to SAR 1,001.8 million in the six-month period ended 30 June 2022G.

Income before Zakat increased by 39.5 per cent., or SAR 9.4 million, from SAR 23.9 million in the six-month period ended 30 June 2021G to SAR 33.3 million in the six-month period ended 30 June 2022G, following an increase in special commission income. As mentioned above, in contrast to the increase in special commission income, impairment losses on Islamic finance receivables recorded a similar increase during the aforementioned period, which limited the increase in income before Zakat between the two periods.

Zakat expenses increased by 53.7 per cent., or SAR 2.4 million, from SAR 4.5 million in the six-month period ended 30 June 2021G to SAR 6.9 million in the six-month period ended 30 June 2022G.

Net profit increased by 36.2 per cent., or SAR 7.0 million, from SAR 19.4 million in the six-month period ended 30 June 2021G to SAR 26.4 million in the six-month period ended 30 June 2022G. It is worth noting that the increase in net profit was mainly driven by the increase in special commission income.

It should be noted that the above-mentioned income statement includes the results recorded by Loop, 80.0 per cent. of whose shares were acquired during the first half of 2022G. Loop did not record any revenue during the aforementioned period and its results were limited to recording general and administrative expenses amounting to SAR 0.4 million in the six-month period ended 30 June 2022G. Such expenses included salaries and benefits expenses of SAR 0.2 million and depreciation and amortisation expenses of SAR 0.2 million during the aforementioned period, as shown in the table below:

Table 6.62: Consolidated Income Statement for the Six-month Period Ended 30 June 2022G

SAR Million	Company	Loop	Total	Amendments	Consolidated
Special commission income	77.4	-	77.4	-	*77.4*
Special commission expense	(11.4)	-	(11.4)	-	*(11.4)*
Net special commission income	**66.0**	**-**	**66.0**	**-**	***66.0***
Other revenue	12.6	-	12.6	-	*12.6*
Share in loss of Subsidiaries	(0.3)	-	(0.3)	0.3	-
Total operating income	**78.3**	**-**	**78.3**	**0.3**	***78.6***
General and administrative expenses	(26.0)	(0.4)	(26.5)	-	*(26.5)*
Impairment losses on Islamic finance receivables	(18.8)	-	(18.8)	-	*(18.8)*
Income before Zakat	33.4	(0.4)	33.0	0.3	*33.3*
Zakat	(6.9)	-	(6.9)	-	*(6.9)*
Net income for the year	**26.5**	**(0.4)**	**26.1**	**0.3**	***26.4***

Source: Management information.

6.12.2.1 Special Commission Income

The following table shows details of the Company's special commission income by sector for the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.63: Details of Special Commission Income by Sector for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Retail sector	45.4	46.8	3.1%
SME sector	13.1	29.3	124.3%
Total	**58.5**	**76.1**	**30.2%**

Source: Management information.

Retail sector income increased by 3.1 per cent., or SAR 1.4 million, from SAR 45.4 million in the six-month period ended 30 June 2021G to SAR 46.8 million in the six-month period ended 30 June 2022G, as a result of an increase in the number of client contracts from 4,049 in the six-month period ended 30 June 2021G to 4,390 in the six-month period ended 30 June 2022G.

Special commission income from SMEs increased by 124.3 per cent. in the six-month period ended 30 June 2022G, mainly due to the issuance of 51 new contracts in the six-month period ended 30 June 2022G.

The following table shows details of the Company's special commission income by sector for the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.64: Details of Special Commission Income by Product for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Tawarruq	57.9	73.5	*9.26%*
Ijarah	2.9	3.9	*34.5%*
Total	**60.8**	**77.4**	***27.3%***

Source: The Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

Tawarruq: The average revenue of the *Tawarruq* product in the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G was 95.1 per cent. of the total Islamic finance income. The focus on this product is due to the ease and speed of managing it compared to other products.

Ijarah: Special commission income generated from *Ijarah* increased by 34.5 per cent. between the six-month periods ended 30 June 2021G and 30 June 2022G. Such increase can be attributed to an increase in the level of business activity after the decline of the coronavirus pandemic in the six-month period ended 30 June 2022G.

6.12.2.2 Special Commission Income Sources

The following table shows details of the sources of the Company's special commission income for the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.65: Details of the Company's Special Commission Income Sources for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Islamic finance revenue	58.5	76.1	*30.2%*
Fee revenue	1.6	1.4	*(14.2%)*
Other revenue	3.4	4.5	*32.5%*
Outstanding revenue	(2.7)	(4.7)	*70.8%*
Total	**60.8**	**77.4**	***27.3%***

Source: Management information.

(a) Islamic Finance Revenue

Revenue was mainly concentrated in revenue generated from the *Tawarruq* product, which represented, on average, 95.1 per cent. of the total special commission income between the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G. On the other hand, revenue generated from *Ijarah* constituted 4.9 per cent. of the special commission income earned during the two periods.

(b) Fee Revenue

Fee revenue decreased by 14.2 per cent. in the six-month period ended June 2022G. The decrease in general was affected by a decrease in the number of loans granted to SMEs, from 72 contracts in the six-month period ended 30 June 2021G to 52 contracts in the six-month period ended 30 June 2022G.

(c) Other Revenue

The following table shows details of the Company's other revenue for the six-month periods ended 30 June 2021G and 30 June 2022G:

Table 6.66: Details of Other Revenue for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Monsha'at	1.0	1.1	*16.1%*
Private Sector Financing Support Programme	4.6	2.1	*(55.4%)*
Lending Financing Programme	(2.2)	1.3	*160.0%*
Total	**3.4**	**4.5**	***32.5%***

Source: Management information.

Other revenue increased by 32.5 per cent. between the six-month period ended June 2021G and the six-month period ended June 2022G, due to an increase in the value of loans provided to SMEs in the six-month period ended June 2022G.

(d) Outstanding Revenue

Outstanding revenue increased by 70.8 per cent. between the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G, due to profit adjustments made to defaulting clients.

It should be noted that outstanding revenue mainly relates to the flow of receivable amounts classified under different age categories (non-performing and overdue categories). It is worth noting that the increase in outstanding revenue between the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G was mainly impacted by SME loans, specifically ten high-value loans amounting to SAR 33.9 million as of 30 June 2022G. The value of the outstanding revenue related to the aforementioned ten loans amounted to SAR 1.1 million in the six-month period ended 30 June 2022G.

(e) Islamic Financing Revenue by Branch

The following table shows the details of Islamic financing revenue by Company branch for the six-month periods ended 30 June 2021G and 30 June 2022G:

Table 6.67: Details of Islamic Financing Revenue by Branch for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Riyadh	18.5	30.9	*67.2%*
Hail	5.1	4.7	*(7.6%)*
Tabuk	3.9	3.5	*(12.2%)*
Qurayyat	3.5	3.6	*3.9%*
Abha	2.5	2.5	*(1.4%)*
Jizan	2.6	2.4	*(5.9%)*
Jeddah	7.3	12.3	*68.5%*
Arar	1.7	1.4	*(17.0%)*
Sakaka	2.3	2.1	*(10.8%)*
Dawadmi	2.1	2.5	*16.8%*
Buraidah	1.7	1.7	*(0.4%)*
Najran	1.8	1.7	*(4.1%)*
Qatif	1.0	1.5	*49.6%*
Taif	1.1	1.5	*32.3%*
Dammam	3.4	3.9	*15.8%*
Total	**58.5**	**76.1**	***30.2%***

Source: Management information.

The Riyadh region income increased by 67.2 per cent., from SAR 18.5 million in the six-month period ended 30 June 2021G to SAR 30.9 million in the six-month period ended 30 June 2022G. It should be noted that the number of loans granted in Riyadh region branches totalled 957 loans amounting to SAR 146.7 million in the six-month period ended 30 June 2022G, compared to 1,057 loans amounting to SAR 107.5 million in the six-month period ended 30 June 2021G.

The Jeddah region income increased by 68.5 per cent., from SAR 7.3 million in the six-month period ended 30 June 2021G to SAR 12.3 million in the six-month period ended 30 June 2022G. This increase was related to an increase in the value of disbursed loans from SAR 53.9 million to SAR 67.8 million between the two periods. Revenue related to the aforementioned loans amounted to SAR 1.6 million riyals SAR 2.0 million in the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G.

The Hail region revenue decreased by 7.6 per cent. between the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G as a result of a decrease in the number of contracts that the Company obtained and executed in the region.

6.12.2.3 Special Commission Expense

The following table shows details of the Company's special commission expense for the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.68: Details of the Special Commission Expense for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Monsha'at loss account receivables	-	-	*N/A*
Lease liabilities	0.1	0.1	*(30.9%)*
Sales commission	-	0.0	*N/A*
Sales commission - head office	0.7	1.0	*40.4%*
Sukuk fees	5.0	2.8	*(43.4%)*
Administrative fees for credit facilities	2.4	2.4	*0.7%*
Interest on credit facilities - head office	1.4	1.5	*7.6%*
Interest on credit facilities - banks	-	3.6	*N/A*
Deferred interest expenses for *Monsha'at*	0.4	0.0	*(92.0%)*
Total	**10.0**	**11.4**	***13.4%***

Source: Management information.

(a) Lease Liabilities

Expenses did not witness any material fluctuations between the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G, due to the fact that no additional branches were opened between the two periods.

(b) Sales Commission - Head Office

Sales commission (head office) increased in the six-month periods ended 30 June 2021G and 30 June 2022G by SAR 0.3 million. This increase was mainly affected by the general rise in business activity after the easing of restrictions imposed during the pandemic. The easing of such restrictions following the decline of the pandemic has led to an increase in business activity with individual clients and SMEs.

(c) Sukuk Fees

These expenses decreased from SAR 5.0 million in the six-month period ended 30 June 2021G to SAR 2.8 million in the six-month period ended 30 June 2022G, due to a decrease in the relevant balances between the two periods.

(d) Administrative Fees for Credit Facilities

Administrative fees for credit facilities did not witness any material fluctuation between the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G.

(e) Credit Facility Commission - Head Office

Credit facility expenses - head office did not witness any material fluctuations between the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G.

(f) Interest on Credit Facilities - Banks

Bank interest on credit facilities increased by SAR 3.6 million between the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G. This increase was mainly attributable to an increase in loan balances of 43.1 per cent. between the two periods. The increase was mainly related to Bank Albilad, which recorded an outstanding balance of SAR 226.5 million as of 30 June 2022G.

(g) Deferred Interest Expenses for Monsha'at

These expenses decreased by 92.0 per cent. between the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G. This decrease followed the easing of restrictions related to the coronavirus pandemic, which led to an increase in the volume and scope of business activity conducted with individual clients and SMEs.

6.12.2.4 Other Revenue

The following table shows details of the Company's other revenue for the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.69: Details of Other Revenue for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Recovery of written-off Islamic finance receivables	4.5	8.5	*89.6%*
Early payment fee income	3.5	2.6	*(24.6%)*
Income from short-term deposits	0.3	0.2	*(21.2%)*
Other	0.1	1.3	*1,550.2%*
Total	**8.3**	**12.6**	***51.5%***

Source: The Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

Other revenue increased by 51.5 per cent., from SAR 8.3 million in the six-month period ended 30 June 2021G to SAR 12.6 million in the six-month period ended 30 June 2022G. In general, this increase was associated with an increase in revenue from the recovery of written-off Islamic finance receivables from SAR 4.5 million in the six-month period ended 30 June 2021G to SAR 8.5 million in the six-month period ended 30 June 2022G.

6.12.2.5 General and Administrative Expenses

The following table shows details of general and administrative expenses for the six-month periods ended 30 June 2021G and 30 June 2022G:

Table 6.70: General and Administrative Expenses for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Employee salaries and costs	14.3	12.6	*14.5%*
Depreciation	1.9	2.1	*8.2%*
Professional and legal fees	1.7	1.8	*7.3%*
Insurance expense	0.6	1.2	*103.1%*
Bank fees	0.6	0.5	*(8.3%)*
Repairs and maintenance	1.0	0.6	*(44.3%)*
Utilities expense	0.5	0.7	*36.1%*
Rent expense	-	-	*N/A*
Other expenses	1.8	3.3	*82.7%*
Total	**22.3**	**26.5**	***18.5%***

Source: The Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

General and administrative expenses increased by 18.5 per cent., or SAR 4.1 million, from SAR 22.3 million in the six-month period ended 30 June 2021G to SAR 26.5 million as of 30 June 2022G. This increase is mainly attributable to an increase in employee salaries and costs between the two periods.

(a) Employee Salaries and Costs

Employee salaries and costs increased by 14.5 per cent., from SAR 14.3 million in the six-month period ended 30 June 2021G to SAR 16.4 million as of 30 June 2022G. This increase was driven by an increase in employee salaries and an increase in the number of employees from 144 employees (including employees hired from external companies) in the six-month period ended 30 June 2021G to 171 employees in the six-month period ended 30 June 2022G.

(b) Depreciation

Depreciation expenses increased by 8.2 per cent., from SAR 1.9 million in the six-month period ended 30 June 2021G to SAR 2.1 million as of 30 June 2022G. This increase was related to the additional depreciation and amortisation expenses recorded by Loop, 80.0 per cent. of whose shares were acquired in the six-month period ended 30 June 2022G. The Company had both tangible and intangible assets on the date of acquisition.

(c) Professional and Legal Fees

Professional and legal fees increased by 7.3 per cent., from SAR 1.7 million in the six-month period ended 30 June 2021G to SAR 1.8 million as of 30 June 2022G. This increase was related to an increase in the provisions related to the expenses of the external and internal auditors from SAR 0.1 million in the six-month period ended 30 June 2021G to SAR 0.2 million in the six-month period ended 30 June 2022G.

(d) Insurance Expense

Insurance expenses recorded an increase of 103.1 per cent., from SAR 0.6 million in the six-month period ended 30 June 2021G to SAR 1.2 million as of 30 June 2022G. This is mainly due to an increase in the value of the *Ijarah* portfolio to SAR 57.9 million in the six-month period ended 30 June 2022G.

(e) Bank Fees

Bank fees decreased by 8.3 per cent., from SAR 0.6 million in the six-month period ended 30 June 2021G to SAR 0.5 million as of 30 June 2022G, due to the Company's suspension of standing order transactions and commencement of direct debit authorisation transactions. It should be noted that direct debit authorisation transactions for the collection of loans are relatively less expensive than standing order transactions.

(f) Repairs and Maintenance

Repairs and maintenance expenses decreased by 44.3 per cent., from SAR 1.0 million in the six-month period ended 30 June 2021G to SAR 0.6 million on 30 June 2022G. This decrease was affected by software maintenance expenses which decreased by SAR 0.6 million.

(g) Utilities Expense

Utilities expenses increased by 36.1 per cent., from SAR 0.5 million in the six-month period ended 30 June 2021G to SAR 0.7 million as of 30 June 2022G. This was primarily due to an increase in telephone, mobile and internet expenses, driven by an increase the cost of direct lines between the branches and the service provider.

(h) Other Expenses

Other expenses increased by 82.7 per cent., from SAR 1.8 million in the six-month period ended 30 June 2021G to SAR 3.3 million as of 30 June 2022G.

6.12.3 Statement of Financial Position

The following table shows the Company's statement of financial position as of 31 December 2021G and 30 June 2022G:

Table 6.71: Summary of the Statement of Financial Position as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Assets			
Cash and cash equivalents	42.8	86.1	*101.1%*
Restricted cash deposits	-	16.0	*N/A*
Prepaid expenses and other assets	11.6	22.0	*89.4%*
Investments at fair value through other comprehensive income	0.9	0.9	-
Goodwill	-	11.2	*N/A*
Islamic finance receivables	924.1	1,001.7	*8.4%*
Assets confiscated for sale	49.4	60.0	*21.4%*
Right-of-use assets	4.3	3.4	*(20.0%)*
Intangible assets	4.6	13.3	*186.2%*
Property and equipment	4.5	7.8	*74.6%*
Total assets	**1,042.3**	**1,222.4**	***17.3%***
Liabilities and equity			
Payables, outstanding amounts and other	11.9	39.7	*232.6%*
Zakat provision	7.0	7.0	*0.3%*
Loans	649.3	632.2	*(2.6%)*
Lease liabilities	3.9	2.7	*(30.8%)*
Employee defined benefit liabilities	4.2	5.0	*18.0%*
Total liabilities	**676.4**	**686.6**	***1.5%***
Equity			
Share capital	311.4	500.0	*60.6%*
Statutory reserve	17.3	17.3	-
Treasury shares	-	(16.1)	*N/A*
Retained earnings	37.3	35.7	*(4.1%)*
Non-controlling interests	**-**	**(1.1)**	***N/A***
Total equity	**365.9**	**535.8**	***46.4%***
Total liabilities and equity	**1,042.3**	**1,222.4**	***17.3%***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

Asset balances increased by 17.3 per cent. as of 30 June 2022G, from SAR 1,042.3 million as of 31 December 2021G to SAR 1,222.4 million as of 30 June 2022G, as a result of an increase in Islamic finance receivables balances of 8.4 per cent. between the two periods.

Equity increased by 46.4 per cent. as of 30 June 2022G, from SAR 365.9 million as of 31 December 2021G to SAR 535.8 million as of 30 June 2022G, following an increase in share capital of 60.6 per cent., from SAR 311.1 million as of 31 December 2021G to SAR 500.0 million as of 30 June 2022G.

Liabilities increased by 1.5 per cent. as of 30 June 2022G, from SAR 676.4 million as of 31 December 2021G to SAR 686.6 million as of 30 June 2022G, due to an increase in payables, outstanding amounts and other of 232.6 per cent., from SAR 11.9 million as of 31 December 2021G to SAR 39.7 million as of 30 June 2022G.

As mentioned previously, the Company acquired 80.0 per cent. of the shares of Loop in the first half of 2022G. Loop's assets mainly included cash and cash equivalents, which amounted to SAR 44.1 million as of 30 June 2022G. On the other hand, payables, outstanding amounts and other formed the main component of Loop's liabilities, as shown in the table below:

Table 6.72: Consolidated Statement of Financial Position as of 30 June 2022G

SAR Million	Company	Loop	Total	Amendments	Consolidated
Assets					
Cash and cash equivalents	41.9	44.1	86.1	-	86.1
Restricted cash deposits	16.0	-	16.0	-	16.0
Prepaid expenses and other assets	21.3	0.7	22.0	-	22.0
Investments at fair value through other comprehensive income	0.9	-	0.9	-	0.9
Goodwill	-	-	-	11.2	11.2
Islamic finance receivables	1,001.7	-	1,001.7	-	1,001.7
Assets confiscated for sale	60.0	-	60.0	-	60.0
Right-of-use assets	3.4	-	3.4	-	3.4
Intangible assets	5.6	7.6	13.3	-	13.3
Property and equipment	4.7	3.1	7.8	-	7.8
Investment in a Subsidiary	56.8	-	56.8	(56.8)	-
Total assets	**1,212.4**	**55.7**	**1,268.0**	**(45.6)**	**1,222.4**
Liabilities and equity					
Liabilities					
Payables, outstanding amounts and other	28.7	11.0	39.7	-	39.7
Zakat provision	7.0	-	7.0	-	7.0
Loans	632.2	-	632.2	-	632.2
Lease liabilities	2.7	-	2.7	-	2.7
Employee defined benefit liabilities	4.9	0.2	5.0	-	5.0
Total liabilities	**675.5**	**11.2**	**686.6**	**-**	**686.6**
Equity					
Share capital	500.0	60.0	560.0	(60.0)	500.0
Statutory reserve	17.3	-	17.3	-	17.3
Treasury shares	(16.1)	-	(16.1)	-	(16.1)
Retained earnings	35.7	(15.5)	20.2	15.5	35.7
Non-controlling interests	-	-	-	(1.1)	(1.1)
Total equity	**536.9**	**44.5**	**581.4**	**(45.6)**	**535.8**
Total liabilities and equity	**1,212.4**	**55.7**	**1,268.0**	**(45.6)**	**1,222.4**

Source: Management information.

6.12.3.1 Cash and Cash Equivalents

The following table shows the Company's cash and cash equivalents as of 31 December 2021G and 30 June 2022G:

Table 6.73: Cash and Cash Equivalents

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Bank balances	42.8	86.0	*101.1%*
Short-term deposits	-	-	*N/A*
Cash in hand	0.0	0.0	*20.0%*
Total	**42.8**	**86.1**	***101.1%***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

The balance of cash and cash equivalents increased by 101.1 per cent., from SAR 42.8 million as of 31 December 2021G to SAR 86.1 million as of 30 June 2022G. This increase is due to the consolidation of the balances associated with Loop, 80.0 per cent. of whose shares were acquired in the six-month period ended 30 June 2022G.

Cash in hand remained constant between 31 December 2021G and 30 June 2022G.

6.12.3.2 Restricted Cash Deposits

The following table shows the details of the restricted cash deposits as of 31 December 2021G and 30 June 2022G:

Table 6.74: Restricted Cash Deposits

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Restricted cash deposits	-	16.0	N/A
Total	**-**	**16.0**	**N/A**

Source: Management information.

The balance of restricted cash deposits amounted to SAR 16.0 million as of 30 June 2022G. The restricted balance was related to the loan received by the Company from Riyad Bank. In line with the Bank's financing facility requirements, the Company allocated SAR 16.0 million as of 30 June 2022G as a restricted deposit with Riyad Bank. The aforementioned amount represents 10.0 per cent. of the loan value and an additional amount of SAR 11.0 million deposited with the Bank in an account as a restricted cash deposit (the restricted cash is unusable cash placed in a bank account as a type of collateral).

6.12.3.3 Prepaid Expenses and Other Assets

The following table shows the prepaid expenses and other assets as of 31 December 2021G and 30 June 2022G:

Table 6.75: Prepaid Expenses and Other Assets as of 31 December 2021G and 30 June 2022G

SAR Million	Financial Year Ended 31 December 2021G Audited	Six-month Period Ended 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Amount receivable from the sale of confiscated assets	6.9	6.8	*(1.5%)*
Prepaid expenses	3.7	12.8	*249.7%*
Other receivables	0.2	0.2	*(5.5%)*
Advances to employees/advance payments to suppliers	0.5	0.7	*51.0%*
Inventory	-	0.1	*N/A*
Other	0.4	1.5	*240.4%*
Total	**11.6**	**22.0**	***89.4%***

Source: Management information.

Receivables from the sale of confiscated assets are related to Tawarruq amounts owed by a client who defaulted on their payments in 2019G. As a result of such default, the Company acquired the asset that was pledged against receivables from the client. The Company sold these assets for SAR 11.3 million to be repaid in instalments over a period of 60 months. The receivables balance of SAR 6.8 million (net of unearned revenue) represents the debit balance of the purchaser of the aforementioned assets.

Prepaid expenses increased by 249.7 per cent., from SAR 3.7 million as of 31 December 2021G to SAR 12.8 million as of 30 June 2022G. This increase resulted from an increase in advance payments to suppliers of lease contracts amounting to SAR 2.8 million, an increase in prepaid medical insurance amounting to SAR 1.7 million and calculation of advance payments recorded by Loop (SAR 0.7 million), 80.0 per cent. of whose shares were acquired in the six-month period ended 30 June 2022G.

Other receivables were not subject to any material changes between 31 December 2021G and 30 June 2022G.

Advances to employees/advance payments to suppliers did not undergo any material changes between 31 December 2021G and 30 June 2022G. It should be noted that the movement in the balance of such advances is influenced by the timing of their award.

The Company recorded an inventory of SAR 0.1 million as of 30 June 2022G. The said balance was recorded by Loop, 80.0 per cent. of whose shares were acquired in 2022G. Inventory consisted mainly of credit cards.

Other upfront expenses increased by 240.4 per cent., from SAR 0.4 million as of 31 December 2021G to SAR 1.5 million as of 30 June 2022G.

6.12.3.4 Investments at Fair Value through Other Comprehensive Income

The following table shows investments at fair value through comprehensive income as of 31 December 2021G and 30 June 2022G:

Table 6.76: Investments at Fair Value through Other Comprehensive Income as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Investments at fair value through other comprehensive income	0.9	0.9	-
Total	**0.9**	**0.9**	**-**

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements of the Company for the six-month period ended 30 June 2022G.

As mentioned previously, the Company has a non-current investment of 2.33 per cent. in the Saudi Financial Lease Contract Registry Company (SIJIL), which was established with other leasing and finance companies registered in the Kingdom for the purpose of registering financial lease contracts and registering and transferring asset title deeds under financial lease contract arrangements. The investment is carried at cost as the management believes the fair value is not materially different from the cost, since the investment is immaterial and the management is confident that its effect between the initial cost and the fair value is not material.

6.12.3.5 Islamic Finance Receivables

The following table shows the Islamic finance receivables as of 31 December 2021G and 30 June 2022G:

Table 6.77: Islamic Finance Receivables as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Total Islamic finance receivables	1,275.7	1,367.8	*7.2%*
Less: Unrealised profit	(308.0)	(323.5)	*5.0%*
	967.7	**1,044.4**	***7.9%***
Less: Provision for impairment losses	(43.6)	(42.7)	*(2.1%)*
Islamic finance receivables, net	**924.1**	**1,001.7**	***8.4%***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

The balance of Islamic finance receivables increased by 8.4 per cent., from SAR 924.1 million as of 31 December 2021G to SAR 1,001.7 million as of 30 June 2022G. This increase resulted from an increase in the value and size of the client portfolio following the disbursement of new loans amounting to SAR 306.1 million in the six-month period ended 30 June 2022G.

(a) Net Islamic Finance Receivables - by Product

The following table shows net Islamic finance receivables by product as of 31 December 2021G and 30 June 2022G:

Table 6.78: Net Islamic Finance Receivables - by Product as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Tawarruq	882.1	959.6	8.8%
Ijarah	42.0	42.1	0.4%
Murabaha	-	-	N/A
Total	**924.1**	**1,001.7**	**8.4%**

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

(b) Islamic Finance Receivables - Tawarruq

The following table shows Islamic Finance Receivables – *Tawarruq* as of31 December 2021G and 30 June 2022G:

Table 6.79: Islamic Finance Receivables – Tawarruq as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Total *Tawarruq* receivables	1,219.3	1,309.9	*7.4%*
Less: Unrealised profit	(294.6)	(309.3)	*5.0%*
	924.7	**1,000.6**	***8.2%***
Less: Provision for impairment losses	(42.5)	(41.0)	*(3.6%)*
Islamic finance receivables – *Tawarruq*, net	**882.1**	**959.6**	***8.8%***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

The balance of Tawarruq receivables increased by 7.4 per cent., from SAR 1,219.3 million as of 31 December 2021G to SAR 1,309.9 million as of 30 June 2022G. This was related to an increase in business activity following the decline of the coronavirus pandemic and an increase in the number of loans granted from 3,970 in the six-month period ended 30 June 2021G to 4,276 in the six-month period ended 30 June 2021G.

(c) Islamic Finance Receivables - Ijarah

The following table shows Islamic finance receivables - *Ijarah* as of 31 December 2021G and 30 June 2022G:

Table 6.80: Islamic Finance Receivables - Ijarah as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Total *Ijarah* receivables	56.4	57.9	*2.7%*
Less: Unrealised profit	(13.4)	(14.1)	*5.6%*
	43.0	**43.8**	***1.8%***
Less: Provision for impairment losses	(1.1)	(1.7)	*56.3%*
Islamic finance receivables - *Ijarah*, net	**42.0**	**42.1**	***0.4%***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

The balance of *Ijarah* receivables increased by 2.7 per cent., from SAR 56.4 million as of 31 December 2021G to SAR 57.9 million as of 30 June 2022G, following the growth of the *Ijarah* product within the SME sector by 4.3 per cent. or SAR 0.8 million. Such increase was largely in line with the overall growth experienced by the sector between the two periods.

(d) Net Islamic Finance Receivables

The following table shows the net Islamic finance receivables as of 31 December 2021G and 30 June 2022G:

Table 6.81: Net Islamic Finance Receivables as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease) June 2022G
Retail	458.2	511.8	11.7%
SMEs	465.9	489.9	5.1%
Total	**924.1**	**1,001.7**	**8.4%**

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

(e) Loan Commitment Ratios Required by the Saudi Central Bank

The following table shows the loan commitment ratios required by the Saudi Central Bank as of 31 December 2021G and 30 June 2022G:

Table 6.82: Loan Commitment Ratios Required by the Saudi Central Bank as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)
Total equity (a)	365.9	535.8
Maximum limit according to the Saudi Central Bank (#)(b)	3	3
Maximum allowable (c=a*b)	1,097.6	1,607.5
Receivables (net) (d)	(924.1)	(1,001.7)
Available borrowing limits (e = c + d)	173.5	605.7
Commitment ratio according to the financial statements	2.5	1.9
Commitment status	**Committed**	**Committed**

Source: Management information.

(f) Islamic Finance Receivables (Before Provision for Impairment) by Income Level

The following table shows the Islamic finance receivables (before provision for impairment) by income level as of 31 December 2021G and 30 June 2022G:

Table 6.83: Islamic Finance Receivables (Before Provision for Impairment) by Income Level as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease) June 2022G
Retail			
Less than 5,000	6.3	10.6	*67.2%*
5,000 – 10,000	157.5	160.2	*1.8%*
10,001 – 15,000	182.2	184.3	*1.1%*
15,001 – 20,000	69.3	74.1	*6.9%*
More than 20,000	44.5	89.4	*100.8%*
Total	**459.8**	**518.6**	***12.8%***
SMEs			
Less than SAR 3.0 million	104.1	103.0	*(1.1%)*

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease) June 2022G
From SAR 3.0 million to SAR 40.0 million	284.4	254.5	*(10.5%)*
From SAR 40.0 million to SAR 200.0 million	105.3	129.5	*23.0%*
Over SAR 200.0 million	14.0	38.8	*176.7%*
Total	**507.9**	**525.8**	***3.5%***
Total	**967.7**	**1,044.4**	***7.9%***

Source: Management information.

(g) Islamic Finance Receivables before Provision for Impairment by Sector

The following table presents Islamic finance receivables before provision for impairment by sector as of 31 December 2021G and 30 June 2022G:

Table 6.84: Islamic Finance Receivables before Provision for Impairment by Sector as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease) June 2022G
Retail - by sector			
Public sector	417.5	422.7	*1.2%*
Private sector	35.1	85.2	*142.9%*
Retirees	7.2	10.7	*47.6%*
Total	**459.8**	**518.6**	***12.8%***
SMEs - by sector			
Agriculture and fishing	22.2	22.2	*0.2%*
Finance	2.3	1.1	*(53.4%)*
Industrial	20.8	29.3	*40.9%*
Building and construction	128.6	120.4	*(6.4%)*
Wholesale and retail	129.6	139.9	*7.9%*
Communications	41.2	9.8	*(76.2%)*
Services	56.7	68.1	*20.1%*
Facilities and health	49.3	43.3	*(12.1%)*
Various other sectors	43.1	52.9	*22.6%*
Total	**493.9**	**486.1**	***(1.4%)***
Other than SMEs/other companies			
Wholesale and retail	14.0	38.8	*176.7%*
Total	**14.0**	**38.8**	***176.7%***
Total	**967.7**	**1,044.4**	***7.9%***

Source: Management information.

(h) Movement in the Provision for Impairment Losses

The following table presents the movement in the provision for impairment losses as of 31 December 2021G and 30 June 2022G:

Table 6.85: Movement in the Provision for Impairment Losses as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
At the beginning of the year/period	27.9	43.6	*56.0%*
Charged for the year/period	38.8	18.8	*(51.4%)*
Written-off amounts during the year/period	(23.2)	(19.8)	*(14.7%)*
At the end of the year/period	**43.6**	**42.7**	***(2.1%)***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

The balance of the provision for impairment losses decreased by 2.1 per cent., from SAR 43.6 million as of 31 December 2021G to SAR 42.7 million as of 30 June 2022G. It should be noted that the balance fluctuates within the normal course of business and is mainly affected by movement in collections from clients.

6.12.3.6 Assets Confiscated for Sale

The following table shows the assets confiscated for sale as of 31 December 2021G and 30 June 2022G:

Table 6.86: Assets Confiscated for Sale as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Recovered assets	49.4	60.0	*21.4%*
Total	**49.4**	**60.0**	***21.4%***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

The balance of assets confiscated for sale increased by 21.4 per cent., from SAR 49.4 million as of 31 December 2021G to SAR 60.0 million as of 30 June 2022G. This increase was in relation to assets in connection with *Tawarruq* product receivables which the Company acquired in 2022G. It should be noted that the balance of SAR 60.0 million as of 30 June 2022G represents the net realisable value.

6.12.3.7 Right-of-use Assets

The following table shows the right-of-use assets as of 31 December 2021G and 30 June 2022G:

Table 6.87: Right-of-use Assets as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As ofEnded 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
As of 1 January	5.4	4.3	(21.6%)
Additions during the period	0.4	-	(100.0%)
Depreciation expense	(1.6)	(0.9)	(46.9%)
As of the end of the period	**4.3**	**3.4**	**(20.0%)**

Source: Management information.

The balance of right-of-use assets decreased by 20.0 per cent. from SAR 4.3 million as of 31 December 2021G to SAR 3.4 million as of 30 June 2022G. This decrease was affected by the movement in depreciation expense between the two periods.

6.12.3.8 Lease Liabilities

The following table shows the lease liabilities as of 31 December 2021G and 30 June 2022G:

Table 6.88: Lease Liabilities

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
At the beginning of the year	5.2	3.9	*(24.1%)*
Additions during the year	0.4	-	*(100.0%)*
Commission increase	0.3	0.0	*(82.8%)*
Payments during the year	(1.9)	(1.3)	*(35.4%)*
At the end of the year	**3.9**	**2.7**	***(30.8%)***

Source: Management information.

As mentioned above, the Company has lease contracts for 16 branch offices across the Kingdom and one head office in Riyadh. The terms of these lease contracts range from two to five years and may include an option to extend. Lease agreements do not impose any undertakings. However, leased assets may not be used as collateral for borrowing purposes.

6.12.3.9 Intangible Assets

The following table shows the intangible assets as of 31 December 2021G and 30 June 2022G:

Table 6.89: Intangible Assets as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Cost:			
Computer software	7.5	20.0	*168.6%*
Capital work in progress	0.8	1.6	*99.2%*
Total cost	**8.3**	**21.7**	***161.7%***
Accumulated amortisation:			
Computer software	3.6	8.2	*126.4%*
Capital work in progress	-	-	-
Total accumulated amortisation:	**3.6**	**8.2**	***126.4%***
Net book value:			
Computer software	3.8	11.8	*208.8%*
Capital work in progress	0.8	1.6	*99.2%*
Net book value	**4.6**	**13.4**	***189.4%***
Net book value as per the financial statements	4.6	13.3	*186.2%*

Source: Management information.

Intangible assets increased by 186.2 per cent. to SAR 13.4 million as of June 2022G, compared to SAR 4.6 million as of 31 December 2021G. This increase was in relation to intangible assets recorded by Loop, 80.0 per cent. of whose shares were acquired in 2022G. These assets mainly included accounting software valued at SAR 7.8 million as of 30 June 2022G. In addition, the Company recorded additions of SAR 1.3 million in the six-month period ended 30 June 2022G, which mainly related to Microsoft Windows licences for servers amounting to SAR 0.5 million and additions of SAR 0.6 million to projects in progress (projects related to development of the growth strategy). Intangible assets are depreciated using the straight-line method over their useful life of ten-years.

6.12.3.10 Property and Equipment

The following table shows property and equipment as of 31 December 2021G and 30 June 2022G:

Table 6.90: Property and Equipment as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease) June 2022G
Cost			
Furniture, equipment and computers	5.9	12.3	*107.5%*
Leasehold improvements	6.1	6.3	*3.7%*
Total cost	**12.0**	**18.0**	***50.2%***
Accumulated depreciation:			
Furniture, equipment and computers	4.3	7.2	*68.6%*
Leasehold improvements	3.2	3.5	*8.9%*
Total accumulated depreciation:	**7.5**	**10.3**	***37.6%***
Net book value:			
Furniture, equipment and computers	1.6	5.0	*210.2%*
Leasehold improvements	2.9	2.8	*(2.0%)*
Total net book value	**4.5**	**7.8**	***74.6%***

Source: Management information.

The book value of property and equipment increased by 74.6%, to SAR 7.8 million, as of 30 June 2022G. This increase was associated with Loop's assets which mainly included computer equipment, furniture and leasehold improvements.

(a) Property and Equipment - Additions and Transfers

The following table shows property and equipment- additions and transfers as of 31 December 2021G and 30 June 2022G:

Table 6.91: Property and Equipment - Additions and Transfers as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease) June 2022G
Additions			
Furniture, equipment and computers	0.5	0.4	*(17.4%)*
Leasehold improvements	0.4	-	*(100.0%)*
Total	**0.9**	**0.4**	***(51.6%)***
Transfers			
Leasehold improvements	-	(0.0)	*N/A*
Capital work in progress	-	-	*N/A*
Total	**-**	**(0.0)**	***N/A***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

Additions to property and equipment amounting to SAR 0.4 million in the six-month period ended 30 June 2021G mainly included furniture and computer equipment worth SAR 0.2 million as well as network devices and adapters worth SAR 0.2 million.

(b) Payables, Outstanding Amounts and Other

The following table shows payables, outstanding amounts and other as of 31 December 2021G and 30 June 2022G:

Table 6.92: Payables, Outstanding Amounts and Other as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Outstanding expenses	4.3	6.4	*48.0%*
Payables	5.3	31.8	*500.0%*
Outstanding special commission expense	1.5	0.1	*(91.1%)*
Other	0.8	1.3	*72.8%*
Total	**11.9**	**39.7**	***232.6%***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

Outstanding expenses increased by 48.0 per cent., from SAR 4.3 million as of 31 December 2021G to SAR 6.4 million as of 30 June 2022G, following the consolidation of accumulated expenses related to Loop amounting to SAR 3.3 million. Such expenses mainly consisted of outstanding employee salaries which amounted to SAR 2.9 million as of 30 June 2022G. This was offset by a partial decrease of SAR 1.5 million in the value of remuneration and incentives payable by the Company.

The payables balance increased by 500.0 per cent., from SAR 5.3 million as of 31 December 2021G to SAR 31.8 million as of 30 June 2022G, due to an increase of SAR 12.5 million in advances from the Company's customers and an increase of SAR 5.0 million in commercial payments, in addition to the consolidation of Loop's sub-payment accounts which amounted to SAR 7.6 million as of 30 June 2022G. It should be noted that the increase in customer advances was due to overpayments made by customers at the end of June. It is worth noting that 97.9 per cent. of the total accounts payable are outstanding balances for a period of less than 30 days as of 30 June 2022G.

Special commission expense decreased by 91.1 per cent., from SAR 1.5 million as of 31 December 2021G to SAR 0.1 million as of 30 June 2022G, due to a decrease in accrued interest which occurred following the suspension of interest payments and accrual of interest on the majority of loans collected from banks under the Saudi Central Bank's Deferred Payment Programme.

Other outstanding amounts increased by 72.8 per cent., from SAR 0.8 million as of 31 December 2021G to SAR 1.3 million as of 30 June 2022G, primarily due to an increase of SAR 0.5 million in the shared payables balance.

6.12.3.11 Zakat Provision

The following table shows the Zakat provision as of 31 December 2021G and 30 June 2022G:

Table 6.93: Zakat Provision as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
At the beginning of the year	7.2	7.0	(2.6%)
Charged for the year	6.6	6.9	4.5%
Paid during the year	(6.8)	(6.9)	1.3%
Transferred to prepaid Zakat	-	-	N/A
At the end of the year	7.0	7.0	0.3%

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

As mentioned above, the Company has submitted its Zakat returns to the ZATCA for all previous years up to 2020G.

6.12.3.12 Loans

The following table shows the loans as of 31 December 2021G and 30 June 2022G:

Table 6.94: Loans as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Bank loans	251.3	322.7	*28.4%*
Sukuk payable	69.7	39.2	*(43.7%)*
Loans from a Government entity	328.3	270.3	*(17.7%)*
Total	**649.3**	**632.2**	***(2.6%)***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

(a) Bank Loans

The following table shows the loans - current portion and non-current portion as of 31 December 2021G and 30 June 2022G:

Table 6.95: Loans - Current Portion and Non-current Portion as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Islamic finance	251.6	323.1	*28.4%*
Less: Unamortised upfront fees	(0.3)	(0.4)	*59.4%*
Total	**251.3**	**322.7**	***28.4%***
Current portion	88.9	122.6	*38.0%*
Non-current portion	**162.4**	**200.0**	***23.2%***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

(b) Sukuk Payable

The following table shows Sukuk payable as of 31 December 2021G and 30 June 2022G:

Table 6.96: Sukuk Payable as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Islamic finance through Sukuk	71.2	40.0	*(43.7%)*
Less: Unamortised upfront fees	(1.5)	(0.8)	*(44.4%)*
Total	**69.7**	**39.2**	***(43.7%)***
Current portion	61.6	39.2	*(36.3%)*
Non-current portion	**8.1**	**-**	***(100.0%)***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

The following table shows Sukuk payable - current portion and non-current portion as of 31 December 2021G and 30 June 2022G:

Table 6.97: Sukuk Payable - Current Portion and Non-current Portion as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Current portion	61.6	39.2	*(36.3%)*
Non-current portion	8.1	-	*(100.0%)*
Total	**69.7**	**39.2**	***(43.7%)***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

(c) Loans from a Government Entity

The following table shows loans from a Government entity as of 31 December 2021G and 30 June 2022G:

Table 6.98: Loans from a Government Entity as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Current portion	153.7	151.8	*(1.2%)*
Non-current portion	174.6	118.5	*(32.1%)*
Total	**328.3**	**270.3**	***(17.7%)***

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

(d) Loan Details

The following table shows the details of the loans as of 31 December 2021G and 30 June 2022G:

Table 6.99: Loan Details as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease) June 2022G
Banks			
Albilad	171.7	226.5	*32.0%*
Riyadh	26.3	49.8	*89.6%*
Al Rajhi	53.7	46.8	*(12.8%)*
Total	**251.6**	**323.1**	***28.4%***
Sukuk			
Riyad Capital	71.2	40.0	*(43.7%)*
Total	**71.2**	**40.0**	***(43.7%)***
Government entity			
Saudi Central Bank	183.8	150.2	*(18.2%)*
Saudi Central Bank (*Monsha'at*)	171.2	143.3	*(16.3%)*
Total	**355.0**	**293.6**	***(17.3%)***
Total	**677.7**	**656.7**	***(3.1%)***

Source: Management information.

As mentioned earlier, in 2021G, the Company obtained a new loan of SAR 100.0 million from a local bank with a commission rate of 4.41 per cent. These facilities are secured by the assignment of receivables, payable on a quarterly basis over 16 instalments and due by February 2025G.

The following table shows the details of the loan agreements as of 30 June 2022G:

Table 6.100: Details of Loan Agreements as of 30 June 2022G

SAR Million	As of 30 June 2022G						
	Type of Loan	Commission Rate	Receivables Coverage %	Profit Rate Swap	Limit SAR Million	Balance SAR Million	Available SAR Million
Banks							
Al Rajhi Bank 1	Revolving loan	*5.2%*	*129%*	N/A	14.3	10.9	3.4
Al Rajhi Bank 2	Revolving loan	*5.4%*	*125%*	N/A	25.0	16.5	8.5
Al Rajhi Bank 3	Revolving loan	*6.2%*	*126%*	N/A	50.0	19.4	30.6
Subtotal					**89.3**	**46.8**	**42.5**
Bank Albilad 1	Term	*4.4%*	*125%*	N/A	40.0	27.2	-
Bank Albilad 2	Term	*4.4%*	*125%*	N/A	60.0	47.1	-
Bank Albilad 3	Term	*6.8%*	*126%*	N/A	30.0	10.3	-
Bank Albilad 4	Term	*6.9%*	*125%*	N/A	23.0	0.5	-
Bank Albilad 5	Term	*7.1%*	*125%*	N/A	25.0	13.0	-
Bank Albilad 6	Term	*7.1%*	*150%*	N/A	80.0	46.6	-
Bank Albilad 7	Term	*4.7%*	*125%*	N/A	50.0	46.9	-
Bank Albilad 8	Term	*5.1%*	*125%*	N/A	20.0	18.8	-
Bank Albilad 9	Term	*5.5%*	-	N/A	16.1	16.1	-
Subtotal					344.1	226.5	-
Riyad Bank	Term	*5.4%*	*125%*	Available	40.0	34.1	-
Riyad Bank	Term	*5.5%*	*125%*	Available	35.0	15.3	-
Subtotal					75.0	49.4	
Sukuk 1	Term	*8.0%*	*125%*	N/A	178.0	26.3	-
Sukuk 2	Term	*6.0%*	*125%*	N/A	80.0	12.9	-
Subtotal					**258.0**	**39.2**	
Saudi Central Bank	**Term**	**0.0%**	-	**N/A**	**250.0**	**131.3**	-
Social Development Bank	Term	*2.3%*	*125%*	N/A	80.0	40.1	-
Social Development Bank	Term	*2.3%*	-	N/A	50.0	40.0	-
Social Development Bank	Term	*2.3%*	*136%*	N/A	50.0	34.5	-
Social Development Bank	Term	*2.3%*	*125%*	N/A	20.0	9.6	-
Social Development Bank (*Monsha'at*)	Term	*2.3%*	-	N/A	20.0	14.8	-
Subtotal					**220.0**	**139.0**	-
Total					**1,236.4**	**632.2**	**42.5**

Source: Management information.

(1) In 2020G and 2021G, the Company participated in the Saudi Central Bank's Guaranteed Financing Programme and obtained financing consisting of 12 total instalments amounting to SAR 177.0 million from the Saudi Central Bank in 2020G and SAR 73.0 million in 2021G. This financing is commission-free and with has varying maturities, starting from September 2023G. These loans offered to the Company carry a number of conditions, one of which is that these loans are be used to provide loans to certain types/segments of clients at discounted rates.

(e) Employee Defined Benefit Liabilities

The following table shows the employee defined benefit liabilities as of 31 December 2021G and 30 June 2022G:

Table 6.101: Employee Defined Benefit Liabilities as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Present value of employee defined benefit liabilities	4.2	5.0	18.0%
Total	**4.2**	**5.0**	**18.0%**

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

(f) Movement in the Present Value of Employee Defined Benefit Liabilities

The following table shows the movement in the present value of employee defined benefit liabilities as of 31 December 2021G and 30 June 2022G:

Table 6.102: Movement in the Present Value of Employee Defined Benefit Liabilities as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease) June 2022G
Present value of employee defined benefit liabilities at the beginning of the year Provision recognised in the statement of comprehensive income	3.1	4.2	36.3%
Current service cost	0.9	0.6	(35.0%)
Special commission expense	0.1	0.2	96.9%
Actuarial losses (gains) recognised in the statement of other comprehensive income	0.3	-	(100.0%)
Benefits paid	(0.2)	(0.0)	(97.3%)
Present value of employee defined benefit liabilities at end of year/period	**4.2**	**5.0**	**18.0%**

Source: Management information.

The provision for employee defined benefit liabilities increased by 18.0 per cent., from SAR 4.2 million as of 31 December 2021G to SAR 5.0 million as of 30 June 2022G. This increase resulted from a current service cost of SAR 0.6 million in the six-month period ended 30 June 2022G. This increase was also affected by employee defined benefit liabilities recorded by Loop, 80.0 per cent. of whose shares were acquired during the first half of 2022G. As of 30 June 2022G, Loop had 14 employees.

6.12.3.13 Share Capital

The share capital consists of fifty million (50,000,000) Shares (2021G: 31,135,500 Shares), with a value of SAR 10 per Share.

At its meeting held on 1 Jumada Al Akhirah 1443H (corresponding to 4 January 2022G), the Board of Directors recommended to increase the share capital of the Company from three hundred eleven million three hundred fifty-five thousand Saudi Riyals (SAR 311,355,000) to five hundred million Saudi Riyals (SAR 500,000,000), divided into fifty million (50,000,000) shares with a nominal value of ten Saudi Riyals (SAR 10) per Share, through the capitalisation of twenty-eight million twenty-one thousand nine hundred fifty Saudi Riyals (SAR 28,021,950) from the Company's retained earnings account, the issuance of one million six hundred six thousand two hundred thirty (1,606,230) shares and the Company's purchase of these shares for the purpose of allocating them to the Company's employee share scheme, and the issuance of fourteen million four hundred fifty-six thousand seventy-five (14,456,075) preferred shares. The increase in share capital was recognised in accordance with the Extraordinary General Assembly Resolution dated 23 Rajab 1443H (corresponding to 24 February 2022G) and Saudi Central Bank Approval No. 43055056 dated 7 Jumada Al Akhirah 1443H (corresponding to 20 January 2022G). The statutory procedures related to the capital increase were completed during the second quarter of 2022G.

6.12.3.14 Statutory Reserve

The following table shows the statutory reserve as of 31 December 2021G and 30 June 2022G:

Table 6.103: Statutory Reserve as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Balance at the beginning of the year	13.2	17.3	*30.7%*
Increase in the reserve	4.1	-	*(100.0%)*
Total	**17.3**	**17.3**	-

Source: The Company's audited financial statements for the financial year ended 31 December 2021G and the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

As mentioned above, according to the Saudi Companies Law, the Company must transfer 10% of its annual income, after deducting Zakat, to the statutory reserve until such reserve reaches 30 per cent. of the capital. This reserve is not distributable.

6.12.3.15 Capital Management

The following table shows the capital management as of 31 December 2021G and 30 June 2022G:

Table 6.104: Capital Management as of 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G Audited	As of 30 June 2022G (Unaudited)	Increase/(Decrease)
			June 2022G
Payables, outstanding amounts and other	11.9	39.7	*232.6%*
Zakat provision	7.0	7.0	*0.3%*
Loans	649.3	632.2	*(2.6%)*
Lease liabilities	3.9	2.7	*(30.8%)*
Employee defined benefit liabilities	4.2	5.0	*18.0%*
Less: Cash and cash equivalents	(42.8)	(86.1)	*101.1%*
Net debt	**633.6**	**600.5**	***(5.2%)***
Equity	365.9	535.8	*46.4%*
Capital and net debt	999.5	1,136.3	*13.7%*
Leverage ratio	**63.4%**	**52.8%**	***(16.6%)***

Source: Management information.

6.12.3.16 List of Changes in Equity

The following table shows the list of changes in equity as of 30 June 2022G:

Table 6.105: Summary of the List of Changes in Equity as of 30 June 2022G

SAR Million	Share capital	Statutory reserve	Retained earnings	Treasury shares	Non-controlling interests	Total
Balance as of 1 January 2022G	311.4	17.3	37.3	-	-	365.9
Increase in share capital through a transfer from retained earnings	28.0		(28.0)	-	-	-
Increase in capital through a cash injection	160.6			-	-	-
Purchased treasury shares	-	-	-	(16.1)	-	(16.1)
Net income for the year	-	-	26.5	-	(1.1)	25.4
Other comprehensive income	-	-	-	-	-	-
Balance as of 30 June 2022G	**500.0**	**17.3**	**35.7**	**(16.1)**	**(1.1)**	**535.8**

Source: The Company's audited financial statements for the financial year ended 31 December 2021G, the Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G and management information.

6.12.4 Statement of Cash Flows

The following table shows the statement of cash flows for the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.106: Summary of the Statement of Cash Flows for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Net cash generated used in operating activities	(53.6)	(75.1)	*40.1%*
Net cash used in investing activities	(0.2)	(7.9)	*3,579.4%*
Net cash from financing activities	38.1	126.3	*231.3%*
Net increase in cash and cash equivalents	**(15.7)**	**43.3**	***(375.2%)***
Cash and cash equivalents as of 1 January	89.1	42.8	*(51.9%)*
Cash and cash equivalents as of 30 June	**73.3**	**86.1**	***17.4%***

Source: The Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

6.12.4.1 Operating Activities

The following table shows the operating activities for the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.107: Operating Activities for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Operating activities			
Net income for the period before Zakat	10.8	33.3	*209.1%*
Adjustments to:			
Impairment losses on Islamic finance receivables	6.8	18.8	*175.4%*
Depreciation of property and equipment	0.6	1.7	*210.6%*
Depreciation of right-of-use assets	0.4	0.9	*114.7%*
Employee end-of-service benefit provision	0.6	0.8	*34.8%*
Financial burdens on a lease contract	0.1	0.1	*81.3%*
Operating cash flows before changes in working capital	**19.2**	**55.6**	***189.5%***
Working capital adjustments:			
Islamic finance receivables	(74.7)	(96.6)	*29.2%*
Prepaid expenses and other assets	(2.9)	(10.3)	*202.5%*
Restricted cash deposits	-	(16.0)	*N/A*
Assets confiscated for sale	10.5	(10.6)	*(200.7%)*
Payables, outstanding amounts and other	1.2	9.6	*703.0%*
Net cash used in operations	**(46.7)**	**(68.2)**	***46.0%***
Zakat paid	(6.8)	(6.9)	*1.3%*
Paid lease liabilities	-	0	*N/A*
Paid employee end-of-service benefits	(0.1)	(0.0)	*(93.6%)*
Net cash used in operating activities	**(53.6)**	**(75.1)**	***40.1%***

Source: The Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

Cash flows from operating activities increased by 40.1 per cent., from SAR 53.6 million in the six-month period ended 30 June 2021G to SAR 75.1 million in the six-month period ended 30 June 2022G, as a result of:

- an increase in Islamic finance receivables of SAR 96.6 million as of 30 June 2022G, mainly driven by an increase in *Tawarruq* product loan payments during the period;
- an increase in prepaid expenses and other assets of SAR 10.3 million as of 30 June 2022G, driven by an increase in prepaid expenses of SAR 9.1 million; and
- the recording of cash collections amounting to SAR 16.0 million in a bank account which is not available for use by the Company. As mentioned previously, the Company obtained new loans from Riyad Bank and according to the Bank's requirements, a cash amount was deposited in a bank account as a restricted cash deposit. As mentioned above, restricted cash is unavailable cash that has been placed in a Riyad Bank account as a type of collateral.

6.12.4.2 Investing Activities

The following table shows the cash flows from investing activities for the financial year ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.108: Investing Activities for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Investing activities			
Additions to property and equipment	(0.1)	(0.4)	253.9%
Additions to intangible assets	(0.1)	(1.3)	1,246.4%
Acquisition of a subsidiary net cash	-	0.9	N/A
Acquisition of a subsidiary amount paid	-	(7.1)	-
Cash used in investing activities	**(0.2)**	**(7.9)**	**3,579.4%**

Source: The Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

Cash outflows from investing activities increased by 3,579.4 per cent., from SAR 0.2 million in the six-month period ended 30 June 2021G to SAR 7.9 million in the six-month period ended 30 June 2022G, as a result of the acquisition of 80.0 per cent. of the shares of Loop for a cash amount of SAR 7.1 million. It should be noted that 80.0 per cent. of Loop's shares were acquired at the end of the first half of 2022G.

On 8 June 2022G, the Company injected SAR 50.0 million increasing Loop's capital to SAR 60.0 million. Which led to the Company owning 80.0 per cent. of Loop, and Mithqal Holding Company owning 20.0 per cent.

The Company registered a declaration of SAR 11.2 million associated with the acquisition referred to as of 30 June 2022G. The value of the declaration represents the sum of the Company's payment as an acquisition value and the net balance of liabilities credited by Loop to the Company.

Loop recorded a net loss of SAR 0.4 million during the first half of the 2022G. The loss was related to general and administrative expenses incurred during the six-month period ended 30 June 2022G.

The value of assets registered by Loop amounted to SAR 55.7 million as of 30 June 2022G. The aforementioned assets concentrated in cash balances and cash equivalents. On the other hand, the value of liabilities of Loop amounted to SAR 11.2 million as of 30 June 2022G, and the liabilities were related to the balances of payables and accrued expenses.

6.12.4.3 Financing Activities

The following table shows the cash flows from financing activities for the six-month period ended 30 June 2021G and the six-month period ended 30 June 2022G:

Table 6.109: Financing Activities for the Six-month Period Ended 30 June 2021G and the Six-month Period Ended 30 June 2022G

SAR Million	Six-month Periods Ended 30 June		Increase/(Decrease)
	2021G Unaudited	2022G Unaudited	June 2022G
Financing activities			
Loans received	83.0	126.1	51.9%
Loans paid	(44.5)	(143.2)	221.9%
Increase in share capital Net treasury shares	-	144.6	N/A
Lease liability paid	(0.4)	(1.2)	195.5%
Net cash from financing activities	**38.1**	**126.3**	**231.3%**

Source: The Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

Cash flows from financing activities increased by 231.3 per cent., from SAR 38.1 million in the six-month period ended 30 June 2021G to SAR 126.3 million in the six-month period ended 30 June 2022G. This was primarily due to cash obtained by the Company through a rights issue amounting to SAR 144.6 million. Moreover, the Company secured new loans amounting to SAR 126.1 million from Riyad Bank, thus increasing the net cash flow from financing activities.

6.12.5 Transactions with Related Parties and Related Party Balances

The following table shows transactions with Related Parties and Related Party balances for the six-month periods ended 30 June 2021G and 2022G:

Table 6.110: Transactions with Related Parties and Related Party Balances for the Six-month Periods Ended 30 June 2021G and 2022G

SAR Million	Nature of Transaction	Six-month Periods Ended 30 June		Increase/(Decrease)
Related Party		2021G Unaudited	2022G Unaudited	June 2022G
Executive Management personnel	Compensation - salaries and other incentives	2.4	1.6	(31.3%)
	Provision for employee defined benefit liabilities	0.7	1.0	43.3%

Source: The Company's unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G.

6.12.5.1 Compensation - Salaries and Other Incentives

Compensation provided to the Executive Management decreased by 31.3 per cent., from SAR 2.4 million as of 30 June 2021G to SAR 1.6 million as of 30 June 2022G, due to a decrease in accrued interest payments after the suspension of interest payments and accrual of interest on the majority of loans taken from banks under the Saudi Central Bank's Deferred Payment Programme.

6.12.5.2 Provision for Employee Defined Benefit Liabilities

The defined benefit liability provision for the Executive Management staff increased by 43.3 per cent., from SAR 0.7 million as of 30 June 2021G to SAR 1.0 million as of 30 June 2022G.

6.12.6 Contingent Obligations and Liabilities

The following table shows the contingent obligations and liabilities as 31 December 2021G and 30 June 2022G:

Table 6.111: Contingent Obligations as 31 December 2021G and 30 June 2022G

SAR Million	As of 31 December 2021G	As of 30 June 2022G (Unaudited)
Letters of guarantee/capital liabilities	4.4	-
Total	**4.4**	**-**

Source: Management information.

As of 30 June 2022G, the Company had no contingent obligations or liabilities.

7 DIVIDEND DISTRIBUTION POLICY

Pursuant to Article (110) of the Companies Law, each Shareholder is entitled to the rights attached to the Shares, including in particular the right to receive a portion of the dividends declared. The declaration and distribution of any dividends will be recommended by the Board of Directors before being approved by the Shareholders at a General Assembly meeting. The Company is under no obligation to declare dividends, and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flows, financing and capital requirements and market and general economic conditions, the Company's Zakat position and legal and regulatory considerations. Dividend distribution is subject to restrictions set out in the Company's financing agreement entered into with financiers, (for further details, see Section 12.7 (*Financing Agreements*)), as well as the limitations contained in the Company's Bylaws Article 26 of the Implementing Regulation of the Finance Companies Control Law, which obliges the company as follows:

- the distribution does not cause capital adequacy, or liquidity to drop below required levels;
- the distributions of the fiscal year may not exceed the actual net profit for the previous fiscal year; and
- any other conditions set by the Saudi Central Bank, in addition to obtaining the non-objection from the Saudi Central Bank before distribution of dividends or any kind of distribution or any announcement or intention.

The distribution of dividends is subject to certain limitations contained in the Company's Bylaws, as Article 46 states that after deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- ten per cent. (10%) of the annual net profits shall be set aside to form the Company's statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals thirty per cent. (30%) of the Company's paid-up capital;
- the Ordinary General Assembly may, upon the request of the Board of Directors, set aside five per cent. (5%) of the net profits to form a voluntary reserve to be allocated to support the financial position of the Company;
- the Ordinary General Assembly may resolve to form other reserves to the extent that they serve the Company's interests, or to ensure the distribution of fixed dividends – as far as possible – to the Shareholders;
- the remaining shall be distributed to the Shareholders at a percentage of not less than five per cent. (5%) of the Company's paid-up capital;
- ten per cent. (10%) of the remaining shall be allocated to the remuneration of the Board of Directors, provided that the entitlement to this remuneration is proportional to the number of meetings attended by the member; and
- the remaining profits shall be distributed to the Shareholders as a share in the profits or transferred to the retained earnings account.

The Company may distribute interim dividends quarterly or semi-annually. Also, the Ordinary General Assembly may authorize the Board of Directors to distribute interim dividends by written resolution renewed annually in accordance with the rules established by the competent authority.

No dividends were distributed in the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G.

Holders of Offer Shares are not entitled to any dividends announced prior to the date of this Prospectus, as the first entitlement shall be in dividends announced by the Company from the date of this Prospectus and the subsequent financial years. As of the date of this Prospectus, the Directors undertake that there are no declared or outstanding dividends for said periods.

8 USE OF PROCEEDS

8.1 Net Offering Expenses

The total Offering Proceeds are estimated at Three hundred twelve million eight hundred fifty-seven thousand one hundred fifty-one and Twenty Halala Saudi Arabian Riyals (SAR 312,857,151.20), of which approximately Twenty-seven million six hundred and one thousand two hundred and thirty Saudi Arabian Riyals (SAR 27,601,230) will be applied towards the Offering expenses, which include the fees of the Financial Advisor, Lead Manager, Bookrunner, Underwriter, the Legal Advisor, the Financial Due Diligence Advisor, the Receiving Agents and the Market Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering.

8.2 Use of Net Offering Proceeds

The Net Offering Proceeds amounting to approximately two hundred eighty-five million two hundred fifty-five thousand nine hundred twenty Saudi Arabian Riyals (SAR 285,255,920) (after deducting the Offering expenses), will be distributed to the Company and the Shareholders will not receive any part of the proceeds from the Offering. The Company intends to use the Net Offering Proceeds to strengthen its Capital base to support future growth in financing activities through additional financing capacity, which will allow it to extend financing to individuals and SMEs by way of *Tawaruq*, *Ijara* and other existing and prospective financing solutions.

8.2.1 Capital Base

Pursuant to the Implementing Regulations of the Finance Companies Control Law, NBFIs are subject to exposure limits on the value of all assets that are subject to any credit risks, including but not limited to, (i) finance agreements; (ii) securities; (iii) advanced payments to other entities and clients;(iv) all commitments or other obligations to grant finance or to make a payment or deliver assets to a third party with a right of recourse against a client or another third party; and (v) equity, participating interests and assets in respect of which the NBFI is the lessor. Further, pursuant to Article 54 of the Implementing Regulations of the Finance Companies Control Law, the aggregate finance amount offered by an NBFI carrying out finance activities other than real estate shall not exceed three times its capital and reserves, unless a non-objection letter from the Saudi Central Bank is obtained.

Due to the nature of the Company's business, it maintains additional headroom for financing to be able to quickly respond to market needs and opportunities in addition to providing financing solutions in a timely manner and on competitive terms.

As of 30 June 2022G, the Company's Shareholders' equity amounted to SAR 535.8 million. This provides the Company with an aggregate financing capacity of SAR 1,607.5 million based on the Saudi Central Bank's threshold ratio of 3.0x specified in the Implementing Regulations of the Finance Companies Control Law.

Islamic financing receivables amounted to SAR 1,001.7 million as of 30 June 2022G, representing an Islamic financing receivables to Shareholders' equity ratio amounting to 1.9x, which provides the Company with additional available financing capacity of approximately SAR 605.7 million.

The following table summarizes the Company's Islamic receivables and financing capacity as of 31 December 2019G, 2020G and 2021G, and 30 June 2022G:

Table 8.1: The Company's Islamic receivables and financing capacity as of 31 December 2019G, 2020G and 2021G, and 30 June 2022G

(SAR '000)	As of 31 December			As of June 2022G (Unaudited)
	2019G	2020G	2021G	
Capital	255.0	280.5	311.4	500.0
Statutory Reserves	9.8	13.2	17.3	17.3
Treasury Shares	-	-	-	(16.1)
Retained Earnings	26.5	31.6	37.3	35.7
Non-Controlling Interest	-	-	-	(1.1)
Shareholders' Equity	291.3	325.3	365.9	535.8
Islamic Financing Receivables	590.4	793.6	923.4	1,001.7
Islamic Financing Receivables / Equity (x)	2.0x	2.4x	2.5x	1.9x

(SAR '000)	As of 31 December			As of June 2022G (Unaudited)
	2019G	2020G	2021G	
Central Bank Threshold	3.0x	3.0x	3.0x	3.0x
Aggregate Financing Capacity	873.9	976.0	1,097.6	1,607.5
Remaining Financing Capacity	283.5	182.3	174.3	605.7

Source: The Company.

The following table summarizes the Company's finance capacity following the Offering:

Table 8.2: The Company's Finance Capacity Following the Offering

(SAR '000)	
Capital Base before the Offering	535.8
Net Proceeds of the Offering	285.2
Total	**821.1**
Central Bank Threshold	3.0x
Aggregate Financing Capacity	2,463.3
Islamic Finance Receivables as of 30 June 2022G	1,001.7
Remaining Financing Capacity after the Offering	**1461.6**

Source: The Company.

8.3 Time Plan for Expected Use of Net Offering Proceeds

The Company intends to employ and use its entire share of Net Offering Proceeds for the purpose of covering all of the above uses within three years of the date of this Prospectus. The plans for the expected use of the Company's share of the Net Offering Proceeds are reflective of the Company's business plan and market conditions as of the date of this Prospectus. Thus, the expected use of the Company's share of the Net Offering Proceeds is subject to change according to any economic, social or political developments, in addition to any potential changes in the Company's business plan.

9 CAPITALISATION AND INDEBTEDNESS

Prior to the Offering, the current Shareholders owned the entire issued share capital of the Company. Upon completion of the Offering, they will jointly hold seventy per cent. (70%) of the Company's Shares.

The following table shows the Company's capitalisation as reflected in its audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and the reviewed financial statements for the six-month period ended 30 June 2022G, and it should be read in conjunction with the relevant Financial Statements, including the notes thereto set out in Section 19 (*Financial Statements and Auditors' Report*).

Table 9.1: Capitalisation and Indebtedness of the Company

(SAR million)	31 December 2019G	31 December 2020G	31 December 2021G	30 June 2022G (Unaudited)
Bank Loans - Trading Part	185.2	113.1	88.9	122.6
Bank Loans – Non-Trading Part	45.8	77.1	162.4	200.0
Credits – Trading Part	58.0	62.3	61.6	39.2
Creditors – Non-Trading Part	132.2	68.1	8.1	-
Government Side Loans – Trading Part	18.6	110.4	153.7	151.8
Government Side Loans – Non-Trading Part	18.0	200.3	174.6	118.5
Leasing Obligations	5.2	5.2	3.9	2.7
Total Loans and Leasing Obligations	472.20	636.3	653.2	634.9
Shareholders' Right				
Capital	255.0	280.5	311.4	500.0
Statutory Reserve	9.8	13.2	17.3	17.3
Treasury Shares	-	-	-	(16.1)
Retained Earnings	26.5	31.6	37.3	35.7
Total Shareholders' Equity Before Non-Controlling Interest	**291.3**	**325.3**	**365.9**	**536.9**
Non-Controlling Interest	**-**	**-**	**-**	**(1.1)**
Total Shareholders' Equity	**291.3**	**325.3**	**365.9**	**535.8**
Total Capitalisation (Total Loans and Leasing Obligations + SH Equity)	**763.5**	**961.7**	**1,019.1**	**17,701**
Total Loans and Leasing Obligations / Total Capitalisation	**61.8%**	**66.2%**	**64.1%**	**54.2%**

Source: The audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, the reviewed financial statements for the six-month period ended 30 June 2022G and management information.

The Directors declare that:

- with the exception of the Sukuk issued in connection with the Sukuk Programme, neither the Company nor the Subsidiary have any debt instruments as of the date of this Prospectus;
- no Shares of the Company or shares in the Subsidiary are under options rights;
- subject to any material adverse change in the Company and the Subsidiary's business, they believe that its existing cash balances and cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least twelve (12) months following the date of this Prospectus.

10 STATEMENTS BY EXPERTS

All Advisors and Auditors, whose names are listed starting on pages (vii) and (viii), have given and, as of the date of this Prospectus, have not withdrawn their written consent to the publication of their names, addresses, logos and statements attributed to each of them in this Prospectus, and neither they themselves, nor their employees forming part of the team serving the Company or the Subsidiary, nor any of their relatives have any shareholding or interest of any kind in the Company or the Subsidiary as of the date of this Prospectus which would impair their independence.

11 DECLARATIONS

The Directors declare the following:

(a) they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;

(b) none of the companies in which any of the Directors, Senior Executives or the Secretary were employed in a managerial or supervisory capacity, was declared bankrupt or insolvent during the past five years;

(c) except as specified in Section 12.12 (*Related Party Contracts and Transactions*), neither they themselves, nor any of the Senior Executives, Secretary or their relatives or affiliates have any material interest in any written or verbal contract or arrangement under consideration or expected to be conducted with the Company and the Subsidiary as of the date of this Prospectus;

(d) except as otherwise described in Section 5.2.1 (*Composition of the Board of Directors*) and except for loans provided by the Company to third parties in the course of its ordinary business (e.g., loan to Board Member Saad Abdulaziz Mohammed Al-Hoshan), and Section 12.12 (*Related Party Contracts and Transactions*), neither they nor any of the Senior Executives, Secretary or their relatives, have any shareholding or interest of any kind in the Company or the Subsidiary nor in any debt instruments of the Company or the Subsidiary,; the Company is prohibited from granting a loan to a Director or guaranteeing a loan entered into by a Director;

(e) all of the transactions with Related Parties described in Section 12.12 (*Related Party Contracts and Transactions*), including the determination of the financial consideration for contracts, have been carried out in a systematic and legal manner and on an arm's length basis;

(f) no commissions, discounts, brokerages or other non-cash compensation were granted by the Company or the Subsidiary within the three years immediately preceding the application for the registration and offer of securities in connection with the issue or offer of any securities;

(g) the Company is able to prepare the essential legal information and the required reports at the specified times according to the implementing regulations issued by the CMA;

(h) there has been no interruption in the Company's business or that of the Subsidiary that may significantly affect or has affected their financial position during the last 12 months;

(i) as of the date of this Prospectus, the Company has not had any policy on the research and development of new products over the preceding three financial years;

(j) as of the date of this Prospectus, the Company has no significant new products or activities;

(k) there is no intention to introduce any material changes to the nature of the Company's business or that of the Subsidiary;

(l) the Directors or Executive Managing Director will not vote on General Assembly resolutions that relate to any transaction or contract in which they have a direct or indirect interest;

(m) there has been no material adverse change in the financial or trading position of the Company or the Subsidiary in the three years ended immediately preceding the date of filing the application for registration and offering of securities that are the subject of this Prospectus and from the end of the period covered in the Auditors' Report to the date of approval of this Prospectus;

(n) other than what is mentioned in Section 5.9 (*Employee Shares*), the Company does not have any employee share schemes in place for its employees or any other existing similar arrangement involving the employees in the capital of the Company;

(o) the Company does not have any securities (contractual or otherwise) or assets, the value of which is subject to fluctuation that would adversely and materially affect its financial position;

(p) except as disclosed in Section 2 (*Risk Factors*) and Section 6.4 (*Main Factors Affecting the Results of Operations*), the Company is not aware of any information regarding Governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations;

(q) except as disclosed in Section 2 (Risk Factors) and Section 6.4 (*Main Factors Affecting the Results of Operations*), the Company is not aware of any seasonal information or business cycles related to its business that would affect its operations or financial position;

(r) the statistical information used in Section 3 (*Market Overview*) obtained from third-party sources represents the latest information available from each respective source;

(s) except as stated in Section 2 (*Risk Factors*) (Risks Related to Failure to Secure Adequate Insurance Coverage), the Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly to ensure continued insurance coverage;

(t) all contracts and agreements which the Company considers to be material or important or which have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed;

(u) there are no declared or payable cash dividends as of the date of this Prospectus, and no dividends were distributed in the financial years ended 31 December 2019G, 2020G and 2021G, and the six-month period ended 30 June 2022G;

(v) all terms and conditions that may affect the decision of the Investors to invest in Offer Shares have been disclosed;

(w) as of the date of this Prospectus, there are no material Related Party contracts or transactions that have any material impact on the Company's activities or that of the Subsidiary, and the Company has no intention to enter into any new agreements with Related Parties, except as specified in Section 12.12 (*Related Party Contracts and Transactions*);

(x) the costs and expenses related to the Offering will be deducted from the Offering Proceeds, including the fees of the Financial Advisor, the Underwriter, the Legal Advisor, Market Consultant and Receiving Agents, as well as marketing, printing and distribution costs and other expenses related to the Offering;

(y) as of the date of this Prospectus, there is no dispute with or objections with the ZATCA;

(z) they have developed procedures, controls and systems that would enable the Company to meet all of the requirements of the relevant laws and regulations, including Companies Law, CML and its implementing regulations (including the Rules on the Offer of Securities and Continuing Obligations), and Listing Rules;

(aa) all of the Company's employees are under its sponsorship, except for the employees hired through the "Ajeer" programme, in accordance with the relevant instructions and regulatory restrictions as of the date of this Prospectus.

(bb) as of the date of this Prospectus, the Shareholders whose names appear in Section 4.10 (*Current Shareholding Structure*) are the legal and beneficial owners, whether direct or indirect owners, of the Shares;

(cc) all increases in the share capital of the Company are in compliance with the applicable laws and regulations of the Kingdom;

(dd) except as disclosed in Section 2 (*Risk Factors*), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares;

(ee) except as disclosed in Section 2.2.8 (*Risks Related to Licences and Approvals*), and Section 12.4 (*Government Consents, Licences, and Certificates*), as of the date of this Prospectus, the Company has obtained all necessary licences and permits to carry out its business activities;

(ff) except as disclosed in Section 12.15 (*Litigation*), the Company and the Subsidiary are not subject to any cases, claims, legal procedures or investigative proceedings that may, alone or as a whole, materially affect the business of the Company or the Subsidiary or their financial position;

(gg) except as disclosed in Section 12.7 (*Financing Agreements*), the Company has not issued any debt instruments, nor does it have any term loans or any other outstanding loans or indebtedness (including bank overdrafts, financial liabilities under acceptance, acceptance credits or purchase commitments);

(hh) the Company, individually or in association with the Subsidiary, has working capital sufficient for at least 12 months immediately following the date of this Prospectus;

(ii) no Shares of the Company are under option;

(jj) the Company's audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and the reviewed financial statements for the six-month period ended 30 June 2022G, and the accompanying notes have been prepared in compliance with the IFRS;

(kk) the financial information appearing in this Prospectus was extracted from the Company's audited financial statements, and no material amendments have been made thereto except for rounding. The financial information appearing in Section 6 (*Management's Discussion and Analysis of Financial Condition and Results of Operations*) was extracted from the Company's audited financial statements for the financial years ended 31 December 2019G, 2020G and 2021G, and the reviewed financial statements for the six-month period ended 30 June 2022G. Furthermore, the financial information is presented in a manner consistent with the audited annual financial statements of the Company; moreover, some of the other financial information in this Prospectus was extracted from management information. In addition, for the purpose of calculating certain figures and percentages, the figures in this Prospectus extracted from the audited consolidated financial statements have been rounded to the nearest integer and therefore, the aggregate figures in the tables may differ slightly from the sum of the computational sum of these statements.

(ll) the Company is capable of preparing the required reports in a timely manner in accordance with the implementing regulations issued by the CMA;

(mm) all necessary approvals have been obtained from lenders and relevant authorities to offer thirty per cent. (30%) of the Company shares in order for the Company to be a public joint stock company;

(nn) there is no breach of the contractual terms and conditions under the agreements with the providers of all loans, facilities and financing as of the date of this Prospectus;

(oo) the Company is committed to all of the terms and conditions under the agreements with lenders granting all loans, facilities and financing;

(pp) all terms and conditions that may affect the decisions of the Subscribers in the Company's shares have been disclosed;

(qq) all material facts regarding the Company and its financial performance have been disclosed in this Prospectus, and there are no other facts the omission of which would make any statement herein misleading;

(rr) the Directors acknowledge that the Company and the Subsidiary do not own any other assets outside the Kingdom;

(ss) except as disclosed in Section 12.7 (*Financing Agreements*), the Directors acknowledges that there are no mortgages, rights or burdens on the Company's property as of the date of this Prospectus.

(tt) as of the date of this Prospectus, neither the Company nor the Subsidiary has any significant new products or activities;

(uu) the Offering does not violate the relevant laws and regulations of the Kingdom;

(vv) the Offering does not violate any of the contracts or agreements to which the Company is a party;

(ww) all material legal information related to the Company and the Subsidiary has been disclosed in this Prospectus; and

(xx) the Directors of the Company and the Subsidiary are not to be subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's business, the Subsidiary or their financial position.

In addition to the above, the Directors confirm that:

(a) this Prospectus contains all of the information required to be included under the Rules on the Offer of Securities and Continuing Obligations, and no facts that may affect the application for registration and offer of securities were omitted from this Prospectus;

(b) they have submitted, and will submit to the CMA all the documents required under the CML and the Rules on the Offer of Securities and Continuing Obligations;

(c) the Company has prepared its internal control policies on sound principles where it has implemented a written policy regulating and resolving possible conflicts of interest issues, which include the misuse of the Company's assets and misfeasance due to Related Party transactions. The Company has ensured that its operational and financial policies are sound and that control procedures appropriate for risk management are implemented in accordance with Part 5 of the Corporate Governance Regulations. The Directors review the Company's internal controls on an annual basis;

(d) the internal control, accounting, and information technology systems of the Company are sufficient and adequate;

(e) except as disclosed in Section 12.12 (*Related Party Contracts and Transactions*), there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company;

(f) as of the date of this Prospectus, none of the Directors are engaged in any activities similar to or competitive with the activities of the Company or the Subsidiary. The Directors undertake to fulfil this regulatory requirement in the future as per Article 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

(g) unless otherwise approved by the General Assembly, a Director may not have a direct or indirect interest in transactions and contracts entered into by the Company;

(h) the Directors shall notify the Board of Directors of any direct or indirect interest they may have in transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting;

(i) all transactions with Related Parties shall be entered into on an arm's-length basis and all works and contracts with Related Parties shall be subject to a vote in meetings of the Board of Directors and, if required by the Companies Law, the General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether on the Board of Directors or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

(j) the Directors shall not have the right to vote on decisions related to their fees and remuneration; and

(k) neither the Directors nor any Senior Executive shall obtain a loan from the Company or the Subsidiary, excluding loans provided by the Company in the course of its normal business. Also, it is not permissible and the Company shall not guarantee any loan entered into by a Director.

The Directors undertake to:

(a) record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors;

(b) disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations;

(c) comply with the provisions of Articles 71, 72 and 73 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations; and

(d) amend the Company's Bylaws at the first extraordinary general assembly after Admission in accordance with the Corporate Governance Regulations issued by the CMA and other applicable laws and regulations.

12 LEGAL INFORMATION

12.1 The Company

Morabaha Marina Financing Company is a closed joint stock company converted pursuant to Ministerial Resolution No. (211/Q) dated 27 Sha'ban 1435H (corresponding to 25 June 2014G) with Commercial Registration No. 1010337706 dated 14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G) issued in Riyadh, Kingdom of Saudi Arabia, and the regulatory licence issued by the Saudi Central Bank numbered 22/ASH/201410 dated 19 Thul-Qi'dah 1435H (corresponding to 14 September 2014G). The Company's head office and registered office are located in Al Thoumamah Road, Al Rabie District, P.O. Box 7071, Riyadh 13315, Kingdom of Saudi Arabia. The current capital of the Company is five hundred million Saudi Arabian Riyals (SAR 500,000,000), consisting of fifty million (50,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (for further details, see Section 4.9 (*Evolution of Capital*)). According to its main commercial registration certificate, the Company's main activities include financial leasing, SMEs (small and medium enterprises) activities financing, and consumer financing.

12.2 Ownership Structure

The following table summarises the shareholding structure of the Company pre-and post-Offering, also reflecting the New Shares post-Offering:

Table 12.1: Shareholding Structure of the Company Pre-and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) [1]	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) [1]	Overall Nominal Value (SAR)
Abdulrahman Mohammed Abdulrahman Al-Ghumlas	5,231,809	10.46%	52,318,090	5,231,809	7.32%	52,318,090
Talal Ibrahim Ali Al-Maiman	5,223,943	10.45%	52,239,430	5,223,943	7.31%	52,239,430
Sultan Moazi Fhaid AlOsaimi	4,739,870	9.48%	47,398,700	4,739,870	6.64%	47,398,700
Mohammed Othman Al-Abdullah AlKasabi	2,581,786	5.16%	25,817,860	2,581,786	3.61%	25,817,860
Daoud Suleiman Ibrahim AlSabati	2,487,814	4.98%	24,878,140	2,487,814	3.48%	24,878,140
Rashid Rashid Saad Bin Owein	1,978,380	3.96%	19,783,800	1,978,380	2.77%	19,783,800
Treasury Shares	1,606,230	3.21%	16,062,300	1,606,230	2.25%	16,062,300
Kafou Commercial Investment Company	1,483,785	2.97%	14,837,850	1,483,785	2.08%	14,837,850
Abdullah Ahmed Abdullah Alfiddi	1,257,482	2.51%	12,574,820	1,257,482	1.76%	12,574,820
Salem Saeed Abdullah AlAyedh AlQahtani	1,236,488	2.47%	12,364,880	1,236,488	1.73%	12,364,880
Fahad Mohammed Saleh AlForayyan	1,023,574	2.05%	10,235,740	1,023,574	1.43%	10,235,740
Ibrahim Abdullah Issa Al-Ghumlas	977,730	1.96%	9,777,300	977,730	1.37%	9,777,300
Fhaid Moazi Fhaid AlOsaimi	865,541	1.73%	8,655,410	865,541	1.21%	8,655,410
Samir Mohamed Idris Mahmoud	839,179	1.68%	8,391,790	839,179	1.17%	8,391,790
Omar Mohammed Omar AlDhuwayyan	816,760	1.63%	8,167,600	816,760	1.14%	8,167,600
Saad Abdulaziz Mohammed Al-Hoshan	798,123	1.60%	7,981,230	798,123	1.11%	7,981,230
Majid Mubarak Said Bajowaiber	756,065	1.51%	7,560,650	756,065	1.06%	7,560,650
Rashid Mohammed Rashid AlSamil	746,119	1.49%	7,461,190	746,119	1.04%	7,461,190
Fahad Mohammed Saad Bin Qassim	725,907	1.45%	7,259,070	725,907	1.02%	7,259,070
Suleiman Abdulrahman Suleiman AlAmeer	617,487	1.23%	6,174,870	617,487	0.86%	6,174,870
Mohammed Abdulaziz Abdullah AlKhowaiter	593,003	1.19%	5,930,030	593,003	0.83%	5,930,030
Mohammed Abdulaziz Othman AlShabanah	546,441	1.09%	5,464,410	546,441	0.77%	5,464,410
Atiyah Mohammed Atiq AlAtwi	535,779	1.07%	5,357,790	535,779	0.75%	5,357,790

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) [1]	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) [1]	Overall Nominal Value (SAR)
Naeem Abdulaziz Othman AlShabanah	529,362	1.06%	5,293,620	529,362	0.74%	5,293,620
Abdulrahman Sultan Abdulaziz AlSultan	525,360	1.05%	5,253,600	525,360	0.74%	5,253,600
Turki Maazi Fhaid AlOsaimi	494,595	0.99%	4,945,950	494,595	0.69%	4,945,950
Mnahi Saad Mnahi Alsaad AlQahtani	494,595	0.99%	4,945,950	494,595	0.69%	4,945,950
Othman Abdullah Abdulrahman AlNutheir	485,148	0.97%	4,851,480	485,148	0.68%	4,851,480
Hajref Maazi Fhaid AlOsaimi	483,938	0.97%	4,839,380	483,938	0.68%	4,839,380
Ahmed Abdulkarim Mohammed AlRasheed	480,066	0.96%	4,800,660	480,066	0.67%	4,800,660
Abdulaziz Mohammed Saleh AlHuwaerini	476,557	0.95%	4,765,570	476,557	0.67%	4,765,570
Mansour Zaid Ibrahim AlMahmoud	461,008	0.92%	4,610,080	461,008	0.65%	4,610,080
Tarek Burjes Abdulmohsen AlAbdulKarim	448,760	0.90%	4,487,600	448,760	0.63%	4,487,600
Abdulaziz Mohammed Abdulaziz AlRawwaf	357,743	0.72%	3,577,430	357,743	0.50%	3,577,430
Thamer Mohammad Hamad AlSalloum	348,982	0.70%	3,489,820	348,982	0.49%	3,489,820
Abdulrahman Mohammed Abdulmohsen Almotawwa	317,705	0.64%	3,177,050	317,705	0.44%	3,177,050
Hisham Samih Sultan AlHarithi	315,495	0.63%	3,154,950	315,495	0.44%	3,154,950
Huda Rashid Mohammed AlSaeed	314,532	0.63%	3,145,320	314,532	0.44%	3,145,320
Abeer Abdulaziz Abdullah AlKhoiter	271,502	0.54%	2,715,020	271,502	0.38%	2,715,020
Lama Abdulaziz Abdullah AlKhoiter	271,502	0.54%	2,715,020	271,502	0.38%	2,715,020
Khalid Mohammed Ali Al-Onaizan	250,437	0.50%	2,504,370	250,437	0.35%	2,504,370
Abdulrahman Abdullah Mohammed AlAmeer	247,298	0.49%	2,472,980	247,298	0.35%	2,472,980
Saud Fahad Abdulrahman AlMahmoud	231,735	0.46%	2,317,350	231,735	0.32%	2,317,350
Mohammed Abdullah Mohammed AlSmari	231,566	0.46%	2,315,660	231,566	0.32%	2,315,660
Naif Talal Ibrahim Al-Maiman	176,326	0.35%	1,763,260	176,326	0.25%	1,763,260
Abdullah Mohammed Abdullah AlAqeel	169,689	0.34%	1,696,890	169,689	0.24%	1,696,890
Assaf Abdullah Mohammed	165,566	0.33%	1,655,660	165,566	0.23%	1,655,660
Abdullah Saad Abdullah Bin Jawhar	161,064	0.32%	1,610,640	161,064	0.23%	1,610,640
Waleed Yousef Abdulrazzaq Al-Ghumlas	160,655	0.32%	1,606,550	160,655	0.23%	1,606,550
Yasser Abdullah Abdulaziz AlSalman	148,379	0.30%	1,483,790	148,379	0.21%	1,483,790
Mohammed Saad Mohammed AlMuhanna	148,379	0.30%	1,483,790	148,379	0.21%	1,483,790
Khalid Mohammed Fahad AlThuhaiban	146,416	0.29%	1,464,160	146,416	0.20%	1,464,160
Mansour Abdullah Fahad AlThunayan	137,433	0.27%	1,374,330	137,433	0.19%	1,374,330
Hind Abdullah Fahad AlThunayan	137,433	0.27%	1,374,330	137,433	0.19%	1,374,330
Laila Mohammed Abdullah AlDukhi	134,937	0.27%	1,349,370	134,937	0.19%	1,349,370
Mansour Suleiman Ibrahim AlMubrak	127,831	0.26%	1,278,310	127,831	0.18%	1,278,310
Mohammed Abdullah Ibrahim AlSayegh	120,486	0.24%	1,204,860	120,486	0.17%	1,204,860
Saleh Abdulaziz Mohammed AlHoushan	118,139	0.24%	1,181,390	118,139	0.17%	1,181,390
Turki Abdulaziz Mohammed Al-Hoshan	107,453	0.21%	1,074,530	107,453	0.15%	1,074,530
Areej Abdulaziz Abdullah AlKhoiter	101,814	0.20%	1,018,140	101,814	0.14%	1,018,140
Saad Mohammed Abdullah AlDukhi	100,025	0.20%	1,000,250	100,025	0.14%	1,000,250
Abdulatif Fouzan Fahad AlFahad	100,000	0.20%	1,000,000	100,000	0.13%	1,000,000
Mohammed Abdulaziz Mohammed AlHuwairini	95,311	0.19%	953,110	95,311	0.13%	953,110
Ibrahim Abdullah Mohammed Al Assaf	89,154	0.18%	891,540	89,154	0.12%	891,540
Abdulaziz Abdullah Mohammed Al Assaf	89,154	0.18%	891,540	89,154	0.12%	891,540

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) (1)	Overall Nominal Value (SAR)
Aljoharah Abdullah Fahad AlThunayan	87,294	0.17%	872,940	87,294	0.12%	872,940
Khalid Abdulrahman Abdullah Al-Muqrin	81,655	0.16%	816,550	81,655	0.11%	816,550
Abdulaziz Fahad Abdulaziz Al-Helwan	79,426	0.16%	794,260	79,426	0.11%	794,260
Yazeed Abdullatif AlShawair	79,426	0.16%	794,260	79,426	0.11%	794,260
Mohammed Abdulaziz Mohammed AlHoushan	77,952	0.16%	779,520	77,952	0.11%	779,520
Humoud Abdullah Fahad AlThunayan	71,218	0.14%	712,180	71,218	0.10%	712,180
Sheikha Ali Mohammed	64,653	0.13%	646,530	64,653	0.09%	646,530
Muneera Abdullah Fahad AlThunayan	61,218	0.12%	612,180	61,218	0.09%	612,180
Mohammed Abdullah Mohammed Al Assaf	61,175	0.12%	611,750	61,175	0.09%	611,750
Nadiah Mohammed Abdullah AlDukhi	60,000	0.12%	600,000	60,000	0.09%	600,000
Hanan Khaled Suleiman AlKhulaiwi	56,934	0.11%	569,340	56,934	0.08%	569,340
Muneera Abdullah Mohammed AlAssaf	49,846	0.12%	498,460	49,846	0.07%	498,460
Faisal Jameel Abdulsalam AlQadi	49,460	0.10%	494,600	49,460	0.07%	494,600
Fawzi Ibrahim Mohammed AlHussein	47,656	0.10%	476,560	47,656	0.07%	476,560
Ali Ibrahim Abdullah AlAjlan	46,000	0.09%	460,000	46,000	0.06%	460,000
Khalid Abdullah Mohammed Alhamdan	45,791	0.09%	457,910	45,791	0.06%	457,910
Mona Al-Hamidi Burgess AlMuammar	39,713	0.08%	397,130	39,713	0.06%	397,130
Mohammed Hamdan Hamdan Qureshi AlZahrani	39,713	0.08%	397,130	39,713	0.06%	397,130
Reem Fahad Abdullah Bin Baraka	32,585	0.07%	325,850	32,585	0.05%	325,850
Abdulrahman Naeem Abdulaziz AlShabanah	25,000	0.05%	250,000	25,000	0.03%	250,000
Abdulaziz Naeem Abdulaziz AlShabanah	25,000	0.05%	250,000	25,000	0.03%	250,000
Haila Abdullah Mohammed AlAssaf	24,923	0.05%	249,230	24,923	0.03%	249,230
Nasser Mohammed Sanad AlSanad	24,730	0.05%	247,300	24,730	0.03%	247,300
Mansour Suleiman Abdullah Bin Dakhil	24,730	0.05%	247,300	24,730	0.03%	247,300
Marwan Mohammed Abdulsalam AlQadi	24,197	0.05%	241,970	24,197	0.03%	241,970
Saud Sultan Abdulaziz AlSultan	23,763	0.05%	237,630	23,763	0.03%	237,630
Iman Abdulaziz Mohammed AlBahlal	19,396	0.04%	193,960	19,396	0.03%	193,960
Mohammed Sultan Abdulaziz AlSultan	19,396	0.04%	193,960	19,396	0.03%	193,960
Lamia Nasser Fahad AlBaker	18,000	0.04%	180,000	18,000	0.03%	180,000
One Vision Limited Company	17,253	0.03%	172,530	17,253	0.02%	172,530
Maram Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Saud Mohammed Abdulrahman AlDossari	15,885	0.03%	158,850	15,885	0.02%	158,850
Saleh Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Mai Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Abdullah Abdulaziz Mohammed AlHuwairini	15,885	0.03%	158,850	15,885	0.02%	158,850
Abdulrahman Abdulaziz Abdulrahman AlFayez	15,543	0.03%	155,430	15,543	0.02%	155,430
Mohammed Saad Ibrahim AlManae	14,900	0.03%	149,000	14,900	0.02%	149,000
Sheikha Mohammed Ahmed AlAqeel	10,000	0.02%	100,000	10,000	0.01%	100,000
Amal Abdulaziz Othman AlShabanah	10,000	0.02%	100,000	10,000	0.01%	100,000
Samar Abdulaziz Othman AlShabanah	10,000	0.02%	100,000	10,000	0.01%	100,000
Faisal Ibrahim Nasser AlQahtani	9,326	0.02%	93,260	9,326	0.01%	93,260
Sara Abdulaziz Mohammed AlNasser	8,651	0.02%	86,510	8,651	0.01%	86,510

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) [1]	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) [1]	Overall Nominal Value (SAR)
Saud Mohammed Saad AlAmmari	8,443	0.02%	84,430	8,443	0.01%	84,430
Zaid Mohammed Abdullah AlHazzani	7,784	0.02%	77,840	7,784	0.01%	77,840
Abdulaziz Ibrahim Nasser AlQahtani	5,000	0.01%	50,000	5,000	0.003%	50,000
Public	-	-	-	21,428,572	30%	214,285,720
Total	**50,000,000**	**100%**	**500,000,000**	**71,428,572**	**100%**	**714,285,720**

Source: The Company.

(1) The shareholding percentages are rounded.

For further details regarding the Shareholders and the shareholding structure of the Company, see Section 4.10 (*Current Shareholding Structure*).

12.3 The Subsidiary

Digital Payments Company for FinTech is a limited liability company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Registration No. 1010949680 dated 11 Rajab 1439H (corresponding to 28 March 2018G) issued in Riyadh, Kingdom of Saudi Arabia. The head office of the Subsidiary is located in Alyasmeen District, P.O. Box 1117, Riyadh 13325, Kingdom of Saudi Arabia. Its current share capital is sixty million Saudi Arabian Riyals (SAR 60,000,000), consisting of six million (6,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. According to its main commercial registration, the Subsidiary's main activities include providing technology in financial services and systems of payment and financial settlements and related services.

The following table sets out the ownership structure of the Company's wholly owned Subsidiary, as well as the Company's shares in it as of the date of this Prospectus:

Table 12.2: The Ownership Structure of the Subsidiary as of the Date of this Prospectus

No.	Name of the Owning Company	Name of Subsidiary	Country of Incorporation	Direct Ownership (%)	Indirect Ownership (%)	Remaining Ownership
1.	Morabaha Marina Financing Company	Digital Payments Company for FinTech	Kingdom of Saudi Arabia	80%	-	8% owned by Saad Abdulaziz Mohammed Al-Hoshan. 7% owned by Abdulaziz Mohammed Saleh AlHuwaerini. 5% owned by Talal Ibrahim Ali Al-Maiman

Source: The Company.

12.4 Government Consents, Licences and Certificates

The Company and the Subsidiary hold several operational and regulatory licences and certificates from relevant competent authorities which are periodically renewed. The Directors declare that the Company and the Subsidiary have obtained all licences and certificates necessary to execute their operations in order to engage in the relevant activities, except for certain operational licences expired or not obtained, as disclosed in Table 12.5 (Summary of Operational Licences Obtained by the Company and the Subsidiary). The following tables list the commercial registration, regualotry licences and certificates held by the Company and the Subsidiary as of the date of this Prospectus:

Table 12.3: Details of Commercial Registration Certificates Obtained by the Company and the Subsidiary as of the Date of this Prospectus

No.	Company	Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
1.	Morabaha Marina Financing Company	Riyadh, Kingdom of Saudi Arabia	Joint Stock Company	1010337706	14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G)	14 Jumada al-Akhirah 1446H (corresponding to 15 December 2024G)
		Najran, Kingdom of Saudi Arabia	Branch	5950028443	25 Muharram 1435H (corresponding to 28 November 2013G)	25 Muharram 1445H (corresponding to 12 August 2023G)

No.	Company	Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
		Dammam, Kingdom Saudi Arabia	Branch	2050125719	8 Ramadan 1440H (corresponding to 13 May 2019G)	8 Ramadan 1444H (corresponding to 30 March 2023G)
		Al Duwadmi, Kingdom of Saudi Arabia	Branch	1116010899	19 Jumada al-Akhirah 1436H (corresponding to 8 April 2015G)	19 Jumada al-Akhirah 1444H (corresponding to 12 January 2023G)
		Riyadh, Kingdom of Saudi Arabia	Branch	1010453589	2 Thul-Qi'dah 1439H (corresponding to 15 July 2018G)	4 Safar 1445H (corresponding to 20 August 2023G)
		Riyadh, Kingdom of Saudi Arabia	Branch	1010351999	16 Thul-Qi'dah 1433H (corresponding to 2 October 2012G)	16 Thul-Qi'dah 1445H (corresponding to 24 May 2024G)
		Al Qurayyat, Kingdom of Saudi Arabia	Branch	3452010771	27 Sha'ban 1438H (corresponding to 23 May 2017G)	16 Ramadan 1444H (corresponding to 7 April 2023G)
		Jeddah, Kingdom of Saudi Arabia	Branch	4030288370	8 Jumada al-Akhirah 1437H (corresponding to 17 March 2016G)	8 Jumada al-Akhirah 1444H (corresponding to 1 January 2023G)
		Jeddah, Kingdom of Saudi Arabia	Branch	4030305936	2 Thul-Qi'dah 1439H (corresponding to 15 July 2018G)	4 Safar 1445H (corresponding to 20 August 2023G)
		Hail, Kingdom of Saudi Arabia	Branch	3350149330	8 Muharram 1442H (corresponding to 27 August 2020G)	8 Muharram 1446H (corresponding to 14 July 2024G)
		Sakaka, Kingdom of Saudi Arabia	Branch	3400019877	20 Shawwal 1437H (corresponding to 25 July 2016G)	20 Shawwal 1444H (corresponding to 10 May 2023G)
		Arar, Kingdom of Saudi Arabia	Branch	3450015199	8 Jumada al-Akhirah 1437H (corresponding to 17 March 2016G)	8 Jumada al-Akhirah 1444H (corresponding to 1 January 2023G)
		Khamis Mushayt, Kingdom of Saudi Arabia	Branch	5855359542	27 Sha'ban 1443H (corresponding to 30 March 2022G)	27 Sha'ban 1444H (corresponding to 19 March 2023G)
		Qatif, Kingdom of Saudi Arabia	Branch	2053112249	2 Thul-Qi'dah 1439H (corresponding to 15 July 2018G)	4 Safar 1446H (corresponding to 8 August 2024G)
		Buraydah, Kingdom of Saudi Arabia	Branch	1131307492	8 Muharram 1442H (corresponding to 27 August 2020G)	8 Muharram 1446H (corresponding to 14 July 2024G)
		Jazan, Kingdom of Saudi Arabia	Branch	5900034225	8 Jumada al-Akhirah 1437H (corresponding to 17 March 2016G)	8 Jumada al-Akhirah 1444H (corresponding to 1 January 2023G)
		Taif, Kingdom of Saudi Arabia	Branch	4032258441	27 Sha'ban 1443H (corresponding to 30 March 2022G)	27 Sha'ban 1444H (corresponding to 19 March 2023G)
2.	Digital Payments Company for FinTech	Riyadh, Saudi Arabia	Limited liability company	1010949680	11 Rajab 1439H (corresponding to 28 March 2018G)	28 Rabi' al-Thani 1445H (corresponding to 9 November 2023G)

Source: The Company.

Table 12.4: Details of Regulatory Licences and Certificates Obtained by the Company and the Subsidiary as of the Date of this Prospectus

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
Morabaha Marina Financing Company	Ministry of Human Resource and Social Development	800947-62209802	Certificate of compliance with Saudisation requirements	11 Jumada al-Ula 1444H (corresponding to 5 December 2022G)	24 Ramadan 1444H (corresponding to 15 April 2023G)
	Ministry of Human Resource and Social Development	20012301002360	Certificate of wage protection	8 Rajab 1444H (corresponding to 30 January 2023G)	9 Ramadan 1444H (corresponding to 31 March 2023G)
	Riyadh Chamber of Commerce and Industry	278974	Chamber of Commerce and Industry membership certificate	14 Jumada al-Akhirah 1433H (corresponding to 5 May 2012G)	14 Jumada al-Alkhirah 1446H (corresponding to 15 December 2024G)
	ZATCA	3008627711	VAT registration certificate	2 Thul-Hijjah 1438H (corresponding to 25 August 2017G)	N/A
	ZATCA	1110210597	Certificate enabling the Company to finalise all processes	23 Ramadan 1443H (corresponding to 24 April 2022G)	10 Shawwal 1444H (corresponding to 30 April 2023G)
	GOSI	51745541	Certificate of fulfilment of the GOSI obligations	22 Jumada al-Akhirah 1444H (corresponding to 15 January 2023G)	22 Rajab 1444H (corresponding to 13 February 2023G)
	Saudi Central Bank	22/ASH/201410	Engaging in financing activities	19 Thul-Qi'dah 1435H (corresponding to 14 September 2014G)	17 Thul-Qi'dah 1445H (corresponding to 4 June 2024G)
	Saudi Central Bank	41049743	Permit for products (rentals, Tawarruq, and employee financing)	17 Rajab 1441H (corresponding to 12 March 2020G)	N/A
	Saudi Central Bank	43024256	Permit for products (Morabaha)	20 Rabi' al-Awwal 1443H (corresponding to 26 October 2021G)	N/A
Digital Payments Company for FinTech	Ministry of Human Resource and Social Development	694112-17071516	Certificate of compliance with Saudisation requirements	9 Sha'ban 1444H (corresponding to 1 March 2023G)	10 Thul-Qi'dah 1444H (corresponding to 30 May 2023G)
	Ministry of Human Resource and Social Development	20012303004901	Certificate of wage protection	13 Sha'ban 1444H (corresponding to 5 March 2023G)	13 Shawwal 1444H (corresponding to 5 May 2023G)
	Riyadh Chamber of Commerce and Industry, Kingdom of Saudi Arabia	453992	Chamber of Commerce and Industry membership certificate	2 Thul-Qi'dah 1439H (corresponding to 15 July 2018G)	28 Rabi' al-Thani 1445H (corresponding to 12 November 2023G)
	ZATCA	3102049634	VAT registration certificate	20 Muharram 1444H (corresponding to 18 August 2022G)	N/A
	ZATCA	1020264606	Certificate enabling the Subsidiary to finalise all processes	5 Muharram 1444H (corresponding to 3 August 2022G)	10 Shawwal 1444H (corresponding to 30 April 2023G)
	GOSI	52856063	Certificate of fulfilment of the GOSI obligations	9 Sha'ban 1444H (corresponding to 1 March 2023G)	8 Ramadan 1444H (corresponding to 30 March 2023G)
	Saudi Central Bank	41045238	Permitting the Subsidiary to provide payment and E-Wallets services through its application.	3 Rajab 1441H (corresponding to 27 February 2020G)	N/A

Source: The Company.

Table 12.5: Summary of Operational Licences Obtained by the Company and the Subsidiary as of the Date of this Prospectus

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
Morabaha Marina Financing Company	**Riyadh – Head Office**				
	Riyadh Municipality, Kingdom of Saudi Arabia	40102436676	Engaging in commercial activities	1 Safar 1438H (corresponding to 1 November 2016G)	1 Safar 1445H (corresponding to 17 August 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-00088510343	Civil defence licence	19 Ramadan 1443H (corresponding to 20 April 2022G)	19 Ramadan 1444H (corresponding to 10 April 2023G)
	Najran – Najran Branch				
	Najran Municipality, Kingdom of Saudi Arabia	3909103352	Engaging in commercial activities	14 Muharram 1435H (corresponding 17 November 2013G)	14 Muharram 1445H (corresponding to 1 August 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-000924707-43	Civil defence licence	16 Shawwal 1443H (corresponding to 17 May 2022G)	16 Shawwal 1444H (corresponding to 6 May 2023G)
	Al Duwadmi – Al Duwadmi Branch				
	Al Duwadmi Municipality, Kingdom of Saudi Arabia	40102434871	Engaging in commercial activities	17 Rajab 1436H (corresponding to 6 May 2015G)	17 Rajab 1445H (corresponding to 1 January 2024G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	6-000037057-44	Civil defence licence	10 Jumada al-Akhirah 1444H (corresponding to 3 January 2023G)	10 Jumada al-Akhirah 1445H (corresponding to 23 December 2023G)
	Riyadh – Eastern Ring Road Branch				
	Riyadh Municipality, Kingdom of Saudi Arabia	40102414477	Engaging in commercial activities	13 Jumada al-Akhirah 1440H (corresponding to 19 May 2019G)	13 Jumada al-Akhirah 1446H (corresponding to 15 December 2024G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-00893375-43	Civil defence licence	11 Ramadan 1443H (corresponding to 12 April 2022G)	11 Ramadan 1444H (corresponding to 12 April 2023G)
	Riyadh – Western Ring Road Riyadh Branch				
	Riyadh Municipality, Kingdom of Saudi Arabia	40102422769	Engaging in commercial activities	9 Thul-Qi'dah 1433H (corresponding to 25 September 2012G)	9 Thul-Qi'dah 1444H (corresponding to 29 May 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-000839248-43	Civil defence licence	17 Sha'ban 1443H (corresponding to 20 March 2022G)	17 Sha'ban 1444H (corresponding to 9 March 2023G)
	Ministry of Human Resource and Social Development	TQ2812690	Ajeer permit for the compliance of an employee with the Labour law	3 Rabi' al-Awwal 1444H (corresponding to 29 September 2022G)	22 Sha'ban 1444H (corresponding to 14 March 2023G)
		TQ2776548	Ajeer permit for the compliance of an employee with the Labour law	17 Safar 1444H (corresponding to 13 September 2022G)	21 Sha'ban 1444H (corresponding to 13 March 2023G)
		TQ2812150	Ajeer permit for the compliance of an employee with the Labour law	3 Rabi' al-Awwal 1444H (corresponding to 29 September 2022G)	22 Sha'ban 1444H (corresponding to 14 March 2023G)
		TQ2812162	Ajeer permit for the compliance of an employee with the Labour law	3 Rabi' al-Awwal 1444H (corresponding to 29 September 2022G)	22 Sha'ban 1444H (corresponding to 14 March 2023G)
		TQ2776543	Ajeer permit for the compliance of an employee with the Labour law	17 Safar 1444H (corresponding to 13 September 2022G)	21 Sha'ban 1444H (corresponding to 13 March 2023G)

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
		TQ2834779	Ajeer permit for the compliance of an employee with the Labour law	13 Rabi' al-Awwal 1444H (corresponding to 9 October 2022G)	18 Ramadan 1444H (corresponding to 9 April 2023G)
		TQ2843876	Ajeer permit for the compliance of an employee with the Labour law	16 Rabi' al-Awwal 1444H (corresponding to 12 October 2022G)	21 Ramadan 1444H (corresponding to 12 April 2023G)
		TQ2812166	Ajeer permit for the compliance of an employee with the Labour law	3 Rabi' al-Awwal 1444H (corresponding to 29 September 2022G)	22 Sha'ban 1444H (corresponding to 14 March 2023G)
		TQ2785412	Ajeer permit for the compliance of an employee with the Labour law	22 Safar 1444H (corresponding to 18 September 2022G)	26 Sha'ban 1444H (corresponding to 18 March 2023G)
		TQ2776553	Ajeer permit for the compliance of an employee with the Labour law	17 Safar 1444H (corresponding to 13 September 2022G)	21 Sha'ban 1444H (corresponding to 13 March 2023G)
	Saudi Central Bank	57042 / 99	No-objection letter to the Company's request to Contract with a Labour Supply Contract	14 Ramadan 1440H (corresponding to 19 May 2019G)	N/A
	Al Qurayyat – Al Qurayyat Branch				
	Al Qurayyat Municipality, Kingdom of Saudi Arabia	40062060289	Engaging in commercial activities	19 Sha'ban 1438H (corresponding to 15 May 2017G)	19 Sha'ban 1444H (corresponding to 11 March 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	2-000668233-43	Civil defence licence	26 Rajab 1443H (corresponding to 27 February 2022G)	26 Rajab 1444H (corresponding to 17 February 2023G)
	Jeddah – Rawdah Branch				
	Jeddah Municipality, Kingdom of Saudi Arabia	41012574445	Engaging in commercial activities	30 Muharram 1441H (corresponding to 29 September 2019G)	29 Muharram 1446H (corresponding to 4 August 2024G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	2-000404196-43	Civil defence licence	13 Jumada Al-Akhirah 1434H (corresponding to 17 January 2022G)	13 Jumada Al-Akhirah 1444H (corresponding to 1 June 2023G)
	Jeddah – Al Faiha Branch				
	Jeddah Municipality, Kingdom of Saudi Arabia	40021700804	Engaging in commercial activities	27 Muharram 1440H (corresponding to 7 October 2018G)	26 Muharram 1445H (corresponding to 10 December 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-000808501-43	Civil defence licence	27 Sha'ban 1443H (corresponding to 30 March 2022G)	27 Sha'ban 1444H (corresponding 19 March 2023G)
	Hail – Hail Branch				
	Hail Municipality, Kingdom of Saudi Arabia	43047931711	Engaging in commercial activities	14 Jumada al-Akhirah 1443H (corresponding to 17 January 2022G)	14 Jumada al-Akhirah 1445H (corresponding to 27 December 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-000820553-43	Civil defence licence	13 Jumada al-Akhirah 1443H (corresponding to 16 January 2022G)	13 Jumada al-Akhirah 1444H (corresponding to 6 January 2023G)
	Sakaka – Sakaka Branch				
	Sakaka Municipality, Kingdom of Saudi Arabia	43089550089	Engaging in commercial activities	16 Shawwal 1443H (corresponding to 17 May 2022G)	16 Shawwal 1444H (corresponding to 6 May 2023G)

Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-000908879-43	Civil defence licence	16 Shawwal 1443H (corresponding to 17 May 2022G)	16 Shawwal 1444H (corresponding to 6 May 2023G)
	Arar – Arar Branch				
	Arar Municipality, Kingdom of Saudi Arabia	440611309495	Engaging in commercial activities	7 Rabi' al-Thani 1437H (corresponding to 17 January 2016G)	25 Rajab 1445H (corresponding to 6 February 2024G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-000891975-43	Civil defence licence	16 Sha'ban 1443H (corresponding to 19 March 2022G)	16 Sha'ban 1444H (corresponding to 8 March 2023G)
	Khamis Mushayt - Khamis Mushayt Branch				
	Asir Municipality, Kingdom of Saudi Arabia	43089564804	Engaging in commercial activities	1 Thul-Qi'dah 1443H (corresponding to 31 May 2022G)	1 Thul-Qi'dah 1444H (corresponding to 21 May 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-000926377-43	Civil defence licence	1 Thul-Qi'dah 1443H (corresponding to 31 May 2022G)	1 Thul-Qi'dah 1444H (corresponding to 21 May 2023G)
	Qatif – Qatif Branch				
	Eastern Region Municipality, Kingdom of Saudi Arabia	41032594512	Engaging in commercial activities	20 Safar 1440H (corresponding to 29 October 2018G)	20 Safar 1445H (corresponding to 5 September 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	2-000806885-44	Civil defence licence	7 Jumada al-Ula 1444H (corresponding to 1 December 2022G)	7 Jumada al-Ula 1445H (corresponding to 21 November 2023G)
	Buraydah – Buraydah Branch				
	Al-Qassim Municipality, Kingdom of Saudi Arabia	42105748624	Engaging in commercial activities	4 Thul-Qi'dah 1442H (corresponding to 14 June 2021G)	4 Thul-Qi'dah 1444H (corresponding to 24 May 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	2-000533694-43	Civil defence licence	1 Thul-Qi'dah 1443H (corresponding to 31 May 2022G)	1 Thul-Qi'dah 1444H (corresponding to 21 May 2023G)
	Jazan – Jazan Branch				
	Jazan Municipality, Kingdom of Saudi Arabia	41012564228	Engaging in commercial activities	26 Rajab 1437H (corresponding to 3 May 2016G)	26 Rajab 1445H (corresponding to 7 February 2024G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-000864290-43	Civil defence licence	24 Shawwal 1443H (corresponding to 25 May 2022G)	24 Shawwal 1444H (corresponding to 14 May 2023G)
	Taif – Taif Branch				
	Taif Municipality, Kingdom of Saudi Arabia	43089564694	Engaging in commercial activities	11 Shawwal 1443H (corresponding to 12 May 2022G)	11 Shawwal 1444H (corresponding to 1 May 2023G)
	General Directorate of Civil Defense, Kingdom of Saudi Arabia	1-000909618-43	Civil defence licence	11 Shawwal 1443H (corresponding to 12 May 2022G)	11 Shawwal 1444H (corresponding to 1 May 2023G)
Digital Payments Company for FinTech	**Riyadh – Head Office**				
	Riyadh Municipality, Kingdom of Saudi Arabia	42095526296	Engaging in commercial activities	1 Thul-Qi'dah 1442H (corresponding to 11 June 2021G)	1 Thul-Qi'dah 1444H (corresponding to 21 May 2023G)

Source: The Company.

12.5 The Saudi Central Bank Regulations Violations

The following tables summarise the Details of the Company's Violations of the Saudi Central Bank Regulations.

Table 12.6: Details of the Saudi Central Bank Regulations Violations

#	Violation Type	Date	Amount
1	Violation of the Saudi Central Bank's instructions regarding due diligence in combating money laundering and terrorist financing	15 Shawwal 1443H (corresponding to 16 May 2022G)	SAR 137,500
2	Violation of the Saudi Central Bank's instructions for customer protection	12 Rajab 1443H (corresponding to 13 February 2022G)	Written warning
3	Violation of the Saudi Central Bank's supervisory instructions	28 Safar 1443H (corresponding to 5 October 2021G)	SAR 105,000
4	Inspection violations	23 Safar 1443H (corresponding to 30 September 2021G)	SAR 10,000
5	Violation of the Saudi Central Bank's instructions for customer protection	1 Safar 1443H (corresponding to 8 September 2021G)	SAR 35,000

Source: The Company.

12.6 Material Agreements

12.6.1 Overview of Material Agreements

The Company and the Subsidiary have entered into a number of agreements for business purposes. The following is a summary of those agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision to invest in the Offer Shares. The Company does not consider any of the business agreements entered into by the Subsidiary material in connection with the same. The Company believes that all such agreements, in addition to the key provisions thereunder, have been included in this Section and that there are no other agreements, which are material in the context of the Company's business, that have not been disclosed. As of the date of this Prospectus, the Company has not breached any of provisions of the material business agreements during the relevant term of such agreements nor is it aware of any event which with the passing of time may become a breach or default under any such agreements. These summaries do not purport to describe all of the applicable provisions of such agreements. For further details on the Company's financing agreements, lease agreements, and insurance policies, see Section 12.7 (*Financing Agreements*), Section 12.11.2 (*Lease Agreements*) and Section 12.10 (*Insurance Policies*). The following table sets out the material agreements (except for financing agreements, lease agreements and insurance policies) entered into by the Company for the purposes of its business as of the date of this Prospectus:

Table 12.7: Details of Material Agreements as of the date of this Prospectus

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
General Support Services Operating Contract	The Company (as customer) and Al-Khaleej Training and Education Company (as service provider)	The Company entered into a general support services operating contract for the purpose of obtaining operational support services provided by the manpower of the service provider as requested by the Company.	The agreement is for a term of one year commencing on 7 Jumada al-Akhirah 1437H (corresponding to 16 March 2016G) and is automatically renewable.	SAR 1,124,893.76 (for the financial year ended 31 December 2021G) and SAR 817,245.51 (the six-month period ended 30 June 2022G)
Local Commodity Purchase Agreement	The Company (as customer) and Mohammed Omar K. Alesayi Establishment (as seller)	The Company entered into a local commodity purchase agreement for the purpose of purchasing commodities from the seller, then selling the same commodities to its clients.	The agreement was concluded on 8 Muharram 1437H (corresponding to 21 October 2015G). It does not include a specific term or renewal mechanism.	SAR 500,000 (for the financial year ended 31 December 2021G) and SAR 337,136 (the six-month period ended 30 June 2022G)
Internal Audit Services Agreement	The Company (as the customer) and Saad S. Al Sabti and Partner Company (Member of ECOVIS International) (as the service provider)	The customer concluded an Internal Audit Services Agreement for the purpose of obtaining outsourced audit function services from the service provider.	The agreement was concluded on 10 Jumada al-Akhirah 1443H (corresponding to 13 January 2022G) for a term of one year, and is renewable upon the execution of a new agreement.	SAR 200,000 (for the financial year ended 31 December 2021G) and SAR 354,290 (the six-month period ended 30 June 2022G)

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Period(s) Indicated
Manpower Services Contract	The Company (as the customer) and Almawarid Manpower Company (as service provider)	The customer concluded a Manpower Services Contract for the purpose of obtaining manpower services from the service provider.	The agreement is for a term of two years commencing on 3 Safar 1436H (corresponding to 25 November 2014G) and is automatically renewable.	SAR 713,008 (for the financial year ended 31 December 2021G) and SAR 817,245.51 (the six-month period ended 30 June 2022G)
Manpower Services Contract	The Company (as the customer) and Almawarid Manpower Company (as service provider)	The customer concluded a Manpower Services Contract for the purpose of obtaining manpower services from the service provider.	The agreement is for a term of two years commencing on 23 Muharram 1436H (corresponding to 16 November 2014G) and is automatically renewable.	
Outsourcing Contract	The Company (as customer) and Sahara Net (service provider)	The customer concluded an outsourcing contract where the service provider provides its the Saudi Central Bank cybersecurity framework services.	The agreement is for a term of one year commencing on 2 Rabi' al-Thani 1442H (corresponding to 17 November 2020G), and is automatically renewable.	SAR 323,985 (for the financial year ended 31 December 2021G) and SAR 185,748 (the six-month period ended 30 June 2022G)
Managed Security Services Agreement	The Company (as customer) and Integrated Telecom Company Limited (as service provider)	The customer concluded a managed security services agreement where the service provider provides implementation, management and maintenance of telecommunications solution.	The agreement is for a term of one month commencing on 15 Rajab 1441H (corresponding to 10 March 2020G), and is automatically renewable.	SAR 172,000 (for the financial year ended 31 December 2021G) and SAR 126,953 (the six-month period ended 30 June 2022G)
Shari'ah Consultancy Services Agreement	The Company (as customer) and Investment Experts (as service provider)	The customer concluded a Shari'a consultancy services agreement where the service provider provides consultancy services to the customer in relation to Shari'a matters.	The agreement is for a term of one year commencing on 23 Ramadan 1435H (corresponding to 21 July 2014G), and is automatically renewable.	SAR 85,510 (for the financial year ended 31 December 2021G) and SAR 27,657.50 (the six-month period ended 30 June 2022G)
Musharakah Agreement	The Company (as musharakah partner and managing agent) and Riyad Financing Fund (as musharakah partner)	Pursuant to the agreement, the parties are musharakah partners sharing the profits and losses generated from the financing contracts provided for SMEs (small and medium enterprises).	The agreement is for a term of five years commencing on 25 Thul-Hijjah 1442H (corresponding to 4 August 2021G).	Financing amount of SAR 62,500,000
FinTech Master Agreement	The Subsidiary (as customer) and Arab National Bank (as service provider)	The Subsidiary entered into this fintech master agreement to receive services such as hosting omnibus and operating accounts, account management, and cash-in and cash-out related services.	The agreement is for an initial term of one year, commencing on 18 Ramadan 1442H (corresponding to 29 April 2021G) and is automatically renewable, unless either party provides a written notice of its decision not to renew at least 60 days prior the end of the initial term.	SAR nil for the financial year ended 31 December 2021G and SAR nil for the six-month period ended 30 June 2022G.
Service Level Agreement	The Subsidiary (as customer) and Detecon Al Saudia Co Ltd (as service provider)	The Subsidiary entered into this service level agreement to receive IT services that are crucial to its business such as hosting, processing and maintaining of data.	The agreement is for a term of one year, commencing on 12 Muharram 1441H (corresponding to 11 September 2019G) and is automatically renewable.	SAR nil for the financial year ended 31 December 2021G and SAR 1,896,772.24 for the six-month period ended 30 June 2022G.
Framework Agreement	The Subsidiary (as customer) and a company (as service provider)	The Subsidiary entered into a framework agreement to receive services such as magnetic stripe and chip cards and associate services to help with the issuance of banking magnetic strip cards and chip cards.	The date of the agreement is not included for non-disclosure purposes.	Value of the agreement is not included for non-disclosure purposes.

Source: The Company.

12.6.2 Summary of Material Agreements

12.6.2.1 General Support Services Operating Contract between the Company and Al-Khaleej Training and Education Company

The Company (as the customer) entered into a general support services operating contract with Al-Khaleej Training and Education Company (as the service provider) for the purpose of obtaining operational support services provided by the manpower of the service provider as requested by the customer. The value of this agreement amounted to SAR 1,124,893.76 and SAR 817,245.51 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The agreement was for a term of one year commencing on 7 Jumada al-Alkhirah 1437H (corresponding to 16 March 2016G) and is automatically renewable. It is governed by the laws of the Kingdom, and any dispute arising from the agreement shall be referred to the relevant courts.

12.6.2.2 Local Commodity Purchase Agreement between the Company and Mohammed Omar K. Alesayi Establishment

The Company (as the customer) entered into a local commodity purchase agreement with Mohammed Omar K. Alesayi Establishment (as the seller) for the purpose of purchasing commodities from the seller, and then selling the same commodities to its clients. The value of this agreement amounted to SAR 500,000 and SAR 337,136 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The payable amount to the seller differs according to the customer's request for the commodity and the quantity required. The agreement was concluded on 8 Muharram 1437H (corresponding to 21 October 2015G) and does not include a specific term or renewal mechanism. It is governed by the laws of the Kingdom, and any dispute arising from the agreement shall be referred to arbitration in accordance with Saudi Arabian Arbitration Law and its implementing regulations.

12.6.2.3 Internal Audit Services Agreement between the Company and Saad S. Al Sabti and Partner Company (Member of ECOVIS International)

The Company (as the customer) entered into an internal audit services agreement with Saad S. Al Sabti and Partner Company (Member of ECOVIS International) (as the service provider) for the purpose of obtaining outsourced audit function services from the service provider. The value of this agreement amounted to SAR 200,000 and SAR 354,290 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. It was concluded on 10 Jumada al-Alkhirah 1443H (corresponding to 13 January 2022G) for a term of one year, and is renewable upon the execution of a new agreement. It is governed by the laws of the Kingdom, and any dispute arising from the agreement shall be referred to the relevant Saudi courts.

12.6.2.4 Manpower Services Contracts between the Company and Almawarid Manpower Company

The Company entered into two manpower services agreements with Almawarid Manpower Company. The total revenues resulting from the contracts concluded with Almawarid Manpower Company amounted to SAR 713,008 and SAR 817,245.51 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The following are the details of each contract:

(a) Manpower Services Contract between the Company and Almawarid Manpower Company

The Company (as the customer) entered into a manpower services contract with Almawarid Manpower Company (as the service provider) for the purpose of obtaining manpower services from the service provider. The agreement was for a term of two years commencing on 3 Safar 1436H (corresponding to 25 November 2014G) and is automatically renewable. It is governed by the laws of the Kingdom, and any dispute arising from the agreement shall be referred to the relevant court in Riyadh.

(b) Manpower Services Contract between the Company and Almawarid Manpower Company

The Company (as the customer) entered into a manpower services contract with Almawarid Manpower Company (as the service provider) for the purpose of obtaining manpower services from the service provider. The agreement was for a term of two years commencing on 23 Muharram 1436H (corresponding to 16 November 2014G) and is automatically renewable. It is governed by the laws of the Kingdom, and any dispute arising from the agreement shall be referred to the relevant court in Riyadh. It is subject to confidentiality, and no party may disclose any information related to the agreement without the other party's prior consent.

The agreements concluded with Almawarid Manpower Company contain confidentiality clauses, whereby parties are required to hold the information provided to them. On 20 Muharram 1444H (corresponding to 18 August 2022G), the Company obtained Almawarid Manpower Company's prior written consent to disclose contractual arrangements entered into with Almawarid Manpower Company.

12.6.2.5 Outsourcing Contract between the Company and Sahara Net

The Company (as the customer) entered into an outsourcing contract with Sahara Net (as the service provider) for the purpose of obtaining the Saudi Central Bank cybersecurity framework services from the service provider. The value of this agreement amounted to SAR 323,985 and SAR 185,748 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The agreement was for a term of one year commencing on 2 Rabi' al-Thani 1442H (corresponding to 17 November 2020G) and is automatically renewable. It is governed by the laws of the Kingdom, and any dispute arising from the agreement shall be referred to the relevant Saudi courts.

12.6.2.6 Managed Security Services Agreement between the Company and Integrated Telecom Company Limited

The Company (as the customer) entered into a managed security services agreement with Integrated Telecom Company Limited (as service provider) for the purpose of providing implementation, management and maintenance of telecommunications solution to the customer. The value of this agreement amounted to SAR 172,000 and SAR 126,953 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The agreement was for a term of one month commencing on 15 Rajab 1441H (corresponding to 10 March 2020G), and is automatically renewable. It is governed by the laws of the Kingdom and any other applicable laws or regulations, including labour laws and regulations concerning Saudization, health, safety and environmental standards and regulations, and Saudi Anti-bribery Law.

12.6.2.7 Shari'a Consultancy Services Agreement between the Company and Investment Experts

The Company (as the customer) entered into a Shari'a consultancy services agreement with Investment Experts (as service provider) for the purpose of obtaining consultancy services from the service provider in relation to Shari'a matters. The value of this agreement amounted to SAR 85,510 and SAR 27,657.50 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The agreement was for a term of one year commencing on 23 Ramadan 1435H (corresponding to 21 July 2014G) and is automatically renewable. It is governed by the laws of the Kingdom, and any dispute arising from the agreement shall be referred to the relevant court in Riyadh.

12.6.2.8 Musharakah Agreement between the Company and Riyad Financing Fund

The Company (as musharakah partner and managing agent) concluded a musharakah agreement with the Riyad Financing Fund (as musharakah partner) on 25 Thul-Hijjah 1442H (corresponding to 4 August 2021G), pursuant to which the parties are musharakah partners sharing the profits and losses generated from the financing contracts, which must be in compliance with criteria set under the musharakah agreement. The value of such financing contracts shall be of a maximum amount or value of SAR 62,500,000 (the musharakah capital). The Riyad Financing Fund shall contribute in cash an amount representing eighty per cent. (80%) of the musharakah capital of the respective financing contracts by crediting such amount to the musharakah account, whereas the aggregate outstanding Riyad Financing Fund contribution to all outstanding financing contracts, at any point in time, shall not exceed SAR 50,000,000. The Company shall contribute in cash or in kind an amount representing twenty per cent. (20%) of the musharakah capital of the respective financing contracts by crediting such amount to the musharakah account or by way of in-kind contributions pursuant to the relevant terms of the musharakah agreement, whereas the aggregate outstanding contribution to the Company in all outstanding financing contracts, at any point in time, shall not exceed SAR 12,500,000.

Under the musharakah agreement, the musharakah partners undertake to appoint the Company to act as managing agent by entering into the musharakah management agreement. Amongst other matters, the managing agent is entrusted with the following: (i) entering into and holding legal title in relation to the relevant generated financing agreements, including the security granted thereunder, on behalf of the musharkah partners; (ii) taking whatever action is required to perfect or otherwise document and complete formalities for any relevant generated financing agreements, including the security granted thereunder to adequately protect the interest, rights and benefits of the musharakah partners; and (iii) taking any necessary formalities and completing any arrangements required for the transfer of title to and ownership interest in the musharakah contribution to Riyad Financing Fund upon request by Riyad Financing Fund.

The occurrence of any of the following events shall give the Riyad Financing Fund the right to terminate the agreement:

- any breach by the Company or the managing agent of any of the terms of the musharakah agreement or the musharakah management agreement (as applicable) or any default in the performance of its obligations under the musharakah agreement or the musharakah management agreement (as applicable) that is not cured within fifteen (15) days after receipt of a written notice from the Riyad Financing Fund to cure such breach or default; or
- the passing of a resolution for the bankruptcy, insolvency, winding up, liquidation of or other similar proceedings related to the Company or the managing agent, the appointment of a trustee, liquidator, custodian, or similar person in any such proceeding or the order of the court of competent jurisdiction to wind up or otherwise confirm the bankruptcy or insolvency of the Company or the managing agent.

In the event of the occurrence of such a termination event, the Company shall ensure that the managing agent reimburse and indemnify Riyad Financing Fund for any damages, losses, obligations, costs or fees incurred as a consequence of the breach or the occurrence of a termination event as detailed above and shall transfer, on a pro-rata basis in accordance to each musharakah partner's proportionate share, the title and ownership interest to the Riyad Financing Fund or to the order of the Riyad Financing Fund, including the replacement managing agent appointed by the Riyad Financing Fund to act on its behalf. The Company shall ensure (and ensure that the managing agent will) take all necessary action to facilitate, cooperate and assist Riyad Financing Fund or its appointed managing agent in respect of Riyad Financing Fund's rights and obligations, including in relation to enforcement of securities and distribution of receivables of the generated financing contracts; the Company shall (and shall procure that managing agent will), if requested to do so by the Riyad Financing Fund, establish a newly designated account wherein receivables are deposited with both the managing agent and the Riyad Financing Fund's appointed managing agent having signing authority and shall ensure that sufficient access and powers are given to the Riyad Financing Fund and its appointed managing agent to protect the musharkah on a pro-rata basis.

The musharakah agreement is governed by the laws of the Kingdom and any disputes shall be referred to the competent judicial bodies in the Kingdom. The Company agrees that any legal action or proceedings arising out of or related to the musharakah agreement may be filed with and brought before the Banking Committee. The Company irrevocably agrees for the benefit of the Riyad Financing Fund that the Company's submission to the jurisdiction of the Banking Committee shall not (and shall not be construed to) limit the Riyad Financing Fund's right to initiate proceedings against the Company in any other court of competent jurisdiction nor shall the initiation of proceedings in any one or more jurisdictions preclude the initiation of proceedings in any other jurisdiction, whether concurrently or not.

12.6.2.9 FinTech Master Agreement between the Subsidiary and Arab National Bank

The Subsidiary (as customer) entered into a fintech master agreement with Arab National Bank (as service provider) to receive services such as hosting omnibus and operating accounts, account management, and cash-in and cash-out related services. These services meant to help the Subsidiary provide its fintech services to its clients and safeguard their funds. The value of this agreement amounted to SAR nil and SAR nil for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The agreement was for an initial term of one year, commencing on 18 Ramadan 1442H (corresponding to 29 April 2021G) and is automatically renewable, unless either party provides a written notice of its decision not to renew at least 60 days prior the end of the initial term. It is governed by the laws of the Kingdom, and any dispute arising from the agreement shall be referred to the Saudi competent court.

12.6.2.10 Service Level Agreement between the Subsidiary and Detecon Al Saudia Co Ltd

The Subsidiary (as customer) entered into a service level agreement with Detecon Al Saudia Co Ltd (as service provider) to receive IT services that are crucial to its business such as hosting, processing and maintaining of data, by way of issuing separate purchase orders. The value of this agreement amounted to SAR nil and SAR 1,896,772.24 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. The agreement was concluded on 12 Muharram 1441H (corresponding to 11 September 2019G) for a term of one year, and is automatically renewable.

12.6.2.11 Framework Agreement between the Subsidiary and a Service Provider

The Subsidiary (as customer) entered into a framework agreement with a service provider to receive services such as magnetic stripe and chip cards and associate services to help with the issuance of banking magnetic strip cards and chip cards from the service provider. The agreement is subject to a confidentiality clause. Therefore, details of such agreement has not been disclosed.

12.7 Financing Agreements

The Company has entered into six financing agreements related to its business. The Subsidiary has not entered into any financing agreements. The following is a summary of the financing agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. As of the date of this Prospectus, the Company has not breached any of provisions of the financing agreements during the relevant term of such agreements, and is not aware of any event which with the passing of time may become a breach or default under any financing agreement. These summaries include only the material provisions, and not all of the applicable provisions of such agreements, and cannot be considered as an alternative to the terms and conditions of those agreements.

The financing agreements to which the Company is a party include provisions that require the submission of a prior notification or obtaining prior written consent in connection with any change of control or change of the ownership structure of the Company, or when offering the Company's Shares for public subscription. In this regard, the Company has obtained all the consents required from the financers.

The following table sets out the financing agreements entered into by the Company for the purposes of its business as of the date of this Prospectus:

Table 12.8: Details of Financing Agreements as of the date of this Prospectus

Lender and Borrower	Type of Financing	Availability Period	Financing Amount
Social Development Bank (as the lender) and the Company (as the borrower)	Financing Agreement	The loan availability period runs from 10 Ramadan 1441H (corresponding to 3 May 2020G) until 4 Thul-Qi'dah 1445H (corresponding to 12 May 2024G).	SAR 100,000,000
Social Development Bank (as the lender) and the Company (as the borrower)	Financing Agreement	The loan availability period runs from 19 Thul-Hijjah 1441H (corresponding to 9 August 2020G) and will expire after five years.	SAR 100,000,000
Riyad Bank (as the lender) and the Company (as the borrower)	Islamic Financing Agreement	The loan availability period runs from 6 Muharram 1441H (corresponding to 5 September 2019G) until 2 Rabi' al-Awwal 1446H (corresponding to 5 September 2024G).	SAR 36,750,000
Al Rajhi Bank (as the lender) and the Company (as the borrower)	Facility Agreement	The loan availability period runs from 4 Muharram 1444H (corresponding to 2 August 2022G) until 11 Thul-Qi'dah 1444H (corresponding to 31 May 2023G).	SAR 23,782,334
Bank Albilad (as the lender) and the Company (as the borrower)	Banking Facility Agreement	The loan availability period runs from 4 Rabi' al-Awwal 1440H (corresponding to 12 November 2018G) until 23 Rabi' al-Thani 1445H (corresponding to 7 November 2023G).	SAR 141,339,000
Bank Albilad (as the lender) and the Company (as the borrower)	Supplemental Agreement to the Banking Facility Agreement	The loan availability period runs from 23 Jumada al-Alkhirah 1443H (corresponding to 26 January 2022G) and is for a period of four years.	SAR 88,000,000

Lender and Borrower	Type of Financing	Availability Period	Financing Amount
Alinma Bank (as the lender) and the Company (as the borrower)	Credit Facility Agreement	The loan availability period runs from 6 Ramadan 1443H (corresponding to 7 April 2022G) and is for a period of four years.	SAR 100,000,000

Source: The Company.

12.7.1 Financing Agreement with the Social Development Bank

The Company concluded a financing agreement with the Social Development Bank on 10 Ramadan 1441H (corresponding to 3 May 2020G), whereby the Social Development Bank agreed to provide the Company with facilities amounting to SAR 100,000,000. The security provided by the Company under the financing agreement is as follows:

- an assignment of a financing portfolio in favour of the Social Development Bank (covering 125.0 per cent. of the financing amount); and
- a promissory note provided by the Company in favour of the Social Development Bank with a total amount of SAR 100,000,000 payable upon request.

Amongst other matters, the financing agreement includes the following provisions:

- an undertaking by the Company that the total amounts drawn under the financing shall not exceed 50 per cent. of the Company's annual profits;
- an undertaking by the Company to submit quarterly detailed reports of the Company's financing portfolio;
- an undertaking by the Company to obtain insurance on all assets under the assigned financing portfolio and provide the Social Development Bank with a proof of the same;
- an undertaking by the Company to inform the Social Development Bank in the event of any change in its executive management or any other material events;
- an undertaking by the Company to ensure that the total loans obtained through other financier do not exceed threefold the share capital and the reserve during the tenor; and
- a separate agreement pertaining to the costs of the offered services shall be signed between the parties.

Under the financing agreement, any of the following events are considered an event of default:

- the inaccuracy of any information or document provided by the Company;
- any disputes between the Company's Shareholders or upon the Company or any of its subsidiaries ceasing to carry on their business;
- the failure by the Company to pay any instalment as it becomes due;
- the failure by the Company to provide the guarantees requested by the Social Development Bank or any breach of any of the provisions of the financing agreement;
- any representation or warranty made by the Company in relation to its financial position or any other representation or warranty that proves to have been incorrect or misleading in any respect; and
- any other events stated under the financing agreement or its annexes.

Following the occurrence of an event of default, the Social Development Bank has the right to exercise several measures including: (i) declaring all amounts (the principal financing amount plus the administrative fees) to be immediately due and payable, whereupon all sums due under the financing agreement shall be deemed to have become due and payable and shall be paid by the Company to the Social Development Bank without further demand or other notice of any kind; and (ii) requiring the Company to compensate the Social Development Bank for all costs, claims, losses and expenses suffered or incurred as a consequence of the Company delay in making payment to the Social Development Bank.

The financing agreement is governed by the laws of the Kingdom and any disputes arising therefrom shall be referred to the competent judicial bodies in the Kingdom, with the Company bearing the costs and expenses arising from such disputes.

The Social Development Bank confirmed that the Company was not required to obtain a consent letter from the beforementioned bank in its email dated 22 Shawwal 1443H (corresponding to 23 May 2022G).

12.7.2 Financing Agreement with the Social Development Bank

The Company concluded a financing agreement with the Social Development Bank on 19 Thul- Hijjah 1441H (corresponding to 9 August 2020G), whereby the Social Development Bank agreed to provide the Company with facilities amounting to SAR 100,000,000. The security provided by the Company under the financing agreement are as follows:

- an assignment of a financing portfolio in favour of the Social Development Bank (covering 100 per cent. of the financing amount); and
- a promissory note provided by the Company in favour of the Social Development Bank amounting to SAR 100,000,000 in total payable upon request.

Amongst other matters, the financing agreement includes the following provisions:

- an undertaking by the Company that the total amounts drawn under the financing shall not exceed 50 per cent. of the Company's annual profits;
- an undertaking by the Company to submit quarterly detailed reports of the Company's financing portfolio;
- an undertaking by the Company to inform the Social Development Bank in the event of any change in its executive management or any other material events;
- an undertaking by the Company to ensure that the total loans obtained through other financiers do not exceed threefold the share capital and the reserve during the tenor;
- in financing small and medium enterprises, the Company shall comply with the eligibility criteria stipulated under the financing agreement; and
- a separate agreement pertaining to the costs of the services offered shall be signed between the parties.

Under the financing agreement, any of the following events are considered an event of default:

- the inaccuracy of any information or document provided by the Company;
- any disputes between the Company's Shareholders or upon the Company or any of its subsidiaries ceasing to carry on their business;
- the failure by the Company to pay any amounts as they become due;
- the failure by the Company to provide the guarantees requested by the Social Development Bank or any breach of any of the provisions of the financing agreement;
- any representation or warranty made by the Company in relation to its financial position or any other representation or warranty that proves to have been incorrect or misleading in any respect; and
- any other events stated under the financing agreement or its annexes.

Following the occurrence of an event of default, the Social Development Bank has the right to exercise several measures including: (i) declaring all amounts (the principal financing amount plus the administrative fees) to be immediately due and payable, whereupon all sums due under the financing agreement shall be deemed to have become due and payable and shall be paid by the Company to the Social Development Bank without further demand or other notice of any kind; and (ii) requiring the Company to compensate the Social Development Bank in respect of all costs, claims, losses and expenses suffered or incurred as a consequence of the Company's delay in making payment to the Social Development Bank.

The financing agreement is governed by the laws of the Kingdom and any disputes arising therefrom shall be referred to the competent judicial bodies in the Kingdom, with the Company bearing the costs and expenses arising from such disputes.

The Social Development Bank confirmed that the Company was not required to obtain a consent letter from the beforementioned bank in its email dated 22 Shawwal 1443H (corresponding to 23 May 2022G).

12.7.3 Islamic Financing Agreement with Riyad Bank

The Company concluded an Islamic financing agreement with the Riyad Bank on 6 Muharram 1441H (corresponding to 5 September 2019G), whereby Riyad Bank agreed to provide the Company with facilities amounting to SAR 36,750,000. The security provided by the Company under the Islamic financing agreement are as follows:

- 135 per cent. coverage of the required financing during the tenor (notes receivables covering 125 per cent. of the outstanding amounts) and 10 per cent. of the outstanding financing amount as cash reserve; and
- a promissory note provided by the Company in favour of Riyad Bank covering 110 per cent. of the total granted financings.

With respect to the notes receivables provided by the Company as a security and in the event that the default amounts under such receivables reach 5 per cent. during the tenor, the Company undertakes to replace the defaulted notes receivables with non-defaulted notes receivables within thirty (30) days. The Company further agreed to give an authorisation to Riyad Bank to foreclose on any amounts, tradable instruments or securities which the Company has in any of its accounts with Riyad Bank, and Riyad Bank has the right to enforce on the same and merge such accounts without further demand or other notice of any kind in the event of the Company's failure to pay any amounts under the Islamic financing agreement as they become due and payable. Under the agreement, an event of default shall be deemed to have occurred if the Company fails to pay any due instalment and such event continues for a period of fifteen (15) days; consequently, Riyad Bank may declare all sums due under the Islamic financing agreement to have become due and payable. If any sum due and payable by the Company is not paid when due or, as the case may be, when the same is demanded by Riyad Bank, the Company agrees to pay Riyad Bank 10 per cent. of the total financing amount to be paid by Riyad Bank to charity.

Under the Islamic financing agreement, any of the following events are considered an event of default:

- failure by the Company to pay any amounts as they become due;
- failure by the Company to duly and punctually perform or comply with any of its/his respective obligations;
- any execution, attachment or other legal process made or enforced against all or any part of the business or assets of the Company or any of its agents or guarantors;
- any change in the legal structure, ownership structure or share capital of the Company except those which Riyad Bank has provided its prior written approval on;
- cross-default (if the Company stops or suspends payments to its creditors or any class of its creditors);
- the commencement of any process due to the Company or any of its agents or guarantors becoming insolvent or bankrupt;
- the inaccuracy of any information, document, representation or warranty provided by the Company to Riyad Bank;
- the cessation of the Company to carry out all or any part of its business; and
- any other events stated under the Islamic financing agreement or its annexes.

The Islamic financing agreement is governed by the laws of the Kingdom and any rules or guidelines issued by the Saudi Central Bank, and any disputes arising therefrom shall be resolved amicably. Otherwise, the disputes shall be referred to the competent judicial bodies in the Kingdom.

Riyad Bank consented to the Offering pursuant to the email to that effect dated 22 Shawwal 1443H (corresponding to 23 May 2022G).

12.7.4 Facility Agreement with Al Rajhi Bank

The Company concluded a facility agreement with Al Rajhi Bank on 4 Muharram 1444H (corresponding to 2 August 2022G), whereby Al Rajhi Bank agreed to provide the Company with non-revolving facilities amounting to SAR 23,782,334 in total to finance the Company's general working capital requirements with a tenor of four years to be paid in instalments at an annual profit rate of 3 per cent. over the Saudi Interbank Offered Rate (SAIBOR).

Amongst other obligations, the Company shall: (i) assign revenues covering 125 per cent. of the total facility amount; (ii) provide Al Rajhi Bank with reports of the assigned contracts receivables covering 125 per cent. of the total facility amount; (iii) deposit the collected instalments under the assigned contracts in Al Rajhi Bank account within a maximum period of two Hijri months; (iv) endorse the insurance policy for the assigned contracts in the name of Al Rajhi Bank; (v) provide Al Rajhi Bank with semi-annual reports evidencing the status of the portfolio, the defaulted loans and the amounts thereunder in accordance with the Saudi Central Bank requirements; (vi) retain and reserve 50 per cent. of the annual net profit and reflect the same on the next annual budget; and (vii) not use the facilities in acquisitions or any other investment activities.

The Company is also obliged to procure Al Rajhi Bank's consent before issuing any further shares or altering the rights attaching to its issued shares in existence as of the date of the facility agreement. There may be no change in the shareholding of the Company without the prior written consent of Al Rajhi Bank.

The facility agreement is governed by the laws of the Kingdom and any disputes, if not resolved amicably, shall be referred to the competent judicial bodies in Riyadh, the Kingdom of Saudi Arabia. Submission to such jurisdiction shall not limit Al Rajhi Bank's right to take proceedings against the Company in any other court of competent jurisdiction over the Company or its assets or revenues.

Al Rajhi Bank consented to the Offering on 25 Jumada al-Ula 1444H (corresponding to 19 December 2022G).

12.7.5 Banking Facility Agreement with Bank Albilad

The Company concluded a banking facility agreement with Bank Albilad on 4 Rabi' al-Awwal 1440H (corresponding to 12 November 2018G), whereby Bank Albilad agreed to provide the Company with non-revolving facilities amounting to SAR 141,339,000 in total. The facilities are provided for the purposes of financing the Company's business operational cycle and are comprised of: (i) a SAR 7,518,000 margin call non-revolving facility with a maximum tenor of four years to be paid in monthly instalments at an annual profit rate equal of 4 per cent. over the Saudi Interbank Offered Rate (SAIBOR); (ii) a SAR 9,659,000 margin call non-revolving facility with a maximum tenor of four years to be paid in monthly instalments at an annual profit rate of 4 per cent. over the Saudi Interbank Offered Rate (SAIBOR); (iii) a SAR 19,682,000 margin call non-revolving facility with a maximum tenor of four years to be paid in monthly instalments at an annual profit rate of 4 per cent. over the Saudi Interbank Offered Rate (SAIBOR); (iv) a SAR 24,480,000 margin call non-revolving facility with a maximum tenor of four years to be paid in monthly instalments at an annual profit rate of 4 per cent. over the Saudi Interbank Offered Rate (SAIBOR); and (v) a SAR 80,000,000 margin call non-revolving facility with a maximum tenor of four years to be paid in monthly instalments at an annual profit rate of 4 per cent. over the Saudi Interbank Offered Rate (SAIBOR).

The banking facility agreement was signed and the financing became available on 4 Rabi' al-Awwal 1440H (corresponding to 12 November 2018G) and the facilities expire on 23 Rabi' al-Thani 1445H (corresponding to 7 November 2023G), with Bank Albilad having the right to, amongst other matters: (i) further extend the banking facility agreement to a later date for which the Company is obliged to sign all relevant documents and provide any guarantees as requested by Bank Albilad, with such extension being subject to the same terms and conditions contained under the banking facility agreement or any other terms and conditions decided by Bank Albilad; (ii) reduce or increase the costs of the services, expenses and/or the profit margin related to any of the facilities granted to the Company; (iii) reduce the facilities limit granted to the Company or restrict the same to certain process; and (iv) terminate the banking facility agreement. The security provided by the Company under the banking facility agreement are as follows:

- an assignment of a financing portfolio in favour of Bank Albilad (covering 125 per cent. for the entire tenor of the financing and 80.0 per cent. of the total instalments each year under the facilities); and
- a promissory note provided by the Company in favour of Bank Albilad with a total amount of SAR 180,910,000.

The banking facility agreement is governed by the laws of the Kingdom, and any disputes arising therefrom shall be resolved amicably. Otherwise, the disputes shall be referred to the competent judicial bodies in the Kingdom.

Bank Albilad was notified in respect of the Offering pursuant to a letter to that effect dated 13 Ramadhan 1443H (corresponding to 14 April 2022G).

12.7.6 Supplemental Agreement to the Banking Facility Agreement with Bank Albilad

The Company concluded a supplemental agreement to the banking facility agreement with Bank Albilad on 23 Jumada al-Alkhirah 1443H (corresponding to 26 January 2022G) amending certain terms under the previously entered into Banking Facility Agreement, whereby Bank Albilad agreed to provide the Company with non-revolving facilities amounting to SAR 88,000,000 in total. The facilities are comprised of: (i) a SAR 70,000,000 margin call non-revolving facility with a maximum tenor of four years to be paid in equal quarterly instalments at a profit rate equal to 3.5 per cent. above the annually/quarterly (in certain cases) Saudi Interbank Offered Rate (SAIBOR) plus a certain margin per annum for the financing of the Company's activity operational cycle; and (ii) a SAR 18,000,000 margin call non-revolving facility with a maximum tenor of four years to be paid as a bullet payment at the end of such tenor with the profits to be paid during the availability period (in accordance with annual/quarterly Saudi Interbank Offered Rate (SAIBOR)) at a profit rate equal to 3.5 per cent. above the annual/quarterly (in certain cases) Saudi Interbank Offered Rate (SAIBOR) plus a certain margin per annum for the financing of the Company's employees to subscribe to the shares issued under the Company's initial public offering.

In addition, the supplemental agreement to the banking facility agreement includes a swap limit (profit margin) (non-revolving) to be SAR 38,000,000 instead of SAR 12,000,000 for the purpose of Tahawwut with a maximum tenor of four years allowing the Company to benefit from Bank Albilad's facilities up to SAR 190,000,000.

The supplemental agreement to the banking facility agreement was signed and the financing became available on 23 Jumada al-Alkhirah 1443H (corresponding to 26 January 2022G) and the facilities expire on 7 Sha'ban 1447H (corresponding to 26 January 2026G), with Bank Albilad having the option to further extend or terminate the facilities and claim payment of any accrued amounts at any time. The Company considers that to be in line with prevailing market practices. The security provided under the supplemental agreement to the banking facility agreement are as follows:

- an assignment of a financing portfolio in favour of Bank Albilad (covering 125 per cent. for the entire life of the financing and 80.0 per cent. of the total instalments each year under the facilities); and
- a promissory note provided by the Company in favour of Bank Albilad with a total amount of SAR 334,813,000.

The main additional financial and operational covenants given by the Company in favour of Bank Albilad under the supplemental agreement to the banking facility agreement include, but are not limited to, the following:

- an undertaking to reimburse Bank Albilad upon the sale of the Company's employees subscription shares amounting to SAR 18,000,000; and
- an undertaking to only use the SAR 18,000,000 facility upon obtaining the CMA's approval of the public offering.

Bank Albilad was notified of the Offering pursuant to a letter to that effect dated 13 Ramadhan 1443H (corresponding to 14 April 2022G).

12.7.7 Credit Facility Agreement with Alinma Bank

The Company concluded a credit facility agreement with Alinma Bank on 6 Ramadan 1443H (corresponding to 7 April 2022G), whereby Alinma Bank agreed to provide the Company with non-revolving facilities amounting to SAR 100,000,000 in total to finance the Company's activities in terms of financing individuals and companies and the proceeds of sales of small and medium enterprises in return for the client's assignment of the dues of credit portfolios with a coverage rate of not less than 125 per cent. of the total financing, with a tenor of four years to be paid in quarterly instalments at an annual profit rate of 3 per cent. over the Saudi Interbank Offered Rate (SAIBOR) in addition to paying advance profits of SAR 500,000 once.

The security provided by the Company under the credit facility agreement are as follows:

- a promissory note provided by the Company in favour of Alinma Bank with a total amount of SAR 100,000,000;
- a promissory note provided by the Company in favour of Alinma Bank with a total amount of SAR 5,800,000;

- the Company's assignment in favour of Alinma Bank of all dues of credit portfolios by Alinma Bank with a coverage rate of no less than 125 per cent. of the total amounts used and outstanding on the Company;
- in addition, before executing any of the facilities stipulated in the credit facility agreement, Alinma Bank has the right, to request any guarantees other than what is mentioned in the credit facility agreement; and
- if the Company uses all or some of the available facilities and the value of the guarantees decreases, Alinma Bank may request that they be increased or that it be provided additional guarantees within thirty (30) days. Otherwise, Alinma Bank has the right to enforce the guarantees under its control in a way that preserves its right in accordance with regulating Shari'ah principles and procedures.

The main additional financial and operational covenants given by the Company in favour of Alinma Bank under the supplemental agreement to the banking facility agreement include, but are not limited to, the following:

- providing Alinma bank with a detailed report on the assigned portfolios in favour of Alinma Bank every three (3) months;
- signing any documents required by Alinma Bank to authenticate the transactions subject to the credit facility agreement, even after obtaining and using them;
- notifying Alinma Bank of any possible change to its legal entity or ownership percentages, prior to such change;
- providing Alinma Bank with any financial information requested by Alinma Bank from time to time in relation to its business and financial position, including all information related to its general financial position, its audited balance sheet, and all statements and accounting books of the Company;
- ensuring that the financial leverage ratio (total liabilities/net tangible equity) does not exceed 2.5:1;
- ensuring that the trading ratio (current assets/current liabilities) is not less than 1:1;
- undertaking to deposit 40 per cent. of the net income with Alinma Bank and to continue to do so throughout the financing period;
- undertaking to notify Alinma Bank in the event of a potential breach or breaches; and
- undertaking to abide by the criteria of eligibility and acceptance of Murabaha and Ijarah clients and portfolios.

Among the events of breach stipulated in the credit facility agreement is the change of the legal entity or the executive management of the company without the prior knowledge and approval of Alinma Bank. In this event, Alinma Bank has the right to ask the Company to pay the remaining unpaid balance, including profits, in accordance with the early settlement policy of Alinma Bank, and seize the company's balances with it, and take measures to dispose of guarantees and mortgages to pay off indebtedness in accordance with the regulating procedures and instructions.

The credit facility agreement shall be governed and interpreted in accordance with Islamic Shari'ah and the laws and regulations enforced in the Kingdom and any disputes arising therefrom shall be resolved amicably. Otherwise, the disputes shall be settled by the competent courts in the Kingdom in the city of Riyadh.

Alinma Bank consented to the Offering on 19 Jumada al-Ula 1444H (corresponding to 13 December 2022G).

12.8 Other Agreements with Lenders

In addition to the financing agreements entered into with lenders as detailed in Section 12.7 (*Financing Agreements*), the Company has entered into two supplementary Shari'ah-compliant profit rate swap agreements with two lenders, namely Riyad Bank and AlBilad Bank, for the purpose of mitigating risk from both fixed and floating profit rates.

The following is a summary of the Shari'ah-compliant profit rate swap agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. The Company has not breached any of provisions of the profit rate swap agreements during the relevant term of such agreements, and is not aware of any event which with the passing of time may become a breach or default under any of the agreements. These summaries include only the material provisions and not all applicable provisions of such agreements, and cannot be considered as an alternative to the terms and conditions of those agreements.

The following table sets out the Shari'ah-compliant profit rate swap agreements entered into by the Company for the purposes of its business as of the date of this Prospectus:

Table 12.9: Details of Other Agreements with Lenders as of the date of this Prospectus

Lender and Borrower	Type of Agreement	Availability Period	Brief Description
Riyad Bank (as the lender) and the Company (as the borrower)	Shari'ah-Compliant Profit Rate Swap Agreement	The term of the agreement runs from 22 Safar 1441H (corresponding to 21 October 2019G) until 6 Rabi' al-Thani 1445H (corresponding to 21 October 2023G).	A Shari'ah-Compliant Profit Rate Swap Agreement (Murabaha and Tawarruq structure), with agreed fixed and floating profit rates of 2.35% of the relevant principal amount and an amount equivalent to the three-month SAIBOR rate in connection with the relevant principal amount, respectively.

Lender and Borrower	Type of Agreement	Availability Period	Brief Description
AlBilad Bank (as the lender) and the Company (as the borrower)	Shari'ah-Compliant Profit Rate Swap Agreement	The term of the agreement runs from 4 Sha'ban 1443H (corresponding to 7 March 2022G) until 3 Sha'ban 1447H (corresponding to 22 January 2026G).	A Shari'ah-Compliant Profit Rate Swap Agreement (*Tahawut* structure), with agreed fixed and floating profit rates of 2.65% of the relevant principal amount and an amount equivalent to the three-month SAIBOR rate in connection with the relevant principal amount, respectively.

Source: The Company

12.8.1 Shari'ah-Compliant Profit Rate Swap Agreement with Riyad Bank

The Company concluded a Shari'ah-Compliant Profit Rate Swap Agreement (*Wa'd Murabaha* structure) with Riyad Bank on 22 Safar 1441H (corresponding to 21 October 2019G) and shall remain available until 6 Rabi' al-Thani 1445H (corresponding to 21 October 2023G), for the purpose of mitigating risk from both fixed and floating profit rates for both parties. The agreed fixed and floating profit rates are 2.35 per cent. of the relevant principal amount and an amount equivalent to the three-month SAIBOR rate in connection with the relevant principal amount, respectively.

12.8.2 Shari'ah-Compliant Profit Rate Swap Agreement with AlBilad Bank

The Company concluded a Shari'ah-Compliant Profit Rate Swap Agreement (*Wa'd Murabaha* structure) with AlBilad Bank on 4 Sha'ban 1443H (corresponding to 7 March 2022G) and shall remain available until 3 Sha'ban 1447H (corresponding to 22 January 2026G), for the purpose of mitigating risk from both fixed and floating profit rates for both parties. The agreed fixed and floating profit rates are 2.65 per cent. of the relevant principal amount and an amount equivalent to three month's SAIBOR rate in connection with the relevant principal amount, respectively.

12.9 Sukuk Programme Agreements

The following table sets out the agreements entered into by the Company in connection with the Sukuk Programme as of the date of this Prospectus:

Table 12.10: Details of Sukuk Programme Agreements as of theDate of this Prospectus

Sukuk Programme Agreements				
Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Periods Indicated
Original Programme Agreement	The Company (as the issuer) and Albilad Investment Company (as the arranger and the initial dealer)	The Company entered into an original programme agreement with Albilad Investment Company as the arranger and the initial dealer, the parties have recorded certain arrangements in relation to each series to be issued under the Sukuk Programme.	The agreement was concluded on 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) in connection with series 1 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.
Original Master *Murabaha* Agreement	The Company (as issuer and purchaser) and Albilad Investment Company (as Sukukholders' agent, seller and on-sale agent)	The Company entered into an original master Murabaha agreement, pursuant to which the seller agrees to sell (for the benefit of the Sukukholders) on a Murabaha basis to the purchaser certain commodities purchased by the seller from nominated supplier(s) at a price negotiated between the purchaser and the seller. Once the seller has acquired the commodities from the supplier(s), the purchaser will offer to purchase the commodities from the seller on deferred payment terms which shall require the purchaser to pay to the seller the deferred price, in connection with the Sukuk Programme.	The agreement was concluded on 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) in connection with series 1 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.

Sukuk Programme Agreements				
Name of Agreement	**Parties**	**Brief Description**	**Term and Renewal Mechanism**	**Value for the Periods Indicated**
Original *Mudaraba* Agreement	The Company (as the issuer and Mudareb) and Albilad Investment Company (as the Sukukholders' agent)	The Company entered into an original Mudaraba agreement where the Sukukholders' agent will pay the Mudareb on the relevant date the applicable Mudaraba capital that will be invested in the Mudaraba and the remainder of the Mudaraba capital will be invested in the business portfolio, in connection with the Sukuk Programme.	The agreement was concluded on 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) in connection with series 1 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.
Original Master Assignment Agreement	The Company (as the assignor) and Albilad Investment Company (as the Sukukholders' agent)	The Company entered into an original master assignment agreement where the Company, by way of security for its payment obligations under the relevant series of the Sukuk Programme, agreed to assign all of its rights, titles and interests in certain assets to the Sukukholders' agent (for and on behalf of the Sukukholders).	The agreement was concluded on 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) in connection with series 1 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.
Original Declaration of Agency Agreement	The Company (as the issuer) and Albilad Investment Company (as the Sukukholders' agent)	The Company entered into an original declaration of agency agreement appointing the Sukukholders' agent to act as agent for and on behalf of the Sukukholders, in connection with the Sukuk Programme.	The agreement was concluded on 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) in connection with series 1 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.
Original Payment Administration Agreement	The Company (as the issuer), Albilad Investment Company (in its capacity as the Sukukholders' agent) and Albilad Investment Company (in its capacity as the payment administrator)	The Company entered into an original payment administration agreement pursuant to which the Company and the Sukukholders' agent appointed the payment administrator as agent in relation to the payments to be made in respect of the Sukuk Programme and the issuance of Sukuk thereunder.	The agreement was concluded on 6 Rabi' al-Thani 1439H (corresponding to 24 December 2017G) in connection with series 1 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.
Amended and Restated Programme Agreement	The Company (as the issuer) and Albilad Investment Company (as the arranger and the initial dealer)	The Company entered into an amended and restated programme agreement with Albilad Investment Company as the arranger and the initial dealer; the parties have recorded certain arrangements in relation to each series to be issued under the Sukuk Programme.	The agreement was concluded on 3 Jumada al-Ula 1441H (corresponding to 29 December 2019G) in connection with series 2 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.
Amended and Restated Master *Murabaha* Agreement	The Company (as issuer and purchaser) and Albilad Investment Company (as Sukukholders' agent, seller and on-sale agent)	The Company entered into an amended and restated master Murabaha agreement, pursuant to which the seller agrees to sell (for the benefit of the Sukukholders) on a Murabaha basis to the purchaser certain commodities purchased by the seller from a nominated supplier(s) at a price negotiated between the purchaser and the seller. Once the seller has acquired the commodities from the supplier(s), the purchaser will offer to purchase the commodities from the seller on deferred payment terms which shall require the purchaser to pay the seller the deferred price, in connection with the Sukuk Programme.	The agreement was concluded on 3 Jumada al-Ula 1441H (corresponding to 29 December 2019G) in connection with series 2 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.

Sukuk Programme Agreements				
Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value for the Periods Indicated
Amended and Restated *Mudaraba* Agreement	The Company (as the issuer and Mudareb) and Albilad Investment Company (as the Sukukholders' agent))	The Company entered into an amended and restated Mudaraba agreement where Sukukholders' agent will pay the Mudareb on the relevant date the applicable Mudaraba capital that will be invested in the Mudaraba and the remainder of the Mudaraba capital will be invested in the business portfolio, in connection with the Sukuk Programme.	The agreement was concluded on 3 Jumada al-Ula 1441H (corresponding to 29 December 2019G) in connection with series 2 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.
Amended and Restated Master Assignment Agreement	The Company (as the assignor) and Albilad Investment Company (as the Sukukholders' agent)	The Company entered into an amended and restated master assignment agreement where the Company, by way of security for its payment obligations under the relevant series of the Sukuk Programme, agreed to assign all of its rights, titles and interests in certain assets to the Sukukholders' agent (for and on behalf of the Sukukholders).	The agreement was concluded on 3 Jumada al-Ula 1441H (corresponding to 29 December 2019G) in connection with series 2 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.
Amended and Restated Declaration of Agency Agreement	The Company (as the issuer) and Albilad Investment Company (as the Sukukholders' agent)	The Company entered into an amended and restated declaration of an agency agreement appointing the Sukukholders' agent to act as agent for and on behalf of the Sukukholders, in connection with the Sukuk Programme.	The agreement was concluded on 3 Jumada al-Ula 1441H (corresponding to 29 December 2019G) in connection with series 2 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.
Amended and Restated Payment Administration Agreement	The Company (as the issuer), Albilad Investment Company (in its capacity as the Sukukholders' agent), Albilad Investment Company (in its capacity as the payment administrator) and Albilad Investment Company (in its capacity as the registrar)	The Company entered into an amended and restated payment administration agreement pursuant to which the Company and the Sukukholders' agent appoint: (i) the payment administrator as agent in relation to the payments to be made in respect of the Sukuk Programme and the issuance of Sukuk thereunder; and (ii) the registrar as agent to deal with certain aspects related to the registration, authentication and transfer of the Sukuk issued under the Sukuk Programme.	The agreement was concluded on 3 Jumada al-Ula 1441H (corresponding to 29 December 2019G) in connection with series 2 of the Sukuk Programme.	Executed in connection with the SAR 400,000,000 Sukuk Programme.

Source: The Company.

12.10 Insurance Policies

The Company and the Subsidiary maintain insurance policies covering different types of risks they may be exposed to. These insurance policies have been concluded with several insurers. The following table sets out the key particulars of the insurance policies held by the Company and the Subsidiary as of the date of this Prospectus:

Table 12.11: Details of Insurance Policies as of the Date of this Prospectus

Policy No.	Types of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
1/EP/30153/0/7	All Risks Insurance	AXA Cooperative Insurance Company (as the insurer) and the Company (as the insured)	18 Sha'ban 1443H (corresponding to 21 March 2022G) to 28 Sha'ban 1444H (corresponding to 20 March 2023G)	SAR 100,000
PAR/38414	Property All Risks Insurance	Allianz Saudi Fransi Cooperative Insurance Company (as the insurer) and the Company (as the insured)	15 Thul-Qi'dah 1443H (corresponding to 14 June 2022G) to 24 Thul-Qi'dah 1444H (corresponding to 13 June 2023G)	SAR 14,992,925
UFTGL12156673	Company's Borrowers' Life Insurance	SABB Takaful (as the insurer) and the Company (as the insured)	28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) to 7 Jumada al-Akhirah 1444H (corresponding to 31 December 2022G)	SAR 500,000
UFTGL12156808	Company's Borrowers' Life Insurance	SABB Takaful (as the insurer) and the Company (as the insured)	23 Jumada al-Akhirah 1443H (corresponding to 26 January 2022G) to 3 Rajab 1444H (corresponding 25 January 2023G)	SAR 250,000
21195110	Group Medical Expenses Insurance	Tawuniya Insurance (as the insurer) and the Company (as the insured)	22 Jumada al-Akhirah 1443H (corresponding to 25 January 2022G) to 2 Rajab 1444H (corresponding to 24 January 2023G)	SAR 500,000
1/VF/39340/0/0	Motor Comprehensive Insurance	AXA Cooperative Insurance Company (as the insurer) and the Company (as the insured)	1 Ramadan 1443H (corresponding to 2 April 2022G) to 10 Ramadan 1444H (corresponding to 1 April 2023G)	SAR 10,000,000
1/VF/39556/0/0	Motor Comprehensive Insurance	AXA Cooperative Insurance Company (as the insurer) and the Company (as the insured)	4 Safar 1444H (corresponding to 31 August 2022G) to 14 Safar 1445H (corresponding to 30 August 2023G)	SAR 10,000,000
24693112	Medical Insurance	Tawuniya Insurance (as the insurer) and Digital Payments Company for FinTech (as the insured)	23 Muharram 1444H (corresponding to 21 August 2022G) to 4 Safar 1445H (corresponding to 20 August 2023G)	SAR 1,000,000 per person

Source: The Company.

12.11 Real Estate

12.11.1 Title Deeds

As of the date of this Prospectus, the Company and the Subsidiary do not own any real estate properties.

12.11.2 Lease Agreements

As of the date of this Prospectus, the Company has entered into a number of lease agreements in connection with its business, and all of the mentioned lease agreements are registered under the "Ejar" platform. The Company and the Subsidiary, being the lessees in these agreements, ensures the payment of the rental amounts as specified in each agreement and generally do not have the right to assign or sublease the agreements in whole or in part to any third party. The leasing terms vary for every lease agreement, generally falling between the ranges of one to five years; some agreements provide for automatic renewal. Most of the agreements allow either party of the relevant agreement to terminate such agreement following prior notice of not less than fifteen days before its expiry. The Board of Directors of the Company declares that there are no material leases on which the Company relies in its operations. The following table shows the details of lease agreements entered into by the Company and the Subsidiary as Lessees as of the date of this Prospectus:

Table 12.12: Details of Lease Agreements Entered into by the Company and the Subsidiary as Lessees as of the date of this Prospectus

No.	The Parties	Property Location	Size of Leased Premises (Sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/ Post Termination Procedures	Purpose	Subleasing/ Assignment
1.	The Company (as the lessee) and Muneef Bin Ghazi Bin Tahi Alotaibi (as the lessor)	King Khalid Road, Al Dawadmi, Kingdom of Saudi Arabia	60 sqm.	SAR 35,000 annually.	One year, commencing on 28 Rajab 1443H (corresponding to 1 March 2022G) to 8 Sha'ban 1444H (corresponding to 28 February 2023G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.
2.	The Company (as the lessee) and Dhaifallah Mesned Khwairan Alsherari (as the lessor)	King Faisal Road, All Qurayyat, Northern Boarders, Kingdom of Saudi Arabia	77 sqm.	SAR 45,000 annually.	One year, commencing on 24 Ramadan 1443H (corresponding to 25 April 2022G) to 4 Shawwal 1444H (corresponding to 24 April 2023G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.
3.	The Company (as the lessee) and Mohammed Sulaiman Ali Alsadlan (as the lessor)	King Khalid Road, Alufuq District, Al Qassim, Kingdom of Saudi Arabia	120 sqm.	SAR 30,000 annually.	One year, commencing on 5 Thul-Qi'dah 1443H (corresponding to 4 June 2022G) to 14 Thul-Qi'dah 1444H (corresponding to 3 June 2023G). The parties may renew the lease by executing a new lease agreement.	The lessor has the right to terminate the lease with immediate effect by 10 days' notice in writing to the lessee if the lessee fails to operate after 10 days of the agreement, or if the lessee is bankrupt or insolvent.	Point of sale	The lessee shall not assign or sublease the leased premise.

No.	The Parties	Property Location	Size of Leased Premises (Sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/ Post Termination Procedures	Purpose	Subleasing/ Assignment
4.	The Company (as the lessee) and Khalid Ibrahim Mohammed Alhabdan (as the lessor)	Southern Ring Road, Alawali District, Riyadh, Kingdom of Saudi Arabia	410 sqm.	SAR 201,000 annually.	One year, commencing on 5 Safar 1444H (corresponding to 1 September 2022G) to 15 Safar 1445H (corresponding to 31 August 2023G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.
5.	The Company (as the lessee) and Hamad Abdulaziz Abdullah Almousa (as the lessor)	King Fahad Road, Alrawdah District, Jazan, Kingdom of Saudi Arabia	780 sqm.	SAR 103,500 annually.	One year, commencing on 30 Ramadan 1443H (corresponding to 1 May 2022G) to 10 Shawwal 1444H (corresponding to 30 April 2023G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.
6.	The Company (as the lessee) and Abdullah Omar Ali Baghlaf (as the lessor)	Abdullah Sulaiman Street, Alfayhaa District, Jeddah, Kingdom of Saudi Arabia	40 sqm.	SAR 25,875 every six months.	One year, commencing on 20 Shawwal 1443H (corresponding to 21 May 2022G) to 30 Shawwal 1444H (corresponding to 20 May 2023G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The lessee shall not assign or sublease the leased premise.
7.	The Company (as the lessee) and Sami Mohammed Abdulrahman Alarifi (as the lessor)	King Abdulaziz Road, Hail, Kingdom of Saudi Arabia	540 sqm.	SAR 92,000 annually	One year commencing on 16 Shawwal 1443H (corresponding to 17 May 2022G) to 26 Shawwal 1444H (corresponding to 16 May 2023G) The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.

No.	The Parties	Property Location	Size of Leased Premises (Sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/ Post Termination Procedures	Purpose	Subleasing/ Assignment
8.	The Company (as the lessee) and Saad Aldeen Mohammed Hashem Alshareef (as the lessor)	Almadina Almunawara Road, Alrawdah District Jeddah, Kingdom of Saudi Arabia	118 sqm.	SAR 138,000 annually.	One year, commencing on 25 Muharram 1444H (corresponding to 23 August 2022G) to 6 Safar 1445H (corresponding to 22 August 2023G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	N/A
9.	The Company (as the lessee) and Zaki Abdulaziz Alshwear (as the lessor)	Althumama Road, Riyadh, Kingdom of Saudi Arabia	984 sqm.	SAR 250,000 every six months.	One year, commencing on 1 Jumada al-Akhirah 1443H (corresponding to 4 January 2022G) to 30 Jumada al-Ula 1444H (corresponding to 24 December 2022G). The agreement is automatically renewable for a similar term, unless either party notifies the other party ten days prior to the end of the term.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Headquarters	The Lessee shall not assign its right under the agreement or sublease the leased premises.
10.	The Company (as the lessee) and Ali Thawab Alotaibi (as the lessor)	Abu Baker Alsiddiq Road, Dammam, Kingdom of Saudi Arabia	58 sqm.	SAR 85,000 annually.	One year, commencing on 25 Sha'ban 1443H (corresponding to 28 March 2022G) to 5 Ramadan 1444H (corresponding to 27 March 2023G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.
11.	The Company (as the lessee) and Abdullah Othman Abdulrahman Alabra (as the lessor)	Eastern Ring Road, Riyadh, Kingdom of Saudi Arabia	570 sqm.	SAR 230,000 annually.	Two years, commencing on 23 Thul-Hijjah 1442H (corresponding to 2 August 2021G) to 14 Muharram 1445H (corresponding to 1 August 2023G) The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.

No.	The Parties	Property Location	Size of Leased Premises (Sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/ Post Termination Procedures	Purpose	Subleasing/ Assignment
12.	The Company (as the lessee) and Abdulaziz Mohammed Alaqeel (as the lessor)	King Abdulaziz Road, Almosaidya District, Arar, Kingdom of Saudi Arabia	100 sqm.	SAR 50,000 annually.	Five years, commencing on 8 Jumada al-Akhirah 1442H (corresponding to 21 January 2021G) to 1 Sha'ban 1447H (corresponding to 21 January 2026G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.
13.	The Company (as the lessee) and Saed Ali Alsuleiman (as the lessor)	King Abdulaziz Road, Najran, Kingdom of Saudi Arabia	1,389 sqm.	SAR 70,000 annually.	Three years, commencing on 28 Jumada al-Ula 1443H (corresponding to 1 January 2022G) to 30 Jumada al-Akhirah 1446H (corresponding to 31 December 2024G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.
14.	The Company (as the lessee) and Hussain Ahmed Almuhsen (as the lessor)	Salman Alfarsi Street, Al Qatif, Kingdom of Saudi Arabia	136 sqm.	SAR 120,000 annually.	One year, commencing on 28 Jumada al-Ula 1444H (corresponding 22 December 2022G) to 8 Jumada al-Akhirah 1444H (corresponding to 21 December 2023G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.
15.	The Company (as the lessee) and Derwaza Real Estate Company (as the lessor)	King Abdulaziz Road, Sakaka, Kingdom of Saudi Arabia	900 sqm.	SAR 63,250 annually.	Three years, commencing on 2 Ramadan 1443H (corresponding to 3 April 2022G) to 4 Shawwal 1446H (corresponding to 2 April 2025G) The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.

No.	The Parties	Property Location	Size of Leased Premises (Sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/ Post Termination Procedures	Purpose	Subleasing/ Assignment
16.	The Company (as the lessee) and Riva Coffee for Beverages (as the lessor)	Khamis mushait, Aseer, Kingdom of Saudi Arabia	80 sqm.	SAR 69,000 annually	Three years, commencing on 29 Sha'ban 1443H (corresponding to 1 April 2022G) to 2 Shawwal 1446H (corresponding to 31 March 2025G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Point of sale	The Lessee shall not assign its right under the agreement or sublease the leased premises.
17.	The Company (as the lessee) and Alanoud Theeb Nashi Alotaibi (as the lessor)	Taif, Kingdom of Saudi Arabia	65 sqm.	SAR 50,000 annually	One year, commencing on 1 Sha'ban 1443H (corresponding to 5 March 2022G) to 12 Sha'ban 1444H (corresponding to 4 March 2023G). The parties may renew the lease by executing a new lease agreement.	The affected party has the right to terminate the lease with immediate effect by notice in writing if the other party has breached one of its obligations under this agreement and fails to remedy it within 15 days of being given written notice from the affected party to do so or if the lessee is bankrupt or insolvent.	Branch	The Lessee shall not assign its right under the agreement or sublease the leased premises.
18.	Digital Payments Company for FinTech (as the lessee) and Amar Company for Real Estate and Development (as the lessor)	An Nakheel District, Riyadh, Saudi Arabia	1408 sqm.	SAR 5,829,120	Four years starting on 10 Thul-Hijjah 1442H (corresponding to 20 July 2021G). The lease agreement may be renewed by executing a new lease agreement upon a written notice.	The lessor has the right to terminate the lease agreement if the lessee violates its obligations stated in the lease agreement and fails to remedy such breach within 15 days of giving notice.	Commercial centre	N/A

Source: The Company.

12.12 Related Party Contracts and Transactions

12.12.1 Tawarruq Financing Agreement between the Company and Mohammed Abdulaziz Al-Hoshan

The Company (as the seller) entered into a Tawarruq financing agreement with Mohammed Abdulaziz Al-Hoshan (as the buyer) for the purpose of purchasing commodities in instalments. This is in consideration of SAR 580,000. The revenues resulting from this agreement amounted to SAR 64,241 and SAR 16,091 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G, respectively. It is valid from 22 Jumada al-Akhirah 1442H (corresponding to 4 February 2021G) to 10 Muharram 1448H (corresponding to 25 June 2026G) and governed by the laws of the Kingdom. Any dispute arising from the agreement shall be referred to the competent authorities.

Mohammed Abdulaziz Al-Hoshan and the Company are related parties due to the Director Saad Abdulaziz Al-Hoshan having an interest in his capacity as Mohammed Abdulaziz Al-Hoshan's brother. This agreement was approved by the Company's General Assembly at the meeting dated 24 Muharram 1444H (corresponding to 22 August 2022G), for the purpose of Article 71 of the Companies Law.

12.12.2 Tawarruq Financing Agreement between the Company and Safwa Perfumes Trading Company

The Company (as the seller) entered into a *Tawarruq* financing agreement with Safwa Perfumes Trading Company (as the buyer) for the purpose of purchasing commodities in instalments. This is in consideration of SAR 4,000,000. The revenues resulting from this agreement amounted to SAR 146,560 and SAR 57,873 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G respectively. It is valid from 28 Rabi' al-Thani 1442H (corresponding to 13 December 2020G) to 17 Jumada al-Ula 1445H (corresponding to 1 December 2023G) and governed by the laws of the Kingdom. Any dispute arising from the agreement shall be referred to the competent authorities.

Safwa Perfumes Trading Company and the Company are related parties due to the Director Saad Abdulaziz Al-Hoshan having an interest in his capacity as a shareholder in Safwa Perfumes Trading Company. This agreement was approved by the Company's General Assembly at the meeting dated 24 Muharram 1444H (corresponding to 22 August 2022G), for the purpose of Article 71 of the Companies Law.

12.12.3 Tawarruq Financing Agreement between the Company and Gulf Horizon Contracting Establishment

The Company (as the seller) entered into a *Tawarruq* financing agreement with Gulf Horizon Contracting Establishment (as the buyer) for the purpose of purchasing commodities in instalments. This is in consideration of SAR 275,000. The revenues resulting from this agreement amounted to SAR nil and SAR 8,771 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G respectively. It is valid from 15 Thul-Qi'dah 1443H (corresponding to 14 June 2022G) to 5 Thul-Hijjah 1446H (corresponding to 1 June 2025G) and governed by the laws of the Kingdom. Any dispute arising from the agreement shall be referred to the competent authorities.

Gulf Horizon Contracting Establishment and the Company are related parties due to the Director Abdulrahman Al-Ghumlas having an interest in his capacity as the brother of the owner of Gulf Horizon Contracting Establishment. This agreement was approved by the Company's General Assembly at the meeting dated 24 Muharram 1444H (corresponding to 22 August 2022G), for the purpose of Article 71 of the Companies Law.

12.12.4 Tawarruq Financing Agreement between the Company and Gulf Horizon Contracting Establishment

The Company (as the seller) entered into a *Tawarruq* financing agreement with Gulf Horizon Contracting Establishment (as the buyer) for the purpose of purchasing commodities in instalments. This is in consideration of SAR 829,000. The revenues resulting from this agreement amounted to SAR nil and SAR 2,586 for the financial year ended 31 December 2021G and the six-month period ended 30 June 2022G respectively. It is valid from 14 Thul-Qi'dah 1443H (corresponding to 13 June 2022G) to 17 Thul-Hijjah 1446H (corresponding to 13 June 2025G) and governed by the laws of the Kingdom. Any dispute arising from the agreement shall be referred to the competent authorities.

Gulf Horizon Contracting Establishment and the Company are related parties due to the Director Abdulrahman Al-Ghumlas having an interest in his capacity as the brother of the owner of Gulf Horizon Contracting Establishment. This agreement was approved by the Company's General Assembly at the meeting dated 24 Muharram 1444H (corresponding to 22 August 2022G), for the purpose of Article 71 of the Companies Law.

12.12.5 Tawarruq Financing Agreement between the Company and Gulf Horizon Contracting Establishment

The Company (as the seller) entered into a Tawarruq financing agreement with Gulf Horizon Contracting Establishment (as the buyer) for the purpose of purchasing commodities in instalments. This is in consideration of SAR 350,000. It is valid from 7 Thul-Hijjah 1443H (corresponding to 6 July 2022G) to 6 Muharram 1447H (corresponding to 1 July 2025G) and governed by the laws of the Kingdom. Any dispute arising from the agreement shall be referred to the competent authorities.

Gulf Horizon Contracting Establishment and the Company are related parties due to the Director Abdulrahman Al-Ghumlas having an interest in his capacity as the brother of the owner of Gulf Horizon Contracting Establishment. This agreement was approved by the Company's General Assembly at the meeting dated 8 Ramadan 1444H (corresponding to 30 March 2023G), for the purpose of Article 71 of the Companies Law.

12.12.6 Tawarruq Financing Agreement between the Company and Gulf Horizon Contracting Establishment

The Company (as the seller) entered into a Tawarruq financing agreement with Gulf Horizon Contracting Establishment (as the buyer) for the purpose of purchasing commodities in instalments. This is in consideration of SAR 186,000. It is valid from 14 Thul-Qi'dah 1443H (corresponding to 29 September 2022G) to 9 Rabi' al-Awwal 1447H (corresponding to 1 September 2025G) and governed by the laws of the Kingdom. Any dispute arising from the agreement shall be referred to the competent authorities.

Gulf Horizon Contracting Establishment and the Company are related parties due to the Director Abdulrahman Al-Ghumlas having an interest in his capacity as the brother of the owner of Gulf Horizon Contracting Establishment. This agreement was approved by the Company's General Assembly at the meeting dated 8 Ramadan 1444H (corresponding to 30 March 2023G), for the purpose of Article 71 of the Companies Law.

12.13 Conflicts of Interest

As of the date of this Prospectus, the Directors confirm that they do not have any conflicts of interest in relation to contracts and/or transactions entered into with the Company except as disclosed in Section 12.12 (*Related Party Contracts and Transactions*), and none of them were engaged in any activities similar to or competing with the Company's activities.

12.14 Intellectual Property

12.14.1 Trademarks

As of the date of this Prospectus, the Company and the Subsidiary submitted an application to register the trademarks they use to carry out their business. Therefore, if the Company or the Subsidiary fail to protect their trademarks or either of them is forced to take legal action necessary to protect the same, this can have an adverse effect on its ability to use such trademarks (for further details on risks related to the trademarks, see Section 2.1.42 (*Risks Related to the Protection of the Company's Intellectual Property Rights*)).

The following table sets out certain key particulars of the trademarks of the Group, all of which are registered as of the Date of this Prospectus with the Saudi Authority for Intellectual Property:

Table 12.13: Details of the Group's Registered Trademarks as of the Date of this Prospectus

Owner	Country of Registration	Description of Trademark	Validity/ Expiration Date	Category	Logo
The Company	The Kingdom	Geometric drawing in Arabic of the word مرنة in blue and pink and the word mrna in Arabic and Latin letters left to the drawing in purple.	Registered on 17 Muharram 1444H (corresponding to 15 August 2022G) valid until 16 Shawwal 1454H (corresponding to 18 January 2032G).	36	
	The Kingdom	Geometric drawing in Arabic of the word مرنة in blue and pink.	Registered on 3 Muharram 1444H (corresponding to 1 August 2022G) valid until 24 Shawwal 1453H (corresponding to 6 February 2032G).	36	
	The Kingdom	Geometric drawing in gradient colours from gold through violet.	Registered on 3 Muharram 1438H (corresponding to 4 October 2016G) valid until 2 Muharram 1448H (corresponding to 17 June 2026G).	36	

Owner	Country of Registration	Description of Trademark	Validity/ Expiration Date	Category	Logo
The Subsidiary	The Kingdom	Geometric drawing in light blue and purple with the word loop in Latin letters to the right of the drawing in light blue.	Registered on 7 Shawwal 1442H (corresponding to 19 May 2021G) with the protection period commencing on 9 Rajab 1442H (corresponding to 21 February 2021G) for a term of ten years.	36	
	The Kingdom	Geometric drawing in light blue and purple with the word لووب in Arabic letters to the right of the drawing in light blue.	Registered on 7 Shawwal 1442H (corresponding to 19 May 2021G) with the protection period commencing on 9 Rajab 1442H (corresponding to 21 February 2021G) for a term of ten years.	36	

Source: The Company.

12.14.2 The Company's Other Intellectual Properties

The Company and the Subsidiary own internet domains registered under their names. The following table sets out the details of the internet domains registered under the names of the Company and the Subsidiary:

Table 12.14: Details of Internet Domain Name

Internet Domain Name	Expiration Date
mmfco.net	29 Thul-Qi'dah 1444H (corresponding to 18 June 2023G)
mrna.sa	25 Rajab 1445H (corresponding to 6 February 2024G)
www.loop.sa	9 Thul-Qi'dah 1447H (corresponding to 26 April 2026G)

Source: The Company.

12.15 Litigation

As of the date of this Prospectus, there are no pending or potential material litigation, lawsuits or claims or existing investigation proceedings, which could, individually or collectively, have a material impact on the Company or the Subsidiary, and they are not aware of any threatened or pending material litigation or any facts which may, individually or collectively, give rise to an imminent risk of material litigation filed against the Company or the Subsidiary, except for the following:

12.15.1 Collection Cases Initiated by the Company

The Company confirmed that it has initiated 1,821 litigation cases against previous and current customers in the ordinary course of business and that are still pending as of the date of this Prospectus and are of collective nature with a total disputed amount of SAR 20,949,849.33.

12.16 Summary of Bylaws

12.16.1 Name of the Company

The name of the Company is "Morabaha Marina Financing Company", a joint stock company.

12.16.2 Objectives of the Company

The Company's objects are:

- financial leasing;
- small and medium enterprises activities financing; and
- consumer financing.

12.16.3 Participation

The Company may establish companies (limited liability or closed joint stock companies). It may own Shares in other existing companies or merge therewith. It also has the right to participate with others in the establishment of joint-stock or limited liability companies after satisfying the requirements of regulations and instructions in this regard. The Company may also dispose of such interest or shares, provided that it does not include any brokerage.

12.16.4 Head Office of the Company

The head office of the Company is in the city of Riyadh, Saudi Arabia. The Company may establish branches, offices or agencies within or outside the Kingdom by a resolution of the Board of Directors after obtaining the Saudi Central Bank's non-objection.

12.16.5 Duration of the Company

The term of the Company shall be nighty nine (99) years commencing on the date recorded in the Company's Commercial Register. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to the expiration of its term.

12.16.6 Share Capital

The Company's Share capital is five hundred million Saudi Riyals (SAR 500,000,000) divided into fifty million (50,000,000) Shares, with an equal nominal value of ten Saudi Riyals (SAR 10) each, all of which are ordinary Shares in-kind and in-cash.

12.16.7 Capital Subscription

The Shareholders have subscribed to all of the Company's Shares, amounting to fifty million (50,000,000) Shares, with a total nominal value of five hundred million Saudi Riyals (SAR 500,000,000).

12.16.8 Preferred Shares

The Extraordinary General Assembly of the Company, in accordance with principles laid down by the competent authority, may issue preferred Shares and purchase the same, or convert ordinary shares into preferred shares, or convert preferred shares into ordinary shares. Such preferred shares do not confer the right to vote in the General Assemblies of the Shareholders; but rather entitle their owners to obtain a higher percentage of the net profits after setting aside the statutory reserve.

12.16.9 Unpaid Value of Shares

Shareholders are obligated to pay the value of the shares on the specified dates. If a Shareholder fails to pay the value of a Share when it falls due, the Board of Directors may, after notifying such Shareholder by registered mail sent to his address specified in the Shareholders' register or accredited newspaper, sell such Shares in a public auction, according to the circumstances and in accordance with the regulations specified by the competent authority. Nevertheless, up to the date of the sale of such Shares, the defaulting Shareholder may pay the outstanding value of such Share plus all expenses incurred by the Company. The Company shall recover from the proceeds of the sale such amounts as are due to it and refund the balance to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on the assets of the Shareholder for the unpaid balance. The Company shall cancel the Shares so sold and issue the purchaser a new Share certificate bearing the serial number of the cancelled Share and make a notation to that effect in the Shareholders' register.

12.16.10 Share Issuance

The Shares shall be classified as nominal Shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added as a separate item in the Shareholders' equity. A Share shall be indivisible vis à vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.16.11 Share Certificates

The Company shall issue Share certificates that includes serial numbers, signed and stamped with the Company's seal by the Chairman of the Board or any Director who has been delegated with such authority by the Board. The Share certificate includes, in particular, the number and date of the ministerial resolution issued authorising the incorporation of the Company and the number and date of the ministerial resolution announcing the conversion of the Company. In addition, the Share certificate shall also reflect the value of the capital, the number of Shares distributed, the nominal value of the Share, the paid amount, a brief description of the Company's objective, details of the Company's head office, and its term. Shares may have coupons with serial numbers and including the share number attached thereto.

12.16.12 Trading of Shares

Shares subscribed to by the founders may not be tradable except upon publication of the financial statements for two consecutive financial years from the date of the Company's incorporation, provided each year is not less than twelve (12) months. The certificates for such Shares shall be marked with an indication of their class, the date of the Company's incorporation and restriction period for trading.

During the lock-up period, Shares owned by a founder may be transferred to another founder in accordance with the provisions governing the sale of rights, or from the heirs of a deceased founder to a third party, or to a third party in case of enforcement against the property of an insolvent or bankrupt founder, without prejudice to other founders' right of first refusal.

The provisions of this Article shall apply to such Shares that are subscribed to by the founders in the event of a capital increase prior to the expiration of the lock-up period.

12.16.13 Shareholders' Register

Without prejudice to Article 8 of Finance Companies Control Law and paragraph 3 of Article (10) of its implementing regulations, the nominal Shares shall be transferred by registration in the Shareholders' register, which shall contain the names of the Shareholders, their nationalities, occupations, domiciles and addresses, the serial numbers of the Shares and their paid-up value. The transfer of title to a Share shall not be effective vis à vis the Company or any third party except from the date of such recording in the said register.

12.16.14 Increase of Share Capital

Subject to a prior written no-objection letter from the Saudi Central Bank and the approval of the competent authorities, the Extraordinary General Assembly may resolve to increase the Company's capital, provided that the authorized capital has been paid up in full, unless the unpaid amount of the authorized capital is allocated for Shares issued in exchange for converting debt instruments or financing instruments into Shares and the period specified for conversion has not yet expired.

The Extraordinary General Assembly shall allocate in all cases the issued Shares when increasing the Company's capital or any part thereof for the employees of the Company or for any other subsidiary thereof. It is not permissible for the Shareholders to exercise their pre-emptive rights when the Company issues Shares to its employees.

At the time of the issuance of the Extraordinary General Assembly's resolution on the approval of the capital increase, a Shareholder has the priority to subscribe the new Shares issued in exchange for cash stakes.

The Extraordinary General Assembly may suspend working with the priority of the Shareholders in underwriting for increasing the capital in exchange for cash shares or giving priority to non shareholders in cases that may be seen as appropriate for the interests of the Company.

The Shareholders may sell or assign their pre-emptive rights during the period from the date of the General Assembly resolution approving the capital increase until the last day open for subscription for the new shares associated with those rights, in accordance with the guidelines established by the competent authority. The new shares shall be distributed to the holders of priority rights who requested subscription, in proportion of the priority rights they hold from the total priority rights resulting from the increase in the capital, provided that they do not receive more new Shares than they requested. The remaining new Shares shall be distributed to the original holders of priority rights who have requested more than their portion of original Shares, provided that they do not receive more new Shares than they requested, while the remaining Shares shall be offered to third parties, unless otherwise provided by the Extraordinary General Assembly or the Capital Market Authority.

12.16.15 Decrease of Share Capital

Subject to a prior written non-objection letter from the Saudi Central Bank and the approval of the competent authorities, the Extraordinary General Assembly may decide to decrease the capital if it exceeds the needs of the Company or if the Company has suffered losses. That decision shall not be issued until after reading the auditors' report about the reasons causing the decrease and the commitments on the Company and the effect of the reduction on these commitments.

If the capital decrease is due to it being in excess of the Company's needs, the Company's creditors must be invited to express their objection thereto within 60 days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

The capital may be decreased in one of the following ways: (a) cancelling a number of Shares equivalent to the amount of the proposed reduction, and (b) purchasing a number of Shares equivalent to the amount of the proposed reduction and then cancelling the same.

12.16.16 Board of Directors

The Company shall be managed by a Board of Directors consisting of eight (8) members to be elected by the Ordinary General Assembly for a term not exceeding three years.

12.16.17 Membership Termination

A Director's membership on the Board shall terminate at the expiry of the term or if the membership is terminated pursuant to any applicable laws or regulations in the Kingdom. Moreover, the membership shall end upon a Director's resignation or death, or if it is proved to the Board that a Director has breached their duties in a manner detrimental to the Company's interest, provided that it is approved by the Ordinary General Assembly. In addition, a Director's membership shall end if the Director does not attend three consecutive meetings without acceptable justification to the Board, or is declared bankrupt or insolvent pursuant to the court judgment, submits a petition for settlement with their creditors, ceases to repay their debts, develops a mental illness, commits an act of dishonesty and immorality, or is convicted of forgery. However, the Ordinary General Assembly may at any time dismiss all or some of the Board of Directors without prejudice to the right of the dismissed Director towards the Company to claim compensation if dismissed unreasonably or at an inappropriate time. A Director has the right to tender his/her resignation, provided that such resignation occurs at an appropriate time; otherwise, said Director shall be liable towards the Company for damages resulting from his/her resignation.

12.16.18 Board Vacancy

If a position on the Board of Director becomes vacant, the Board of Directors may appoint a temporary Director to fill the vacancy, in line with the number of votes obtained at the General Assembly that elected the Board of Directors, provided that such Director is experienced and eligible. The Ministry of Commerce shall be notified within five business days from the date of the appointment, and such appointment shall be submitted at the first meeting of the Ordinary General Assembly. The new Director shall then complete the term of his/her predecessor. If the number of the Board of Directors falls below the minimum number prescribed in the Bylaws or the Articles of Association, the Ordinary General Assembly must be convened within 60 days to elect the required number of Board of Directors.

12.16.19 Powers and Duties of the Board

Without prejudice to the Financing Laws, the implementing regulations thereof or the powers conferred on the Ordinary General Assembly, the Board shall be vested with the widest powers to manage the Company and supervise its affairs within and outside the Kingdom. It may, for example, conclude loans from Government funds and financial institutions, regardless of the term thereof, conclude commercial loans and issue instruments for a tenor not exceeding the term of the Company. The Board may also discharge the Company' debtors from their obligations in a manner that serves the Company's interests, provided that the reasons of such decision are recorded in the minutes of meeting of the Board of Directors and the Board's decision observes the following:

- the discharge shall be after the lapse of at least one year from the establishment of the debt;
- the discharge shall be for a specified maximum amount for each year for each debtor;
- the discharge is a right of the Board which may not be delegated and the Board may also within the limits of its competence, to delegate to one or more of its members or to third parties, any specific work; and
- the discharge shall not be related directly or indirectly to the discharge of any of the Board Members, shareholders or any related party.

12.16.20 Remuneration of the Directors

Remuneration of the members of the Board of Directors shall be as follows: The Chairman of the Board shall annually be remunerated an amount equal to one hundred and fifty thousand Saudi Riyals (SAR 150,000), the Deputy Chairman of the Board shall annually be remunerated an amount equal to one hundred and forty thousand Saudi Riyals (SAR 140,000), each member of the Board shall annually be remunerated an amount equal to one hundred and twenty thousand Saudi Riyals (SAR 120,000), the Chairman, Deputy Chairman and the members of the Board shall each be remunerated an amount equal to three thousand Saudi Riyals (SAR 3,000) for each Board meeting attended by them, and the Chairman, Deputy Chairman and the members of the Board shall each be remunerated an amount equal to two thousand Saudi Riyals (SAR 2,000) for each Board committee meeting attended by them.

Remuneration of the members of the Board of Directors shall be determined by the Ordinary General Assembly in compliance with the official instructions and resolutions issued in this regard and within the limits of the Companies Law and the complementary laws and regulations.

The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all of the amounts received by Directors during the financial year in the way of remuneration, expenses, and other benefits, as well as all of the amounts received by the Directors in their capacity as officers or executives of the Company, or in consideration of technical, administrative or advisory services. It must also include the number of sessions of the Board and the number of sessions that each Director attended as of the date of the last General Assembly.

12.16.21 The Authorities of the Chairman, Deputy, Managing Director, and Secretary

The Board shall appoint one of its members as Chairman and another member to be a Deputy and the Board may appoint a Managing Director. No member can be a chairman and appointed to any other executive position in the Company.

Without prejudice to the financing laws and regulations, the Chairman shall be responsible for representing the Company in its relations with others and with Government authorities, private entities, Shari'a Courts, judicial authorities, the Board of Grievances, notaries public, labour offices, high and primary committees, negotiable instruments committees and all other judicial committees, arbitration panels, police departments, Chambers of Commerce and Industry, private companies and establishments of all types; entering into tenders and auctions; award contracts; receiving and paying; receiving rights from others; acknowledging, claiming, defending, pleading, litigating, discharging, reconciling, assigning, rejecting and accepting judgments or objecting thereto; requesting arbitration; requesting the execution of judgments and appealing thereto; and collecting execution proceeds. Moreover, the Chairman shall have the right to participate in the incorporation of companies in which the Company holds shares; sign all types of contracts, deeds and documents before the notary public, including, for example, the articles of association of the companies in which the Company holds shares and any amendments and appendices thereto), as well as signing loan agreements and guarantees after obtaining the approval of the Board; issuing official powers of attorney in the name of the Company; monitoring transactions; collecting the Company's rights; receiving payment in any manner it deems appropriate; selling, purchasing, evacuating and accepting evacuations; pledging, accepting and releasing pledges; receiving and handing over; leasing; receiving and paying; opening accounts and credits and extending the same; withdrawing from and depositing with banks; obtaining loans from banks; issuing banking guarantees; signing documents, checks and all banking transaction-related documents; appointing and dismissing attorneys, employees and workers; requesting visas; recruiting employees from abroad, signing their employment contracts and determining their salaries; requesting the issuance of residence permits (Iqama); and transferring and releasing employee sponsorships. The chairman may delegate his authority to any of the Board members or any third party in relation to the sale of the Company's real estate assets provided that the Board of Directors' minutes set out the reasons for the sale, the sale value is similar to the value of the asset, and the sale is immediate, except in cases determined by the Board and after obtaining sufficient guarantees, and the sale shall have no negative effect on the Company's activities in accordance with Article 54 of the implementing regulations of the Finance Companies Control Law.

The Board shall appoint a Secretary from amongst its members or others and shall determine his responsibilities and remuneration. The Secretary shall be responsible for documenting the Board meetings and preparing all of the minutes of the Board meetings.

The term of the Chairman, the deputy Chairman, and the Secretary, if a member of the Board, shall not exceed their respective terms of service as members of the Board; they may be reappointed but the Board may also dismiss any of them at any time without prejudice to the right of the dismissed, if the dismissal was due to illegitimate reasons or at an inappropriate time.

The Board may also appoint one or more advisors for the various affairs of the Company, and shall determine their remuneration. The Board may also abolish the position of the Chief Executive Officer and combine his powers and benefits with the powers and privileges of the Managing Director.

12.16.22 Board Meetings

The Board of Directors shall be convened no less than four times per year upon a written invitation given by the Chairman. The Chairman shall call a meeting of the Board if requested by any two Directors.

12.16.23 Deliberations of the Board

The deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the attending Directors and the Secretary. Such minutes shall be entered in a special register signed by the Chairman and the Secretary.

12.16.24 Quorum and Representation

A meeting of the Board shall be duly convened only if attended by at least four (4) of the Directors, including the Chairman or his delegate. In the event that a Director appoints another Director to attend a Board meeting as his proxy, such proxy shall be appointed in accordance with the following guidelines:

- a Director may not act as proxy for more than one other Director in attending the same meeting;
- a proxy shall be appointed in writing; and
- a Director acting by proxy may not vote on resolutions on which his principal is prohibited from voting.

Board resolutions shall be adopted with the approval of the majority of the members represented or in attendance. In the event of a tie, the Chairman of the Board shall have the casting vote.

The Board of Directors has the right to issue its decisions by presenting them to all members, either separately or remotely, unless one of the members requests in writing to hold an attendance meeting of the Board to deliberate on the relevant decisions. These decisions are presented to the Board of Directors at its next meeting for approval.

12.16.25 Shareholders Assemblies

Any Shareholder, regardless of the number of his/her Shares, shall have the right to attend the Constituent General Assembly personally or by proxy, provided that other Directors or Company employees may not attend by proxy.

12.16.26 Constituent General Assembly

The founders shall invite all Shareholders to a Constituent General Assembly, within 45 days from the date of the decision of the Ministry of Commerce to authorize the incorporation of the Company. To be validly constituted, the constituent General Assembly must be attended by Shareholders representing at least half (1/2) of the Company's capital. If such majority is not achieved, an invitation shall be sent for a second meeting after fifteen (15) days from the end of the first meeting. In any event, this second meeting shall be valid regardless of the number of Shareholders represented therein.

12.16.27 Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly in accordance with Article 29 of the Company's Bylaws, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year within the first six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called upon when necessary.

12.16.28 Extraordinary General Assembly

The Extraordinary General Assembly is competent to:

- Amend the Company's Bylaws with the exception of amendments deemed invalid under the Companies Law, after obtaining a written approval of the Saudi Central Bank.

The Extraordinary General Assembly has the right to take decisions in matters within the competence of the Ordinary General Assembly under the same conditions for the Ordinary General Assembly.

12.16.29 Manner of Convening Assemblies

Public and private assemblies shall convene at the invitation of the Board in accordance to the Companies Laws and regulations. If requested to do so by the Company's external auditors, the Audit Committee or by a number of Shareholders representing at least 5 per cent. of the Company's capital. The external auditors may convene the General Assembly if the Board does not invite the General Assembly within 30 days from the date of the external auditors' request.

The call for General Assembly meeting shall be published in a daily newspaper distributed in the locality of the head office of the Company, at least 21 days prior to the date set for the meeting. Nevertheless, a notice sent by registered mail to all Shareholders on the mentioned date shall suffice. A copy of both the invitation and the agenda shall be sent to the Ministry of Commerce as well as to the CMA, within the period specified for publication.

12.16.30 Record of Attendance

Shareholders who wish to attend the General Assembly must register their names in the Company's head office before the time specified for the General Assembly.

12.16.31 Quorum of the Ordinary General Assembly

A meeting of the Ordinary General Assembly will not be valid unless attended by Shareholders representing at least 25 per cent. of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. The second meeting shall be deemed valid irrespective of the number of Shares represented therein.

12.16.32 Quorum of the Extraordinary General Assembly

A meeting of the Extraordinary General Assembly will not be valid unless attended by Shareholders representing at least 50 per cent. of the Company's share capital. If such quorum cannot be achieved at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. The second meeting shall be deemed valid if attended by Shareholders representing at least 25 per cent. of the Company's share capital. If the required quorum is not achieved in the second meeting, there shall be an invitation for a third meeting, which shall be deemed valid irrespective of the number of Shares represented therein.

12.16.33 Voting Rights

Each Shareholder shall have a vote for every Share represented by him/her in the constituent General Assembly meeting and cumulative voting shall be used in electing the Board of Directors.

12.16.34 Resolutions

Resolutions of the Constituent General Assembly and the Ordinary General Assembly shall be adopted by an absolute majority (75 per cent.) of the Shares represented at the meeting.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two thirds (2/3) of the Shares represented at the meeting. However, if the resolution to be adopted is related to increasing or reducing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified under the Bylaws or merging the Company with another company or establishment, such resolution shall be valid only if adopted by a majority vote of three quarters (3/4) of the Shares represented at the meeting.

12.16.35 Discussion of Agenda

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Directors and the external auditors. The Directors or the external auditors shall answer the Shareholders' questions in a manner that does not prejudice the Company's interests. If a Shareholder deems the answer to the question unsatisfactory, such Shareholder may refer the issue to the General Assembly and its decision in this regard shall be conclusive.

12.16.36 Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman, or in his absence, his delegate. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes shall be written for the meeting which shall include the names of the Shareholders present, in person or represented by proxy, the number of Shares held by each Shareholder, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register that shall be signed by the Chairman, the Secretary and the votes collector.

12.16.37 Audit Committee

The Audit Committee shall be formed by a resolution of the Company's Ordinary General Assembly of three (3) members provided that they are not executive Board members and the majority of the Audit Committee members are independent members.

The resolution shall also determine the Audit Committee's composition rules, mandate and procedures as well as the remuneration of its members. The meeting of the Audit Committee shall be valid by the presence of the majority of its members. All of its decisions shall be made by the majority of votes of the present members. In the case of a tie, the Committee Chairman shall cast the deciding vote.

The Audit Committee shall oversee the affairs of the Company. Thus, it has the right to review all of the Company's records and documents, and require explanations or statements from the members of the Board of Directors or the executive management. The Committee may request that the Board of Directors call upon the convening of the regular general meeting if the Board of Directors obstructs its course of work or the Company suffers serious damage or losses.

The Audit Committee shall check the Company's financial statements, and the reports and notes to be provided by the external auditors, and express its opinion on the same, if any. It shall also prepare a report on its opinion with respect to the sufficiency of the internal control in the Company, along with other activities within its competence. The Board of Directors shall deposit enough copies of such report in the Company's head office at least ten days prior to the date of the regular general meeting, in order to provide it to any Shareholder wishing to have the same. The report shall be read out at the meeting.

12.16.38 The External Auditors

The Company shall have one or more external auditors licenced to practice in the Kingdom. The Ordinary General Assembly may appoint the external auditors annually and determine their remuneration and duration of work. The Ordinary General Assembly may change the external auditors at any time without prejudice to their rights to compensation if such change was due to an illegitimate reason or at an inappropriate time.

The external auditors shall have access at all times to the Company's books, records and any other documents, and may request information and clarifications as they deem necessary. They may further verify the Company's assets and liabilities. The Chairman shall enable the external auditors to perform their duty specified in the preceding paragraph. If the external auditors encounter difficulties in this regard, they shall record it in a report submitted to the Board of Directors. If the Board does not facilitate the work of the external auditors, the latter shall call the Ordinary General Assembly to consider the matter.

12.16.39 Financial Year

The Company's financial year shall commence on 1 January and expire on 31 December each year, provided that the first financial year shall commence on the date of the ministerial resolution announcing the incorporation of the Company and expire on 31 December of the following year.

12.16.40 Financial Documents

Without prejudice to the provisions of the Companies Law, the Finance Companies Control Law and its implementing regulations, especially Article 26 of the implementing regulations of the Finance Companies Control Law, at the end of each fiscal year, the Board of Directors shall prepare the financial statements of the Company and a report of its activities and financial position for such financial year, including the proposed method to distribute the net profits. The Board of Directors shall put these documents at the disposal of the external auditors at least 45 days prior to the date specified for the General Assembly.

The Chairman of the Board of Directors, the Managing Director and the Chief Financial Officer shall sign the documents set forth in the above paragraph, and copies thereof shall be deposited at the Company's headquarters at the disposal of the Shareholders at least twenty-one days (21) before the date specified for the General Assembly.

The Chairman of the Board of Directors shall provide the Shareholders with the financial statements of the Company, the Board of Directors' report and the external auditors' report, unless they are published in a daily newspaper distributed in or near the city where the headquarters of the Company are situated. The Chairman shall also send a copy of these documents to the Ministry of Commerce and the Capital Market Authority at least 15 days before the date specified for the General Assembly.

12.16.41 Distribution of Dividends

The Company's annual net profits shall be allocated as follows:

- 10 per cent. of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when the statutory reserve totals 30 per cent. of the Company's paid-up capital;
- upon request of the Board of Directors, the Ordinary General Assembly may set aside 5 per cent. of the net profits to form an additional reserve to be allocated towards supporting the Company's financial position;
- the Ordinary General Assembly may form other reserves to the extent that it serves the Company's interests, or to ensure the distribution of fixed dividends; and;
- Shareholders shall receive a payment of no less than 5 per cent. of the Company's paid-up capital;

Subject to the provisions stipulated in the Company's Bylaws, and Article 76 of the Companies Law, in the event that the remuneration of the members of the Board of Directors is a certain percentage of the net profits, no more than 10 per cent. of the balance will then be allocated as the Directors remuneration, and entitlement to such remuneration shall be prorated to the number of meetings attended by each Director.

the balance shall then be distributed to the Shareholders as a share in the profits or transferred to the retained earnings account.

12.16.42 Entitlement to Dividends

Shareholders shall be eligible to receive dividends pursuant to a General Assembly resolution adopted in that regard and indicating the entitlement and distribution dates. Shareholders whose names appear on Shareholder Registers at the end of the entitlement date shall be eligible to receive dividends.

12.16.43 Distribution of Dividends for Preferred Shares

If no profits were distributed for any financial year, dividends may not be distributed for the following years, unless the percentage established in accordance with the provisions of Article 114 of the Companies Law has been paid to the owners of the preferred shares for such year.

If the Company fails to pay the determined percentage of dividends in accordance with the provisions of Article 114 of the Companies Law for three (3) consecutive years, a Special Assembly of preferred Shareholders shall be held in accordance with the provisions of Article 89 of the Companies Law to decide either to have the owners of the preferred shares attend meetings of the General Assembly and participate in the vote, or to appoint their representatives to the Board of Directors, in proportion to the value of their shares in the Company's capital, until the Company is able to pay all of the dividends to the owners of the preferred shares for the previous years.

12.16.44 Company Losses

Without prejudice to Article 70 of the Implementing Regulations of the Finance Companies Control Law, If the Company's losses amount to half (1/2) of the paid-up capital at any time during the financial year, any officer of the Company or the external auditors, upon becoming aware of such losses, shall notify the Chairman of the Board of Directors, and the Chairman shall immediately inform the Directors. Within 15 days of such notification, the Board of Directors shall convene an Extraordinary General Assembly to meet within 45 days from the date on which the Board of Directors was notified of the losses, to resolve whether to increase or reduce the capital of the Company pursuant to the provisions of the Companies Law so that the losses become less than half (1/2) of the Company's paid up capital, or dissolve the Company before the end of its term as stated in the Bylaws.

The Company shall be deemed terminated by operation of law if the General Assembly is not convened during the term specified in the above paragraph, or if the General Assembly is convened but is unable to adopt a resolution on the matter, or if the Assembly resolves to increase the capital in accordance with the conditions specified in the above paragraph but the capital increase is not fully subscribed for within ninety (90) days from the date on which the General Assembly adopted the resolution to increase the capital.

12.16.45 Disputes

Where the Directors have committed an act that has caused a particular damage to a Shareholder, such Shareholder shall have the right to sue the Directors for liability, provided that the Company still has the right to bring such action. The Shareholder shall notify the Company of his intention to file such action.

12.16.46 Dissolution and Winding up of the Company

Without prejudice to Article 20 of the Implementing Regulations of the Finance Companies Control Law, the Company, upon its dissolution, shall enter a liquidation phase during which it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify his powers, fees, restrictions on his powers and the period required for the liquidation process. The period of a voluntary liquidation process shall not exceed five years and may not be extended without a judicial order. The authority of the Board of Directors shall cease upon the dissolution of the Company. However, the Board of Directors shall remain responsible for the management of the Company and shall be deemed as liquidators towards third parties, until a liquidator is appointed. The General Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising their competencies to the extent that they do not conflict with those of the liquidator.

12.17 Share Description

12.17.1 Ordinary Shares

The Shares shall be nominal Shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if such reserve has reached its maximum limit. Each share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.17.2 Repurchase of Shares

According to Article 112 of the Companies Law, a company may buy its shares in accordance with the rules set by the competent authority, provided that the Shares purchased by the Company do not entitle it to votes in the Shareholders' assemblies.

12.17.3 Rights of Ordinary Shareholders

Pursuant to Article 110 of the Companies Law, Shares confer on the Shareholder all rights attached to the Shares, in particular the right to receive a share of the profits to be distributed, to receive a share of the Company's surplus assets upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly in accordance with the conditions and restrictions contained in the Companies Law and the Bylaws.

Each Shareholder shall have the right to discuss the matters stated in the agenda of the General Assembly and direct questions thereon to the Directors and the external auditors. The Board of Directors or the external auditors shall answer the questions of the Shareholders to the extent that it does not put the interests of the Company at risk. If a Shareholder is not satisfied with the answer, such Shareholder may refer the issue to the General Assembly whose resolution shall be binding in this regard.

12.17.4 Voting Rights

A General Assembly duly convened shall be deemed to represent all of the Shareholders and shall be held in the city where the Company's Head Office is located. Each Subscriber, regardless of the number of his/her shares, shall have the right to attend the Constituent Assembly, whether in person or by proxy.

Each Shareholder shall have a vote for every Share represented by him/her in the constituent General Assembly, and each Shareholder shall have a vote for every share represented by him/her in the General Assemblies. The cumulative voting method shall be used in electing the Directors in accordance with the Corporate Governance Regulations issued by the CMA and any amendments thereto made from time to time.

12.17.5 Amendment to the Rights of Shareholders

Shareholders' rights related to receiving a share of the dividends to be distributed, receiving a share of the Company's surplus assets upon liquidation, attending the General Assemblies, participating in its deliberations, voting on its resolutions, disposing of Shares, requesting access to the Company's books and documents, monitoring the work of the Board of Directors, filing a claim of responsibility against the Directors and challenging the validity of the resolutions of the General Assembly (under the conditions and restrictions set out in the Companies Law and the Bylaws) are granted under the Companies Law and therefore may not be amended.

12.18 Representations Related to Legal Information

The Directors declare the following:

- the issue does not violate the relevant laws and regulations of the Kingdom;
- the issue does not violate any of the contracts or agreements to which the Company is a party;
- all material legal information related to the Company has been disclosed in this Prospectus;
- except as disclosed in Section 12.15 (*Litigation*), the Company and the Subsidiary are not parties to any existing disputes, or legal procedures that may jointly and severally have a material impact on the operations or financial position of the Company or the Subsidiary; and
- the Company's Directors are not subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the business or financial position of the Company or the Subsidiary.

13 UNDERWRITING

The Underwriter, Albilad Investment Company has undertaken to fully underwrite the Offering of twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Offer Shares pursuant to an underwriting agreement (the "Underwriting Agreement") entered into with the Company dated 1/11/1444H (corresponding to 21/5/2023G), subject to certain conditions stipulated in the Underwriting Agreement. The name and address of the Underwriter are set out below:

13.1 Underwriter

Albilad Investment Company
King Fahad Road
P.O. Box 140
Riyadh 11411
Kingdom of Saudi Arabia
Tel: + 966 (11) 920 003 636
Fax: +966 (11) 290 6299
Website: www.albilad-capital.com
E-mail: investmentbanking@albilad-capital.com

The principal terms of the Underwriting Agreement are set out below:

13.2 Summary of Underwriting Arrangements

Under the terms and subject to the conditions contained in the Underwriting Agreement:

(a) The Company undertakes to the Underwriter that, on the first Business Day after allocation of the Offer Shares following the end of the Offering Period, it shall:

(i) issue, sell, as applicable, and allocate the Offer Shares to any Individual Investor or Participating Party whose application for Offer Shares has been accepted by the Receiving Agents; and

(ii) issue, sell, as applicable and allocate to the Underwriter the Offer Shares that have not been subscribed by the Individual Investors or Participating Parties pursuant to the Offering.

(b) The Underwriter undertakes to the Company that at the date of allocation, it will purchase any Offer Shares that have not been subscribed by the Individual Investors or Participating Parties, as stated below:

Table 13.1: Underwritten Shares

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares Underwritten
Albilad Investment Company	21,428,572	100%

Source: The Company.

The Company has committed to satisfy all of the provisions of the Underwriting Agreement.

13.3 Underwriting Costs

The Company will pay the Underwriter an underwriting fee based on the total value of the Offering, as well as the Underwriter's costs and expenses in connection with the Offering.

14 EXPENSES

The Company will be responsible for all costs and expenses associated with the Offering, which are estimated at approximately twenty-seven million six hundred one thousand two hundred thirty Saudi Arabian Riyals (SAR 27,601,230). This figure includes the fees of the Lead Manager, the Financial Advisor, the Bookrunner, the Underwriter, the Legal Advisor, the Financial Due Diligence Advisor, the Receiving Agents and the Market Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering. The Offering expenses will be deducted from the Offering Proceeds. The Shareholders will not be responsible for the payment of the Offering expenses.

15 UNDERTAKINGS FOLLOWING ADMISSION

Following the Admission, the Company undertakes to:

- complete Form 8 (related to compliance with the Corporate Governance Regulations) and, in the event the Company does not comply with any of the requirements of the Corporate Governance Regulations, explain the reasons for such non-compliance;
- provide the CMA with the date on which the first General Assembly will be held following Admission so that a representative thereof may attend;
- submit transactions and contracts in which a Director has a direct or indirect interest for authorisation by the General Assembly (in accordance with the Companies Law and Corporate Governance Regulations), provided that the interested Director is prohibited from voting on the relevant resolution (whether at meetings of the Board or the General Assembly) (for further details regarding Related Party contracts and transactions, see Section 12.12 (*Related Party Contracts and Transactions*);
- disclose material developments related to the Company and projects set out in Section 4.7 (*Future Plans and Initiatives*); and
- comply with all the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules and the Corporate Governance Regulations immediately upon Admission.

Similarly, following the Admission, the Directors undertake to:

- record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Chairman and the Secretary; and
- disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

16 WAIVERS

The Company has not applied to the CMA for any waivers from any of its regulatory requirements.

17 SUBSCRIPTION TERMS AND CONDITIONS

The Company has made an application to the CMA for the registration and offer of the Shares under the Rules on the Offer of Securities and Continuing Obligations, and an application for the listing of the Shares on the Exchange in accordance with the Listing Rules.

All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Bookrunner or Receiving Agent, as applicable, is deemed as acceptance and approval of the subscription terms and conditions.

17.1 Subscription to Offer Shares

The Offering will consist of twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Offer Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share at an Offer Price of Fourteen and Sixty Halalas Saudi Arabian Riyals (SAR 14.60) per Offer Share. The Offer Shares represent thirty per cent. (30%) of the Company's share capital after the capital increase with a total value of two hundred fourteen million two hundred eighty-five thousand seven hundred twenty Saudi Arabian Riyals (SAR 214,285,720). The CMA has also the right to suspend the Offering if, at any time after its approval of this Prospectus and before the registration and admission to the listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following groups of investors:

Tranche (A): Participating Parties

Comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions. Participating Entities will provisionally be allocated twenty-one million four hundred twenty-eight thousand five hundred and seventy-two (21,428,572) Offer Shares, representing one hundred per cent. (100%) of the Offer Shares. The final allocation for the Participating Entities will be made upon the expiry of Individual Investors' subscription period, using the discretionary allocation mechanism. Therefore, no Offer Shares may be allocated for some of the Participating Entities. If there is sufficient demand by Individual Investors, the Bookrunner in coordination with the Company shall have the right to reduce the previously allocated Offer Shares to Participating Entities to nineteen million two hundred eighty-five thousand seven hundred and fifteen (19,285,715) Offer Shares, representing ninety per cent. (90%) of the total Offer Shares.

Tranche (B): Individual Investors

Comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have a bank account with a Receiving Agent and the right to open an investment account with a Capital Market Institution. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million one hundred forty-two thousand eight hundred fifty-seven (2,142,857) Offer Shares, representing ten per cent. (10%) of the total Offer Shares shall be allocated to Individual Investors. If the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookrunner in coordination with the Company may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

17.2 Book-Building and Subscription by Participating Parties

(a) The Company and the Financial Advisor determine the price range for the purposes of book-building, which will be made available to all Participating Parties, without any restriction.

(b) Each of the Participating Parties shall submit a Bidding Participation Application during the book-building period. The Participating Entities may change or cancel their Bidding Participation Application at any time during the book-building period, provided that such change is made by submitting an amended or additional Bidding Participation Application, where applicable, prior to the conclusion of fixing the Offer Price, which precedes the commencement of the Offering Period. The number of Offer Shares to be subscribed by each Participating Entity shall neither be less than One Hundred Thousand (100,000) Shares. nor more than Three million five hundred seventy-one thousand four hundred twenty-seven (3,571,427) Shares, and in relation only to public investment funds, without exceeding the maximum amount specified for each participating fund that is determined in accordance with Book-Building Instructions. The number of requested shares shall be subject to allocation. The Bookrunner will inform the Participating Entities of the Offer Price and the number of Offer Shares provisionally allocated to them, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the subscription terms and conditions detailed in the Subscription Application Forms.

(c) After book-building for the Participating Entities is completed, the Bookrunner will announce the coverage percentage for the Participating Entities.

(d) The Bookrunner and the Company will have the power to determine the Offer Price based on the supply and demand for the Offer Shares, provided that it does not exceed the price set out in the Underwriting Agreement and provided that the Offer Price is in accordance with the tick size applied by Tadawul.

17.3 Subscription by Individual Investors

Each Individual Investor may subscribe for a minimum of ten (10) Offer Shares and a maximum of Two hundred and fifty thousand (250,000) Ordinary Shares. Changes to or withdrawal of the subscription application shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be provided during the Offering Period by the Receiving Agents. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Individual Investors can also subscribe through the Internet, banking telephone or ATMs of any of the Receiving Agents that offer any or all such services to its customers, provided that, the following requirements are satisfied:

- the Individual Investor has a bank account at a Receiving Agent, which offers such services;
- no changes in the personal information or data of the Individual Investor have occurred since his/her subscription in a recent initial public offering; and
- the Individual Investors who are not Saudi or GCC natural persons have an account at one of the Capital Market Institutions which offer such services.

A signed Subscription Application Form represents a legally binding agreement between the Company and the relevant Individual Investor submitting the application to the Receiving Agents.

Individual Investors may obtain a copy of this Prospectus from the websites of the Company (www.mrna.sa), the CMA (www.cma.org.sa) or the Financial Advisor (www.albilad-capital.com), and the Subscription Application Forms from the websites of the Receiving Agents providing such service:

Bank Albilad King Abdullah Road P.O. Box 140, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 479 8888 Fax: +966 (11) 479 8505 Website: www.bankalbilad.com Email: customercare@bankalbilad.com	
Riyad Bank Eastern Ring Road P.O. Box: 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 403 0016 Website: www.riyadbank.com E-mail: customercare@riyadbank.com	
Alrajhi Bank King Fahad Road PO Box 28, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 828 2515 Fax: +966 (11) 279 8190 Website: www.alrajhibank.com.sa Email: contactcenter1@alrajhibank.com.sa	
Alinma Bank King Fahd Road, Al Anoud Tower P.O. Box 66674 Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 11 218 5555 Fax: +966 11 218 5000 Website: www.alinma.com Email: info@alinma.com	

The Receiving Agents will commence receiving Subscription Application Forms through the internet, telephone banking, ATMs and other electronic channels of the Receiving Agents that offer any or all such services to its customers, beginning on 8/11/1444H (corresponding to 28/5/2023G) until 9/11/1444H (corresponding to 29/5/2023G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent receiving it will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form (if applicable). If the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, it will be considered void. Individual Investors do not have the right to claim any compensation for damages incurred due to such cancellation.

Each Individual Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of Fourteen and Sixty Halalas Saudi Arabian Riyals (SAR 14.60) per Offer Share.

Subscriptions by Individual Investors for less than 10 Offer Shares or fractional Shares will not be accepted. Increments are to be made in multiples of such minimum number, while a maximum of two hundred and fifty thousand (250,000) Offer Shares may be applied for.

Subscription Application Forms for Individual Investors must be submitted during the Offering Period and accompanied (where applicable) by the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Investor):

- the original and copy of the Individual Investor's national civil identification card (in the case of individuals, including Saudi and other GCC natural persons);
- the original and copy of the family's civil identification card (when subscribing on behalf of family members);
- the original and copy of a power of attorney (when subscribing on behalf of others);
- the original and copy of the certificate of guardianship (when subscribing on behalf of orphans);
- the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);
- the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and
- the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

Powers of attorney are only allowed for family members (parents and children only). In the event that an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor must be stated in the Subscription Application Form, accompanied by a valid original and copy of the power of attorney. The power of attorney must be notarised by a notary public for the Individual Investors residing in the Kingdom and must be legalised through a Saudi embassy or consulate in the relevant country for Individual Investors residing outside the Kingdom. The concerned official of the Receiving Agent shall match the copy with the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each primary Individual Investor applying for himself/herself and members appearing on his/her family identification card if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

- all Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name;
- the primary Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself/herself or dependent Individual Investors; and
- the primary Individual Investor will receive all of the dividends distributed in respect of the Offer Shares allocated to himself/herself and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

- the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor;
- dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor; or
- the wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Investor). In the latter case, applications made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If the primary Individual Investor subscribes for himself/herself and his/her family members who are registered in the family identification card, and a family member subscribes for a separate subscription application, only the request of the family member who has submitted a separate application from the request of the primary Individual Investor will be cancelled.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents may only be included as dependents with their mother and may not subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalised through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of Fourteen and Sixty Halalas Saudi Arabian Riyals (SAR 14.60) per Offer Share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

- delivery by the Individual Investor of the Subscription Application Form to any of the Receiving Agents; and
- payment in full by the Individual Investor to the Receiving Agent of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full to the Receiving Agents by authorising a debit of the Individual Investor's account held with the Receiving Agent to whom the Subscription Application Form is being submitted. The Offer Shares ownership transfer will be valid only from the time such transfer is recorded in the Company's share register and the Shares have commenced trading on the Exchange.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject it in full or in part. The Individual Investor shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares applied for.

17.4 Allocation and Refunds

The Lead Manager shall open and operate escrow accounts for the purpose of depositing and keeping subscription monies collected from Participating Parties and Receiving Agents (on behalf of Individual Investors). Each of the Receiving Agents shall deposit all amounts received from the Subscribers into escrow accounts, the details of which shall be specified in the Subscription Application Forms.

The Lead Manager and Receiving Agents, as applicable, will send notification letters to the Subscribers informing them of the final number of Offer Shares allocated together with the amounts to be refunded. Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. The final allocation will be announced no later than 15/11/1444H (corresponding to 4/6/2023G) and refunds shall be made no later than 25/11/1444H (corresponding to 14/6/2023G) (for further details, see "*Key Dates and Subscription Procedures*", page (xiv), and Section 17 (*Subscription Terms and Conditions*)). Subscribing Individual Investors should communicate with the Lead Manager or the Receiving Agent where they submitted their Subscription Application Form, as applicable, for any further information.

17.4.1 Allocation of Offer Shares to Participating Entities

After completion of the allocation of the Offer Shares to Individual Investors, the final allocation of the Offer Shares to the Participating Entities will be made as the Bookrunner deems appropriate, in coordination with the Company, using the discretionary allocation mechanism. Therefore, the Offer Shares may not be allocated to some of the Participating Entities. At total of twenty-one million four hundred twenty-eight thousand five hundred seventy-two (21,428,572) Offer Shares, representing one hundred per cent. (100%) of the Offer Shares shall be initially allocated to the Participating Entities. If the Individual Investors subscribe to the Offer Shares allocated thereto, the Bookrunner in coordination with the Company shall have the right to reduce the number of Offer Shares allocated to the Participating Entities to nineteen million two hundred eighty-five thousand seven hundred and fifteen (19,285,715) Ordinary Shares, representing ninety per cent. (90%) of the Offer Shares after the completion of the Individual Investors' subscription process.

17.4.2 Allocation of Offer Shares to Individual Investors

There will be an allocation of a maximum of two million one hundred forty-two thousand eight hundred fifty-seven (2,142,857) Offer Shares, representing ten per cent. (10%) of the Offer Shares, to Individual Investors. The minimum allocation per Individual Investor is (10) Offer Shares and the maximum allocation per Individual Investor is two hundred and fifty-thousand (250,000) Offer Shares; the balance of the Offer Shares (if available) will be allocated on a pro-rata basis of the percentage applied for by each Individual Investor to the number of Offer Shares applied for by each Individual Investor. If there are more than two hundred and fourteen thousand two hundred and eighty-five (214,285) Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated at the discretion of the Lead Manager in coordination with the Company. Excess subscription monies, if any, will be refunded to the Individual Investors by the Receiving Agents without any charge or withholding.

17.5 Circumstances Where Trading and Listing May be Suspended or Cancelled

17.5.1 Power to Suspend Trading or Cancel Listing

(a) The CMA may suspend trading in listed securities or cancel the listing at any time as it deems fit, in any of the following circumstances:

(i) the CMA considers it necessary for the protection of investors or the maintenance of an orderly market;

(ii) the issuer fails, in a manner which the CMA considers material, to comply with the CML, its implementing regulations or the Listing Rules;

(iii) the issuer fails to pay on time any fees due to the CMA or the Exchange or any fines due to the CMA;

(iv) it considers that the issuer or its business, the level of its operations or its assets are no longer suitable for the continued listing of its securities on the Exchange;

(v) when a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the issuer announces sufficient information regarding the target and the CMA is satisfied, following the issuer's announcement, that there will be sufficient information available for the public about the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage;

(vi) when information about the proposed transaction of reverse takeover is leaked and the issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly;

(vii) when an application for the financial restructuring of the issuer in the case of its accumulated losses reaching fifty per cent. (50%) or more of its capital is registered with the court under the Bankruptcy Law;

(viii) when the request for liquidation procedure or the administrative liquidation of the issuer is registered with the court under the Bankruptcy Law;

(ix) upon the issuance of a final judgment closing the financial restructuring and initiating the liquidation procedure or the administrative liquidation procedure of the issuer in court under the Bankruptcy Law; or

(x) upon the issuance of a final judgment initiating the liquidation procedure or the administrative liquidation procedure of the issuer in court under the Bankruptcy Law.

(b) Lifting of trading suspension under paragraph (a) above is subject to the following:

(i) the issuer adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors;

(ii) the lifting the suspension is unlikely to affect the normal activity of the Exchange;

(iii) the issuer complies with any other conditions that the CMA may require;

(iv) upon the issuance of a final judgment initiating financial restructuring for the issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, if the suspension is made in accordance with paragraph (a)((vii)) above; and

(v) upon the issuance of a final judgment rejecting the commencement of liquidation procedure or administrative liquidation of the issuer under the Bankruptcy Law, unless the issuer was suspended from its activities by the relevant competent authority, if the suspension is made in accordance with paragraph (a)((viii)) above.

(c) The Exchange shall suspend the trading of securities of the Company in any of the following cases:

(i) if the issuer does not comply with the deadlines for the disclosure of its periodic financial information within the periods specified in accordance with applicable implementing regulations;

(ii) if the external auditors' report on the financial statements of the issuer contains an adverse opinion or an abstention from expressing opinion;

(iii) if the liquidity requirements in Part 2 of the Listing Rules are not satisfied after the time limit set by the Exchange for the issuer to rectify its conditions, unless the CMA agrees otherwise; or

(iv) upon the issuance of a resolution by an Extraordinary General Assembly of the issuer to reduce its capital for the two trading days following the issuance of such resolution.

(d) The Exchange shall lift the suspension referred to in subparagraphs ((i)) and ((ii)) of paragraph (c) above, after one trading session has passed after the cause of suspension ceases to exist. In the event that the issuer's shares are available for trading outside the platform, the Exchange shall lift the suspension within a period of not more than five trading sessions after the cause of suspension ceases to exist.

(e) The Exchange may at any time propose to the CMA to suspend the trading of any listed security or cancel its listing where, in its opinion, it is likely that any of the above circumstances of paragraph (a) above are to occur.

(f) An issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its implementing regulations and the Listing Rules.

(g) If the listing suspension continues for six (6) months with no appropriate procedure made by the issuer to correct such suspension, the CMA may cancel its listing.

(h) Upon the issuer's completion of a reverse takeover, the issuer's shares are de-listed. If the issuer wishes to re-list its shares, it must submit a new application for registration and admission to listing in accordance with the requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

(i) This paragraph shall not prejudice the suspension of trading and cancellation of listing resulting from the losses of the issuer pursuant to relevant implementing regulations of the CML and Listing Rules.

17.5.2 Voluntary Cancellation of Listing

(a) After its shares have been listed on the Exchange, an issuer may not cancel the listing of its securities without the prior approval of the CMA. To obtain CMA approval, the issuer must submit the cancellation application to the CMA along with a simultaneous notice to the Exchange. The application must include the following:

(i) specific reasons for the request for cancellation;

(ii) a copy of the disclosure described in paragraph (d) below;

(iii) a copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or another corporate action by the issuer; and

(iv) the names and contact information of the financial advisor and legal advisor appointed according to the Rules on the Offer of Securities and Continuing Obligations.

(b) The CMA may, at its discretion, approve or reject the cancellation request.

(c) The issuer must obtain the consent of the Extraordinary General Assembly to the cancellation of the listing after obtaining CMA approval.

(d) Where cancellation is made at the issuer's request, it must disclose it to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation and the extent to which it affects the issuer's activities.

17.5.3 Temporary Trading Suspension

(a) An issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event during trading hours which requires immediate disclosure under the CML, its implementing regulations or the Listing Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange shall suspend the trading of the securities of that issuer immediately upon receiving such request.

(b) When trading is temporarily suspended at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period and the nature of the event that caused it, and the extent to which it affects the issuer's activities.

(c) The CMA may impose a temporary trading suspension without a request from the issuer if it becomes aware of information or circumstances affecting the issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to temporary trading suspension, the issuer must continue to comply with the CML, its implementing regulations and Listing Rules.

(d) The Exchange may propose to the CMA to exercise its powers in accordance with paragraph (c) above, if it becomes aware of information or circumstances affecting the issuer's activities which would be likely to interrupt the operation of the Exchange or the protection of investors.

(e) A temporary trading suspension will be lifted following the elapse of the period referred to in the disclosure specified in paragraph (b) above in this Section, unless the CMA or the Exchange decide otherwise.

17.5.4 Re-Registering and Listing After Cancellation of Listing

After the cancellation of listing of an issuer's securities, the issuer must submit new applications in accordance with the procedures set out in the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules if it wishes to re-list such securities.

17.6 Approvals and Decisions under Which the Shares are Offered

The following are the decisions and approvals under which the Offer Shares are publicly offered:

(a) the Company's Board of Directors' resolution recommending the capital increase and the Offering dated 29 Thul-Hijjah 1443H (corresponding to 28 July 2022G);

(b) the Company's General Assembly's approval of the increase of the Company's capital and of the Offering, dated 24 Muharram 1444H (corresponding to 22 August 2022G);

(c) the CMA's approval of Shares Offering issued on 2 Jumada al-Akhirah 1444H (corresponding to 26 December 2022G);

(d) the conditional approval of Tadawul to list the Shares, dated 10 Jumada al-Ula 1444H (corresponding to 4 Decmber 2022G); and

(e) the Saudi Central Bank's non-objection letter to the Offering, dated 23 Rajab 1443H (corresponding to 24 February 2022G).

17.7 Lock-up Period

The Substantial Shareholders specified in Table 4.33 (*Details of Shareholders Directly Holding 5 per cent. or More Shares in the Company as of the Date of this Prospectus*) may not dispose of any of their Shares for a period of six (6) months from the date on which trading of the Shares commences on the Exchange.

17.8 Acknowledgments and Declarations by Subscribers

By completing and delivering the Subscription Application Form, each Subscriber:

(a) agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;

(b) warrants that he/she has read this Prospectus and understood all of its content;

(c) accepts the Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes to the Offer Shares accordingly;

(d) declares that neither he/she nor any of his/her family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;

(e) accepts the number of Offer Shares allocated to him/her (up to the maximum of the amount subscribed for) as per the Subscription Application Form;

(f) warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Agent or the Bookrunner, as applicable; and

(g) retains his/her right to sue the Company for damages caused directly by incorrect or incomplete information contained in this Prospectus, or by omitting major information that should have been part of this Prospectus and could affect his/her decision to purchase the Shares.

For further details on the allocation process, see Section 17.4 (*Allocation and Refunds*).

17.9 Register of Shareholders and Trading Arrangements

Tadawul shall keep a Register of Shareholders containing their names, nationalities, addresses, professions, Shares held by them and the amounts paid for these Shares.

17.10 Saudi Exchange (Tadawul)

In 1990G, full electronic trading in the Kingdom equities was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from the execution of the trade transaction through its settlement. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. on days other than those mentioned above. Such times change during the month of Ramadan and are announced by the Tadawul Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the "Tadawul" website and "Tadawul" Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that share ownership transfers take two working days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information that are important for the investors via Tadawul. Surveillance and monitoring are the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

17.11 Securities Depository Center (Edaa)

Securities Depository Center Company (Edaa) was established in 2016G as a closed joint stock company in accordance with the Saudi Companies Law issued by Royal Decree No. M/3 dated 28 Muharram 1437H (corresponding to 10 November 2015G), with a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal value of ten SAR 10 per share, and is fully owned by the Exchange.

The establishment was based on the CMA's approval of Tadawul's Board of Directors request in relation to the conversion of the Securities Depository Center into a joint stock company in accordance with the Capital Market Law issued by Royal Decree No. M/30 dated 2 Jumada al-Akhirah 1424H (2 July 2003G).

Edaa is responsible for activities related to depositing, registering, transferring, settling and clearing securities, and recording any ownership restrictions on the deposited securities. Further, it deposits and manages the records of the issuers of securities, and organises issuers' general assemblies, including remote voting services (e-Voting), reporting, notifications, and information, as well as providing other related services in accordance with the CML and its implementing regulations.

17.12 Trading of the Company's Shares

Trading of the Shares is expected to commence on Tadawul after the finalisation of the allocation process and the announcement of the start date of trading by Tadawul. Following the Admission, Saudi natural persons, non-Saudi natural persons holding valid residence permits in the Kingdom, GCC natural persons, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the QFI Rules. Foreign Investors will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into swap agreements with Capital Market Institutions to acquire, hold and trade in the Shares on the Exchange on behalf of such Foreign Investor. Capital Market Institutions shall be deemed the legal owners of the Shares under the swap agreements.

Furthermore, Shares may only be traded after the allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Main Market and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Shareholders shall have no legal responsibility in connection with pre-trading activities.

17.13 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of their parties and their respective successors, permitted assigns, executors, administrators and heirs, provided that, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto are assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms and related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

This Prospectus has been released in both Arabic and English languages but the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic texts, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for certain GCC investors, Qualified Foreign Investors, foreign strategic investors and/or certain other Foreign Investors through swap agreements, taking into account the relevant rules and instructions. The Offering does not constitute an offer to sell or the solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. All recipients of this Prospectus must inform themselves of any regulatory restrictions relevant to the Offering and the sale of Offer Shares and to observe all such restrictions.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, it becomes aware that: (i) there has been a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations or the Listing Rules; or (ii) additional significant matters have become known which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, the prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on them.

18 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office on Al Thoumamah Road, Al Rabie District, P.O. Box 7071, Riyadh 13315, Kingdom of Saudi Arabia, between 9:00 a.m. and 4:00 p.m. starting from 11/10/1444H (corresponding to 1/5/2023G) until 9/11/1444H (corresponding to 29/5/2023G) for a period of not less than 20 days prior to the end of the Offering Period:

- the CMA announcement approving the Offering;
- the Tadawul approval on the Listing;
- the Saudi Central Bank's non-objection letter to the Offering, dated 23 Rajab 1443H (corresponding to 24 February 2022G);
- the Board of Directors' resolution recommending the increase of the Company's capital and of the Offering, dated 29 Thul-Hijjah 1443H (corresponding to 28 July 2022G);
- the General Assembly's approval of the increase of the Company's capital and of the Offering, dated 24 Muaharram 1444H (corresponding to 22 August 2022G);
- the Bylaws of the Company (and the Subsidiary);
- the articles of association of the Company (and the Subsidiary), and the amendments made thereto;
- the commercial registration certificate of the Company (and the Subsidiary) issued by the Ministry of Commerce;
- the financial statements of the Company for the financial years ended 31 December 2019G, 2020G, 2021G and 2022G, and the reviewed financial statements for the six-month period ended 30 June 2022G;
- the Market Study Report prepared by the Market Consultant;
- all other reports, letters, documents and value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus;
- the contracts and agreements disclosed in Section 12.12 (*Related Party Contracts and Transactions*);
- the letters of consent from each of:
  - the Lead Manager, Financial Advisor, Bookrunner and Underwriter (Albilad Investment Company) for the inclusion of its name, logo, and statements in this Prospectus;
  - the Auditors (Ernst & Young Professional Services (Professional LLC)) for the inclusion herein of their names and logos, along with the audit reports on the financial statements of the Company for the financial years ended 31 December 2019G, 2020G and 2021G, and the condensed consolidated interim financial statements for the six-month period ended 30 June 2022G and the revision reports;
  - the Financial Due Diligence Advisor (KPMG Professional Services) for the inclusion of its name, logo and statements in this Prospectus;
  - the Market Consultant (Sutherland Global Services) for the inclusion of its name, logo and statements, in this Prospectus;
  - the Legal Advisor (Zeyad Yousef AlSalloum and Yazeed Abdulrahman AlToaimi Company for Legal Services and Consultation), for the inclusion of its name, logo and statements, in this Prospectus; and
- the Underwriting Agreement.

19 FINANCIAL STATEMENTS AND AUDITORS' REPORT

This Section contains the financial statements of the Company for the financial years ended 31 December 2019G, 2020G, 2021G and 2022G, and the condensed consolidated interim financial statements for the six-month period ended 30 June 2022G, and the accompanying notes thereto, which have been prepared in accordance with the IFRS and audited and reviewed by the auditors in accordance with the report of the auditors issued in this regard and annexed to this Prospectus.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

INDEX	Pages

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Morabaha Marina Financing Company (A Saudi Joint Stock Company) (the "Company") and its subsidiary (collectively with the Company referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

for Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 13 Sha'ban 1444H
(5 March 2023)

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	**2022** **SR**	2021 SR
Special commission income	5	**160,837,194**	133,619,550
Special commission expense		**(29,050,099)**	(20,045,044)
NET SPECIAL COMMISSION INCOME		**131,787,095**	113,574,506
Other operating income			
Other income	6	**38,774,086**	18,867,578
TOTAL OPERATING INCOME		**170,561,181**	132,442,084
Operating expenses			
General and administration expenses	7	**(69,616,403)**	(46,147,093)
Impairment losses on Islamic financing receivables	12	**(46,449,918)**	(38,814,177)
INCOME BEFORE ZAKAT		**54,494,860**	47,480,814
Zakat	24	**(9,514,233)**	(6,599,568)
NET INCOME FOR THE YEAR		**44,980,627**	40,881,246
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to the profit and loss in subsequent periods			
Actuarial gain (loss) on remeasurement of employees' defined benefit liabilities	20	**1,331,643**	(327,749)
TOTAL COMPREHENSIVE INCOME		**46,312,270**	40,553,497
Attributable to:			
Equity holders of the Parent		**48,352,599**	40,553,497
Non-controlling interest		**(2,040,329)**	-
		46,312,270	40,553,497
Basic and diluted earnings per share			
Earnings per share from net income attributable to equity holders of the Parent	23	**1.20**	1.34

The accompanying notes 1 to 34 form part of these consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 SR	2021 SR
ASSETS			
Cash and cash equivalents	8	**69,639,011**	42,807,690
Restricted cash deposits	8 (b)	**16,000,000**	-
Prepayments and other assets	9	**36,571,091**	11,632,698
Investment at fair value through other comprehensive income (OCI)	10	**892,850**	892,850
Islamic financing receivables	12	**981,883,052**	924,111,199
Repossessed asset held for sale	11	**53,629,422**	49,421,675
Right of use assets	16	**7,225,463**	4,264,487
Fair value of derivatives	19	**5,500,462**	-
Intangible assets	15	**45,379,200**	4,642,060
Property and equipment	13	**7,066,652**	4,491,747
TOTAL ASSETS		**1,223,787,203**	1,042,264,406
LIABILITIES AND EQUITY			
Accounts payable, accruals and others	17	**16,887,940**	11,928,262
Provision for zakat	24	**9,635,804**	7,000,512
Borrowings	19	**615,724,994**	649,282,746
Lease liabilities	16	**6,649,315**	3,928,005
Employees' defined benefit liabilities	20	**5,399,716**	4,245,231
TOTAL LIABILITIES		**654,297,769**	676,384,756
EQUITY			
Share capital	21	**500,000,000**	311,355,000
Statutory reserve	22	**22,085,321**	17,250,061
Treasury shares	21	**(16,062,300)**	-
Retained earnings		**52,769,978**	37,274,589
Equity attributable to equity holders of the Parent		**558,792,999**	365,879,650
Non-controlling interests	25	**10,696,435**	-
TOTAL EQUITY		**569,489,434**	365,879,650
TOTAL LIABILITIES AND EQUITY		**1,223,787,203**	1,042,264,406

The accompanying notes 1 to 34 form part of these consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the parent						
	Share capital SR	*Statutory reserve* SR	*Treasury shares* SR	*Retained earnings* SR	*Total* SR	*Non-controlling Interests* SR	*Total Equity* SR
Balance at 1 January 2021	280,500,000	13,194,711	-	31,631,442	325,326,153	-	325,326,153
Increase in share capital	30,855,000	-	-	(30,855,000)	-	-	-
Net income for the year	-	-	-	40,881,246	40,881,246	-	40,881,246
Other comprehensive income	-	-	-	(327,749)	(327,749)	-	(327,749)
Total comprehensive income	-	-	-	40,553,497	40,553,497	-	40,553,497
Transfer to statutory reserve	-	4,055,350	-	(4,055,350)	-	-	-
Balance at 31 December 2021	**311,355,000**	**17,250,061**	**-**	**37,274,589**	**365,879,650**	**-**	**365,879,650**
Increase in share capital through transfer from retained earnings (note 21)	**28,021,950**	**-**	-	**(28,021,950)**	**-**	-	-
Increase in share capital through cash injection (note 21)	**160,623,050**	**-**	-	**-**	**160,623,050**	-	**160,623,050**
Treasury share purchased (note 21)	**-**	**-**	**(16,062,300)**	**-**	**(16,062,300)**	**-**	**(16,062,300)**
Acquisition of a subsidiary (note 14)	**-**	**-**	**-**	**-**	**-**	**12,736,764**	**12,736,764**
Net income for the year	**-**	**-**	**-**	**47,009,069**	**47,009,069**	**(2,028,442)**	**44,980,627**
Other comprehensive income	**-**	**-**	**-**	**1,343,530**	**1,343,530**	**(11,887)**	**1,331,643**
Total comprehensive income	**-**	**-**	**-**	**48,352,599**	**48,352,599**	**(2,040,329)**	**46,312,270**
Transfer to statutory reserve	-	**4,835,260**	**-**	**(4,835,260)**	**-**	**-**	**-**
Balance at 31 December 2022	**500,000,000**	**22,085,321**	**(16,062,300)**	**52,769,978**	**558,792,999**	**10,696,435**	**569,489,434**

The accompanying notes 1 to 34 form part of these consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	*2022* *SR*	*2021* *SR*
OPERATING ACTIVITIES			
Income before zakat		**54,494,860**	47,480,814
Adjustments for:			
Impairment losses on Islamic financing receivables	12	**46,449,918**	38,814,177
Depreciation on property and equipment	13	**2,091,192**	1,499,659
Amortisation of intangible assets	15	**2,107,469**	732,520
Depreciation on right of use assets	16	**2,778,883**	1,606,091
Finance charge on lease	16	**552,461**	262,184
Provision for employees' terminal benefits	20	**2,622,800**	1,021,152
Fair value of derivative	19	**(5,500,462)**	-
Gain on sale of repossessed asset held for sale		**-**	(414,073)
Operating cash flows before working capital changes		**105,597,121**	91,002,524
Working capital adjustments:			
Islamic financing receivables		**(104,221,770)**	(169,289,352)
Prepayments and other assets		**(24,293,055)**	1,369,878
Restricted cash deposits		**(16,000,000)**	2,023,184
Repossessed asset held for sale		**(6,735,581)**	17,598,649
Accounts payable, accruals and others		**(13,197,358)**	3,134,810
Net cash used in operations		**(58,850,643)**	(54,160,307)
Employees' terminal benefits paid	20	**(136,672)**	(218,777)
Zakat paid	24	**(6,878,941)**	(6,787,784)
Net cash used in operating activities		**(65,866,256)**	(61,166,868)
INVESTING ACTIVITIES			
Additions to property and equipment	13	**(1,638,127)**	(858,823)
Additions to intangible assets	15	**(6,684,475)**	(417,368)
Acquisition of a subsidiary – consideration paid	14	**(7,100,000)**	-
Net cash used in investing activities		**(15,422,602)**	(1,276,191)
FINANCING ACTIVITIES			
Proceeds from borrowings		**316,062,300**	243,000,000
Repayment of borrowings		**(349,620,052)**	(224,867,908)
Lease obligation paid	16	**(3,818,159)**	(1,946,100)
Proceeds from increase of capital, net of treasury shares		**144,560,750**	-
Net cash from financing activities		**107,184,839**	16,185,992
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**25,895,981**	(46,257,067)
Cash and cash equivalents at beginning of the year		**42,807,690**	89,064,757
Acquisition of a subsidiary - cash acquired	14	**935,340**	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8	**69,639,011**	42,807,690
SIGNIFICANT NON-CASH TRANSACTIONS			
Right of use assets	16	**(1,869,908)**	(434,518)
Lease liabilities	16	**1,869,906**	434,518
Issuance of share capital	21	**28,021,950**	30,855,000

The accompanying notes 1 to 34 form part of these consolidated financial statements

Morabaha Marina Financing Company
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1 ACTIVITIES

Morabaha Marina Financing Company (the "Company" or the "Parent") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010337706 dated 14 Jumada Al-Thani 1433H (corresponding to 5 May 2012). The Company's head office is located at Riyadh and registered address is P.O. Box 8055, Riyadh 14925, Kingdom of Saudi Arabia, Ar Rabi district, Thomamah road.

The Company has the following branches:

Branch Commercial Registration Number	*Branch location*	*Date*
3450015199	Arar	8 Jumada II 1437H
1010337706	Riyadh Main	14 Jumada II 1433H
1010351999	Riyadh	16 Dhul-Qadah 1433H
1010453589	Riyadh	2 Dhul-Qadah 1439H
1116010899	Dawadmi	19 Jumada II 1436H
2050125719	Dammam	8 Ramdan 1440H
2053112249	Qatif	2 Dhul-Qadah 1439H
3400019877	Skaka	10 Sahwwal 1437H
3452010771	Qurayyat	27 Sha'aban 1438H
4030288370	Jeddah	8 Jumada II 1437H
4030305936	Jeddah	2 Dhul-Qadah 1439H
5850064133	Abha	4 Sha'aban 1435H
5900034225	Jizan	8 Jumada II 1437H
1131307492	Buraydah	8 Muharram 1440H
3350149330	Hail	8 Muharram 1440H
5950028443	Najran	25 Muharram 1440H
5855359542	Khamis mushait	27 Sha'aban 1443H
4032258441	Taif	27 Sha'aban 1443H

The Company is engaged in leasing and providing financing facilities to medium and small enterprises and consumers in addition to financing production assets and offering consumer finance in accordance with the Saudi Central Bank ("SAMA") approval number 22/201410 dated 19 Dhul Qadah 1435H (corresponding to 13 September 2014).

On 20 August 2019 the shareholders of the Company decided to go for an Initial Public Offering (IPO). The listing procedures are still in process as of the date of approving these consolidated financial statements.

These consolidated financial statements include the financial statements of the Company and the financial statements of Digital Payments Company for Financial Technology, a 80% owned subsidiary (collectively referred to as the "Group"). Digital Payments Company for Financial Technology is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010949680 issued on 28 Sha'ban 1439H (corresponding to 14 May 2018). The company is engaged in building the technology of payments getaway (aggregation model), capable of satisfying the rapidly growing electronic commerce payments (Bayan) and providing electronic wallet services (Bayan wallet) in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

a) Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

b) Basis of measurement and presentation
The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern under the historical cost convention, except for the 'Investments classified as fair value through other comprehensive income' (FVOCI) which have been measured at their fair values and for employee benefits' liabilities, where actuarial present value calculations are used.

2 BASIS OF PREPARATION (continued)

b) Basis of measurement and presentation (continued)
The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 29.

c) Functional and presentation currency
These consolidated financial statements have been presented in Saudi Riyals ("SR") unless otherwise stated, which is also the Group's functional currency.

d) Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting year as that of the Company, using consistent accounting policies.

The Company consolidates a subsidiary when it controls it. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. However, in individual circumstances, the Group may still exercise control with a less than 50% shareholding, or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Company considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Company can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights

Whether the Company is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI and other components of equity, while any resultant gain or loss is recognised in profit or loss.

Any investment retained is recognised at fair value at the date of loss of control.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2022 replacing, amending or adding to the corresponding accounting policies set out in 2022 annual financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

New and amended standards and interpretations

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these consolidated financial statements.

Other amendments and interpretations apply for the first time in 2022, but do not have an impact on the Group's consolidated financial statements.

Accounting standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 – Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer. When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it
- Apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from Contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets) to the other components

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: Issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Group is performing the assessment, however Group does not expect any material impact on its consolidated financial statements from the adoption of the new standard in 2023.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)
Accounting standards issued but not yet effective (continued)

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements going forward.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendment has no impact on the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies

The significant accounting policies adopted by the Group in preparation of these consolidated financial statements are as follows:

Financial instruments

i) Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of Islamic financing receivables to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Islamic financing receivables to customers are recognised when funds are transferred to the customers' accounts. The Group recognises balances due to customers when funds are transferred to the Group.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in "Financial assets and liabilities per financial statement line" note below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Islamic financing receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in special commission income.

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income, FVOCI
- Fair value through profit and loss, FVTPL

Financial liabilities, other than loan commitments are measured at amortised cost or at FVPL when they are held for trading or the fair value designation is applied.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Group has access to at the measurement date. The Group considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Group will classify the instruments as Level 3.
- Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

The Group periodically reviews its valuation techniques including the adopted methodologies and model calibrations.

ii) Financial assets and liabilities per financial statement line

Financial assets at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group 's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

As a second step of its classification process the Group assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in statement of comprehensive income in the same manner as for financial assets measured at amortised cost.

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

iii) Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition. Financial liabilities are never reclassified.

iv) Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, the Group considers various factors.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if the Group has transferred its contractual rights to receive cash flows from the financial asset.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset, OR
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group 's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Morabaha Marina Financing Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

v) Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

vi) Impairment of financial assets
Overview of the ECL principles
The Group records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit losses (12mECL). The Group’s policies for determining if there has been a significant increase in credit risk are set out in note 27.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its loans into Stage 1, Stage 2 and Stage 3, as described below:
- Stage 1: When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Group records an allowance for the LTECL.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

The calculation of ECL

The Group calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in note 27.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 26.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 27.

When estimating the ECL, the Group considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs, EADs and LGDs, as set out below. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1	The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

The Group also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., unemployment, GDP growth, inflation and profit rates) and economic forecasts obtained through internal and external sources.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

vii) Credit enhancements: collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in form of personal guarantees, real estate and vehicles. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on an annual basis by the approved external valuer.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties.

viii) Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group 's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are presented as other income in the statement of comprehensive income.

ix) Repossessed asset held for sale

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to asset held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, are charged to the statement of comprehensive income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the statement of comprehensive income. Gains or losses on disposal are recognised in the statement of comprehensive income.

Revenue / expenses recognition

Special commission income and expenses

Net special commission income comprises special commission income and special commission expense calculated using both the effective interest method. These are disclosed separately on the face of the income statement for both special commission income and special commission expense to provide symmetrical and comparable information. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Revenue / expenses recognition (continued)

Measurement of amortized cost and special commission income

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating special commission income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is suspended. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Income from early settlement fees is recognized upon the early termination of contract by the customer and fees charged at that point.

Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income for the year by weighted average number of shares outstanding during the year .

Expenses

General and administration expenses include direct and indirect costs not specifically forming part of operating costs.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)
Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its consolidated provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash in hand and short term bank deposits with original maturities of three months or less but does not include restricted cash deposits.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease. Expenditure for repair and maintenance are charged to statement of comprehensive income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following, the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets, which comprise computer software, are amortized over a useful life of 10 years while License and Brand & trademark has indefinite life.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Accounting for leases

On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets (RoU)

The Group apply cost model, and measure right of use asset at cost;

1. less any accumulated depreciation and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group 's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

After the commencement date, Group measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group 's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Accounting for leases (continued)

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Fair value

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

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in its fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to statement of comprehensive income.

Impairment of non-current assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in statement of comprehensive income in those expense categories that are consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income. Impairment loss recognized against goodwill is not reversed in subsequent periods.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Employees' terminal benefits
The Group operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding impact in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to statement of comprehensive income in subsequent periods.

Past service cost are recognised in statement of comprehensive income on the earlier of:
- The date of the plan amendment or curtailment, and
- The date the Group recognises related restructuring costs.

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation in statement of comprehensive income:
- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administration expenses); and
- Net special commission expense or income.

Zakat
Zakat is provided in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and on accruals basis. As set out in the note 2, zakat is charged to the statement of comprehensive income.

Value added tax ("VAT")
The Group collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Group and is expensed.

Borrowings
Special commission bearing funding from financial institutions and shareholders are measured at amortised cost using the effective profit rate ("EPR") method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EPR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortization is included in special commission expense in the statement of comprehensive income.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to statement of comprehensive income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

Treasury shares
Treasury shares are recorded at acquisition cost and presented as a deduction from equity. Any gains or losses on disposal of such shares are reflected under equity and are not recognised in the consolidated statement of income.

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are charged to statement of comprehensive income.

Segment reporting
A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments.

Asset under management
Islamic financing receivables in which the Group act as Managing agent are not treated as assets of the Group and, accordingly, are not included in these accompanying financial statements.

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Determining the lease term of contracts with renewal and termination options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Determining the lease term of contracts with renewal and termination options (continued)

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 in respect of Islamic financing receivables requires certain amount of judgement including the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's Expected Credit Loss ("ECL") calculations are outputs of models with underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include assignment of Probability of Defaults ("PDs"), criteria for assessing significant increase in credit risk, segmentation of receivables if any, development of ECL models, including the various formulas and inputs, determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposures at Default ("EAD") and Loss Given Default ("LGD"), selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Employees' defined benefits plans

The cost of end of service benefit plans and the present value of end of service benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Future salary increases are based on the expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available local mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employees' end of service benefits are provided in note 20.

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4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Useful lives of property and equipment and intangible assets
The Group 's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 15.

The Group determines the fair value of Repossessed asset held for sale which required certain estimates and assumptions. The Group engage independent external valuer to determine the fair value.

5 SPECIAL COMMISSION INCOME

Special commission income comprises of income from the following financing products:

	2022	*2021*
	SR	*SR*
Tawarruq	**152,750,456**	127,455,165
Ijara	**8,086,738**	6,164,385
	160,837,194	133,619,550

All the special commission income are from financing products which are Shariah compliant.

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6 OTHER INCOME

	2022 *SR*	*2021* *SR*
Recovery of Islamic financing receivables written-off	**17,755,597**	11,581,318
Income from early settlement fees	**8,098,819**	6,095,400
Gain on interest rate swap	**5,500,462**	-
Bargain purchase (note 14)	**3,400,000**	-
Income from short term deposits	**1,491,375**	559,651
Others	**2,527,833**	631,209
	38,774,086	18,867,578

7 GENERAL AND ADMINSTRATION EXPENSES

	2022 *SR*	*2021* *SR*
Salaries and employee related costs	**41,561,164**	28,960,526
Professional and legal fees	**5,486,173**	3,164,132
Depreciation (notes 13 and 15)	**4,870,075**	3,105,750
Non-claimable VAT	**3,156,891**	1,350,864
Insurance expense	**2,742,160**	1,595,385
Utilities expense	**1,731,678**	1,001,043
Repairs and maintenance	**1,658,576**	1,292,646
Bank charges	**1,011,655**	1,014,715
Amortisation (note 14)	**881,707**	732,520
Other expenses	**6,516,324**	3,929,512
	69,616,403	46,147,093

8 CASH AND CASH EQUIVALENTS

	2022 *SR*	*2021* *SR*
Bank balances	**45,605,519**	42,777,942
Short term deposits (note "a")	**24,000,000**	-
Cash in hand	**33,492**	29,748
	69,639,011	42,807,690

a) Short term deposits represent time deposits with local banks with maturities of less than 3 months and have an average rate of return of 2.78% (2021: 1.48%) per annum. The Group earned SR 1,491,375 (2022: SR 559,651) (refer note 6) on these short term deposits. These deposits are unconventional in nature.

b) In line with the requirements of funding facilities granted by the bank, the Group had set aside with bank SR 16,000,000 as at 31 December 2022 as restricted cash deposit.

All bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic banking institutions and there has been no history of default with any of the Group bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

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9 PREPAYMENTS AND OTHER ASSETS

	2022	*2021*
	SR	*SR*
Advances to employees/suppliers	**15,278,117**	485,415
Initial Public Offering (IPO) cost (note 18)	**8,068,170**	-
Receivable from sale of repossessed asset*	**6,243,757**	6,883,167
Prepaid expenses	**3,930,512**	3,650,017
Other receivables	**134,236**	181,002
Others	**2,916,299**	433,097
	36,571,091	11,632,698

*The Group had a Tawarruq receivable from one of the customer who defaulted during 2019 and the Group repossessed the collateral which was a real estate property. During 2019, Group sold the repossessed property for SR 11.3 million on 60 months instalments. The balance represents the instalments receivable (net of unearned income) at the year end. There has been no default on the installment since the sale of the real estate property.

10 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group owns unquoted investment of 2.33% shareholding in Saudi Finance Leasing Contract Registry Company. Saudi Finance Leasing Contract Registry Company has been formed by the Group and other finance and leasing companies registered in the Kingdom of Saudi Arabia for registration of contracts relating to financial leases and amendments and registration and transfer of title deeds of the assets under the finance leases arrangements. The investment is recorded at cost as management believes that fair value is not materially different from cost, as the investment is not material and the Group's management is confident that their not material impact between its initial cost and its FV.

11 REPOSSESSED ASSETS HELD FOR SALE

During current and prior years, the Group acquired a real estate properties against defaulted Tawarruq receivables. The Group engage external valuer to determine the fair value, during the year the Group engaged Olat Properties Management (OPM) and Moheet Al-Jazirah Company to determine the fair value.

Below is the movement.

	31 December 2022	*31 December 2021*
	SR	*SR*
Balance at the beginning of the period	**49,421,675**	66,606,251
Addition during the year	**25,411,296**	-
Sale during the period*	**(21,203,549)**	(17,184,576)
Balance at the end of the year	**53,629,422**	49,421,675

*The sale of repossessed assets held for sale resulted in realised gain of SR 1.2 million (2021: SR 0.4 million).

12 ISLAMIC FINANCING RECEIVABLES, NET

	Tawarruq receivables		*Ijara receivables*		*Total*	
	2022	*2021*	***2022***	*2021*	***2022***	*2021*
	SR	*SR*	***SR***	*SR*	***SR***	*SR*
Gross Islamic financing receivables	**1,298,611,632**	1,219,257,138	**56,692,413**	56,397,266	**1,355,304,045**	1,275,654,404
Less: Unrealised profit	**(307,372,607)**	(294,590,531)	**(13,234,028)**	(13,368,185)	**(320,606,635)**	(307,958,716)
	991,239,025	924,666,607	**43,458,385**	43,029,081	**1,034,697,410**	967,695,688
Less: Allowance for impairment losses	**(49,836,385)**	(42,520,291)	**(2,977,973)**	(1,064,198)	**(52,814,358)**	(43,584,489)
Islamic financing receivables, net	**941,402,640**	882,146,316	**40,480,412**	41,964,883	**981,883,052**	924,111,199

All the financing facilities provided by Group are Shariah compliant, accordingly they are unconventional in nature.

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type is presented below:

31 December 2022

	Gross carrying amount				***Allowance for ECL***				***ECL Coverage %***			
	Stage 1	***Stage 2***	***Stage 3***	***Total***	***Stage 1***	***Stage 2***	***Stage 3***	***Total***	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Tawarruq	**610,622,836**	**214,462,356**	**166,153,834**	**991,239,026**	**9,994,091**	**6,625,561**	**33,216,733**	**49,836,385**	**1.6%**	**3.1%**	**20.0%**	**5.0%**
Ijara	**11,086,408**	**27,423,295**	**4,948,681**	**43,458,384**	**14,049**	**828,210**	**2,135,714**	**2,977,973**	**0.1%**	**3.0%**	**43.2%**	**6.9%**
Total	**621,709,244**	**241,885,651**	**171,102,515**	**1,034,697,410**	**10,008,140**	**7,453,771**	**35,352,447**	**52,814,358**	**1.6%**	**3.1%**	**20.7%**	**5.1%**

31 December 2021

	Gross carrying amount				*Allowance for ECL*				*ECL Coverage %*			
	Stage 1	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Tawarruq	673,115,530	151,392,482	100,158,595	924,666,607	1,057,801	25,879,016	15,583,474	42,520,291	0.2%	17.1%	15.6%	4.6%
Ijara	24,818,087	16,920,503	1,290,491	43,029,081	20,577	530,492	513,129	1,064,198	0.1%	3.1%	39.8%	2.5%
Total	697,933,617	168,312,985	101,449,086	967,695,688	1,078,378	26,409,508	16,096,603	43,584,489	0.2%	15.7%	15.9%	4.5%

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12 ISLAMIC FINANCING RECEIVABLES, NET (continued)

Analysis of credit quality of Islamic financing receivables is as follows:

	2022 ***SR***	*2021* *SR*
Neither past due nor impaired	**685,057,056**	640,947,622
Past due but not impaired	**256,663,708**	222,363,237
Past due and impaired	**92,976,646**	104,384,829
	1,034,697,410	967,695,688

Management classifies Islamic financing receivables that are either not yet due or otherwise past due but for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing". Below is the breakdown of performing and non-performing Islamic financing receivables:

	2022 ***SR***	*2021* *SR*
Performing	**941,720,764**	863,310,859
Non-performing	**92,976,646**	104,384,829
	1,034,697,410	967,695,688

	2022 ***SR***	*2021* *SR*
Current	**413,291,105**	339,107,691
Non-current	**621,406,305**	628,587,997
	1,034,697,410	967,695,688

Movement in the allowance for impairment losses were as follows:

	2022 ***SR***	*2021* *SR*
At the beginning of the year	**43,584,489**	27,936,407
Charge for the year	**46,449,918**	38,814,177
Written-off during the year	**(37,220,049)**	(23,166,095)
At the end of the year	**52,814,358**	43,584,489

The following table shows reconciliations from the opening to the closing balance of the impairment allowance for financings to customers at amortized cost.

31 December 2022	*12 month ECL*	*Lifetime ECL not credit impaired*	*Lifetime ECL credit impaired*	*Total*
Balance at 1 January 2022	**1,078,378**	**26,409,508**	**16,096,603**	**43,584,489**
Transfer to 12 month ECL	**346,937**	**(142,330)**	**(204,607)**	**-**
Transfer to Lifetime ECL not credit impaired	**(11,941,654)**	**18,095,573**	**(6,153,919)**	**-**
Transfer to Lifetime ECL credit impaired	**(13,571,864)**	**(6,767)**	**13,578,631**	**-**
Charge for the year	**34,096,344**	**(36,902,213)**	**49,255,787**	**46,449,918**
Write-offs	**-**	**-**	**(37,220,049)**	**(37,220,049)**
Balance as at 31 December 2022	**10,008,141**	**7,453,771**	**35,352,446**	**52,814,358**

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12 ISLAMIC FINANCING RECEIVABLES, NET (continued)

31 December 2021	*12 month ECL*	*Lifetime ECL not credit impaired*	*Lifetime ECL credit impaired*	*Total*
Balance at 1 January 2021	5,209,202	3,261,133	19,466,072	27,936,407
Transfer to 12 month ECL	2,863,458	(1,206,771)	(1,656,687)	-
Transfer to Lifetime ECL not credit impaired	(1,584,297)	2,828,035	(1,243,738)	-
Transfer to Lifetime ECL credit impaired	(12,226,497)	(2,422,969)	14,649,466	-
Charge for the year	6,816,512	23,950,080	8,047,585	38,814,177
Write-offs	-	-	(23,166,095)	(23,166,095)
Balance as at 31 December 2021	1,078,378	26,409,508	16,096,603	43,584,489

The terms and conditions, and credit risks associated with the Islamic financing receivables are disclosed in note 28.

The following table shows reconciliations from the opening to the closing balance of the gross outstanding for financings to customers at amortized cost.

31 December 2022	***12 month ECL***	***Lifetime ECL not credit impaired***	***Lifetime ECL credit impaired***	***Total***
Balance at 1 January 2022	**921,518,593**	**221,051,167**	**133,084,645**	**1,275,654,405**
Transfer to 12 month ECL	**(157,748,357)**	**105,827,680**	**51,920,677**	**-**
Transfer to Lifetime ECL not credit impaired	**(173,731,066)**	**117,351,839**	**56,379,227**	**-**
Transfer to Lifetime ECL credit impaired	**(82,085,178)**	**(92,105,405)**	**174,190,583**	**-**
Charge for the year	**315,512,601**	**(40,678,069)**	**(136,316,165)**	**138,518,367**
Write-offs	**-**	**-**	**(58,868,727)**	**(58,868,727)**
Balance as at 31 December 2022	**823,466,593**	**311,447,212**	**220,390,240**	**1,355,304,045**

31 December 2021	*12 month ECL*	*Lifetime ECL not credit impaired*	*Lifetime ECL credit impaired*	*Total*
Balance at 1 January 2021	970,808,398	57,514,473	79,300,366	1,107,623,237
Transfer to 12 month ECL	(175,693,565)	105,148,451	70,545,114	-
Transfer to Lifetime ECL not credit impaired	(137,127,600)	131,435,163	5,692,437	-
Transfer to Lifetime ECL credit impaired	(76,071,984)	(10,790,957)	86,862,941	-
Charge for the year	339,603,344	(62,255,964)	(75,251,177)	202,096,203
Write-offs	-	-	(34,065,036)	(34,065,036)
Balance as at 31 December 2021	921,518,593	221,051,166	133,084,645	1,275,654,404

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13 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Furniture, equipment and computers	4 years
Leasehold improvement	5 - 10 years

	2022		
	Furniture, equipment and computers SR	*Leasehold improvement SR*	***Total SR***
Cost:			
At the beginning of the year	5,908,128	6,080,858	**11,988,986**
Additions during the year	1,069,101	569,028	**1,638,129**
Acquisition of a subsidiary	5,081,367	-	**5,081,367**
At the end of the year	12,058,596	6,649,886	**18,708,482**
Accumulated depreciation:			
At the beginning of the year	4,286,026	3,211,213	**7,497,239**
Charge for the year	1,466,375	624,817	**2,091,192**
Acquisition of a subsidiary	2,053,399	-	**2,053,399**
At the end of the year	7,805,800	3,836,030	**11,641,830**
Net book amounts:			
At 31 December 2022	**4,252,796**	**2,813,856**	**7,066,652**

	2021		
	Furniture, equipment and computers SR	*Leasehold improvement SR*	*Total SR*
Cost:			
At the beginning of the year	5,405,438	5,724,725	11,130,163
Additions during the year	502,690	356,133	858,823
At the end of the year	5,908,128	6,080,858	11,988,986
Accumulated depreciation:			
At the beginning of the year	3,365,197	2,632,383	5,997,580
Charge for the year	920,829	578,830	1,499,659
At the end of the year	4,286,026	3,211,213	7,497,239
Net book amounts:			
At 31 December 2021	1,622,102	2,869,645	4,491,747

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14 BUSINESS COMBINATION

On 16 June 2022, the Company acquired 80% shares of Digital Payments Company for Financial Technology, a limited liability company registered and based in the Kingdom of Saudi Arabia and engaged in building the technology of payments getaway (aggregation model) and providing electronic wallet services (Bayan wallet) in the Kingdom of Saudi Arabia. The Company acquired Digital Payments Company for Financial Technology as it adds new products to the Group business in the Fintech market.

Assets acquired and liabilities assumed
The fair values of identifiable assets and liabilities of Digital Payments Company for Financial Technology based on the Purchase Price Allocation as at the date of acquisition were:

	16 June 2022 *SR*
Assets	
Current and non-current assets	**44,900,000**
Property and equipment	**3,000,000**
Total asset acquired	**47,900,000**
Fair value of identified intangible assets	
Brand and trademark (note 15)	**1,500,000**
Technology (note 15)	**1,100,000**
License (note 15)	**35,500,000**
Total identified intangibles	**38,100,000**
Total assets	**86,000,000**
Less: Liabilities assumed	
Current and non-current liabilities	**(11,200,000)**
Net assets	**74,800,000**
Non-controlling interest @ 20% shareholding measured at fair value	**(14,300,000)**
Fair value of identifiable net assets acquired	**60,500,000**

The bargain purchase arising from the acquisition has been recognized as follows:

Purchase consideration	**57,100,000**
Less: Fair value of identifiable net assets acquired	**(60,500,000)**
Bargain purchase (note 14)	**(3,400,000)**
Net cash acquired with the subsidiary	**935,340**
Consideration paid	**(57,100,000)**
Net cash flow on acquisition	**(56,164,660)**

Initially at the acquisition date, the Company recognized provisional Goodwill of SR 11.1 million which was subject to finalizing the Purchase Price Allocation. During December 2022, Purchase Price Allocation exercise was completed and as a result Brand & trademark and License has been identified and fair valued at SR 1.5 million and SR 35.5 million respectively. Technology has been fair valued at SR 1.1 million and the carrying value (Net book value) of Technology was SR 8.2 million. Consideration paid of SR 57.1 million represents the consideration of SR 7.1 million paid to former shareholder and SR 50 million cash injected in subsidiary to increase the capital of subsidiary which resulted in equity stake of Morabaha Marina Financing Company to increase to 80%.

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15 INTANGIBLE ASSETS

	2022				
	Software SR	*License SR*	*Brand and trademark SR*	*Capital work in progress SR*	***Total SR***
Cost:					
At the beginning of the year	**7,461,153**	**-**	**-**	**819,304**	**8,280,457**
Additions during the year	**724,445**	**-**	**-**	**2,794,402**	**3,518,847**
Transfers during the year	**2,596,197**	**-**	**-**	**(2,596,197)**	**-**
Relate to business combination (note 14)	**1,100,000**	**35,500,000**	**1,500,000**	**-**	**38,100,000**
At the end of the year	**11,881,795**	**35,500,000**	**1,500,000**	**1,017,509**	**49,899,304**
Accumulated amortization:					
At the beginning of the year	**3,638,397**	**-**	**-**	**-**	**3,638,397**
Charge for the year	**881,707**	**-**	**-**	**-**	**881,707**
At the end of the year	**4,520,104**	**-**	**-**	**-**	**4,520,104**
Net book amounts:					
At 31 December 2022	**7,361,691**	**35,500,000**	**1,500,000**	**1,017,509**	**45,379,200**

Capital work in progress during the year represents software upgrade.

	2021		
	Software SR	*Capital work in progress SR*	*Total SR*
Cost:			
At the beginning of the year	6,573,867	1,289,222	7,863,089
Additions during the year	33,036	384,332	417,368
Transfers during the year	854,250	(854,250)	-
At the end of the year	7,461,153	819,304	8,280,457
Accumulated amortization:			
At the beginning of the year	2,905,877	-	2,905,877
Charge for the year	732,520	-	732,520
At the end of the year	3,638,397	-	3,638,397
Net book amounts:			
At 31 December 2021	3,822,756	819,304	4,642,060

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15 INTANGIBLE ASSETS (continued)

The Group have performed the impairment assessment and major assumptions used in value in use calculations and sensitivity to changes in assumptions.

The calculation of value in use is most sensitive to the following assumptions:

- Revenue growth
- Gross margins
- Discount rate
- Market share

16 RIGHT OF USE ASSET AND LEASE LIABIITIES

The Group have lease contracts for various office spaces. These leases generally have lease terms between 2 and 5 years. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2022 ***SR***	*2021* *SR*
As at 1 January	**4,264,487**	5,436,060
Additions during the year	**1,869,908**	434,518
Relate to business combination (note 14)	**3,869,951**	-
Depreciation expense	**(2,778,883)**	(1,606,091)
At 31 December	**7,225,463**	4,264,487

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022 ***SR***	*2021* *SR*
At the beginning of the year	**3,928,005**	5,177,403
Additions during the year	**1,869,906**	434,518
Relate to business combination (note 14)	**3,953,642**	-
Accretion of interest	**552,461**	262,184
Payments during the year	**(3,654,699)**	(1,946,100)
At the end of the year	**6,649,315**	3,928,005

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16 RIGHT OF USE ASSET AND LEASE LIABIITIES (continued)

Set our below is the break-up between current and non-current portion of lease liabilities:

	2022 ***SR***	*2021* *SR*
Current	**2,279,140**	1,695,445
Non-current	**4,946,323**	2,232,560
	7,225,463	3,928,005

The following are the amounts recognised in statement of comprehensive income:

	2022 ***SR***	*2021* *SR*
Depreciation expense of right-of-use assets	**2,778,883**	1,606,091
Interest expense on lease liabilities	**552,460**	262,184
	3,331,343	1,868,275

17 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	2022 ***SR***	*2021* *SR*
Accrued expenses	**7,134,201**	4,329,978
Accounts payable	**4,431,175**	5,300,822
Accrued special commission expense	**2,945,556**	1,530,514
Others	**2,377,008**	766,948
	16,887,940	11,928,262

Terms and conditions of the above financial liabilities:

- Accounts payables are non-interest bearing and are normally settled on 60-day terms.
- Accrued special commission expenses are normally settled as and when the instalment is paid

Accrued special commission expense relates to the special commission expense against borrowings accrued until the year end.

18 RELATED PARTY TRANSACTIONS AND BALANCES

The Group's shareholders, their affiliates and key management personnel are considered as related parties of the Group. Key management personnel of the Group comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Group. In the ordinary course of business, the Group enters into transactions with the related parties, which are based on mutually agreed prices and contract terms approved by the Group's management. Related party balances at year-end arise in the normal course of business.

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18 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Following are the major related party transactions with key management personnel during the year:

Related party	*Nature of transaction*	***2022 SR***	*2021 SR*
Key management personnel	Initial Public Offering ("IPO") costs incurred on behalf of shareholders (*)		
	Compensation - salaries and other incentive	**4,308,100**	3,652,000
	Loans provided using Islamic financing	**7,520,000**	9,580,000
	Board remuneration	**1,010,000**	1,010,000
	Provision for employees' defined benefit liabilities	**1,519,643**	938,239

Below are the balances receivables from key management personnel as at year end:

Key management Personnel	Islamic financing receivables	**5,205,993**	7,776,073

(*) This amount represents the IPO cost which is agreed to be reimbursed by the shareholders once the IPO is completed.

19 BORROWINGS

The table below shows the details of the borrowings obtained by the Group:

		2022 SR	*2021 SR*
A	Bank borrowings	**404,752,078**	251,292,639
B	Sukuks payable	**8,787,285**	69,711,733
C	Borrowings from a government entity	**202,185,631**	328,278,374
		615,724,994	649,282,746
	Current portion	**304,884,141**	304,176,548
	Non-current portion	**310,840,853**	345,106,198
		615,724,994	649,282,746

All borrowing facilities of the Group are Shariah complaint financing arrangements.

A) The table below shows the details of the bank borrowings obtained by the Group:

	2022 SR	*2021 SR*
Islamic financing (see notes 'a' and 'b' below)	**405,396,651**	251,563,085
Less: unamortized upfront charges	**(644,573)**	(270,446)
	404,752,078	251,292,639
Current portion	**166,794,585**	88,861,168
Non-current portion	**237,957,493**	162,431,471
	404,752,078	251,292,639

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19 BORROWINGS (continued)

Islamic financing shown above includes:

a) The balance of fifteen (2021: six) revolving Islamic facilities for a total amount of SR 368.5 million (2021: SR 171.5 million) as of 31 December 2022 between 3.0% to 3.5% + SIBOR. Each of these facilities is for an original term of quarterly and renewable for additional periods of another quarter each at the lender's option up to a total of 4 years and carry special commission at floating commercial rates. The facilities are secured by assignment of receivables. The option to refinance or roll over the facilities is at the lender's discretion.

b) The balance of two (2021: four) other Islamic facilities for a total amount of SR 36.3 million (2021: SR 79.8 million) as of 31 December 2022 obtained from commercial banks to finance the Islamic financing assets of the Group at a rate of interest from 3.0% to 3.5%. The facilities are secured by assignment of receivables and are repayable on a monthly and quarterly basis over 36 installments.

c) During the year 2022, the Group obtained new borrowings amounting to SR 276.1 million (2021: 100 million) from a local bank, the loan carries commission average rate of 3.29% and is to be repayable by October 2026.

B) The table below shows the details of the sukuks payable issued by the Group:

	2022 SR	*2021 SR*
Islamic financing through Sukuks	**8,900,000**	71,166,673
Less: unamortized upfront charges	**(112,715)**	(1,454,940)
	8,787,285	69,711,733
Current portion	**8,787,285**	61,605,957
Non-current portion	**-**	8,105,776
	8,787,285	69,711,733

In February 2018, the Group issued Sukuk with an aggregate principal of SR 178 million. The Sukuk carry a fixed rate of interest at 8% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from May 2018, with the final instalment due in February 2023.

In December 2019, the Group issued a new Sukuk with an aggregate principal of SR 80 million. The Sukuk carry a fixed rate of interest at 6% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from March 2020, with the final instalment due in December 2022.

Both the Sukuks are secured by assignment of Islamic financing receivables.

C) The table below shows the details of the loans obtained by the Group from a government entity:

	2022 SR	*2021 SR*
Current portion	**129,302,272**	153,709,423
Non-current portion	**72,883,359**	174,568,951
	202,185,631	328,278,374

During October 2021 the Group received loan from the Social Development Bank (government entity) amounting to SR 20 million. The loans are repayable in monthly instalments commencing from January 2022, with the final instalment due in December 2024.

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19 BORROWINGS (continued)

During 2021 and 2022, the Group participated in funding for lending program by SAMA and received funding in 21 instalments total of SR 290 million funding from SAMA which is interest free funding with varying maturities, starting from March 2023 to September 2025.

The above loans received by the Group from a Social Development Bank carries special commission at rates significantly lower than the currently prevailing market rates while the loan received from SAMA is interest free. These loans provided to the Group carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of the "lower than market value" or "interest free" loans obtained by the Group had been identified and accounted for as "government grant" and has initially been recorded as deferred income and classified within "accounts payables, accruals and others". Such benefit is being recognised in statement of comprehensive income of the Group on a systematic basis as the expense, for which such grant is intended to compensate.

Further, during 2021 and 2022, the Group obtained loans from Social Development Bank amounting to SR 200 million at the prevailing market rates at 2.32% to 3.56% per annum. The maturity of the loans starting from June 2023 to May 2026.

The Company is engaged in profit rate swap agreements with a local banks. Notional amount of SR 211 million (31 December 2021: SR Nil). The change in fair value of those commission rates that are not designed in hedge relationships, but are, nevertheless, intended to reduce the level of commission rate risk. As at 31 December 2022, the fair value of the derivative instrument at FVTPL amounted to SR 5.5 million (31 December 2021: SR Nil).

The fair value hierarchy for derivatives not designated as hedging instruments for disclosure purpose is in level 2, with significant inputs being directly or indirectly observable.

20 EMPLOYEES' DEFINED BENEFIT LIABILITIES

The Group operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

The following tables summaries the components of employees' defined benefit liabilities recognised in the statement of comprehensive income and statement of financial position:

a) Amount recognised in the statement of financial position:

	2022	*2021*
	SR	*SR*
Present value of employees' defined benefit liabilities	**5,399,716**	4,245,231

b) Benefit expense (recognised in statement of comprehensive income):

	2022	*2021*
	SR	*SR*
Current service cost	**2,475,354**	940,899
Special commission expense	**147,446**	80,253
Benefit expense	**2,622,800**	1,021,152

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20 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

c) Movement in the present value of employees' defined benefit liabilities:

	2022 SR	*2021 SR*
Present value of employees' defined benefit liabilities at beginning of the year	**4,245,231**	3,115,107
Charge recognised in statement of comprehensive income		
Current service cost	**2,475,354**	940,899
Special commission expense	**147,446**	80,253
Actuarial loss (gain) recognised in the statement of other comprehensive income	**(1,331,643)**	327,749
Benefits paid	**(136,672)**	(218,777)
Present value of employees' defined benefit liabilities at end of the year	**5,399,716**	4,245,231

d) Principal actuarial assumptions:

Key assumptions used in the actuarial valuation:

	2022 SR	*2021 SR*
Discount rate	**4.57%**	3.53%
Salary growth rate	**4.07%**	3.53%
Retirement age (years)	**60**	60
Plan duration (years)	**12**	12.40
Mortality rate	**SA16 – 75%**	SA16 – 75%

e) Sensitivity analysis

A qualitative sensitivity analysis for significant assumptions is as shown:

31 December 2022	***Impact on defined benefit obligation – increase / (decrease)***		
Base Scenario	***Change in assumption***	***Increase in assumption***	***Decrease in assumption***
Discount rate	**+/- 50 basis points**	**187,118**	**(204,355)**
Expected rate of salary increase	**+/- 50 basis points**	**203,345**	**(187,984)**
Withdrawal rate	**+/- 100 basis points**	**(69,861)**	**70,512**
Life expectancy	**+/- 1 year**	**238**	**(2,174)**

31 December 2021	*Impact on defined benefit obligation – increase / (decrease)*		
Base Scenario	*Change in assumption*	*Increase in assumption*	*Decrease in assumption*
Discount rate	+/- 50 basis points	(214,464)	234,298
Expected rate of salary increase	+/- 50 basis points	233,128	(215,460)
Withdrawal rate	+/- 100 basis points	(57,059)	60,880
Life expectancy	+/- 1 year	3,590	(1,802)

The most recent actuarial valuation was performed by an independent, qualified actuary "Global Advisory" using the projected unit credit method. The Actuary is licensed from the "Fellow of Society of Actuaries, USA".

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20 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

The following are the expected payments or contributions to the defined benefit plan in future years:

	2022 ***SR***	*2021* *SR*
Within the next 12 months (next annual reporting period)	**1,323,284**	753,182
Between 1 and 2 years	**220,840**	182,625
Between 2 and 5 years	**1,164,842**	1,065,635
Beyond 5 years	**2,690,750**	2,243,789
Total expected payments	**5,399,716**	4,245,231

21 SHARE CAPITAL

Share capital is divided into 50 million shares (31 December 2022: 31.1355 million shares) of SR 10 each.

The Board of Directors in their meeting held on 1 Jumada al-Alkhirah 1443H (corresponding to 4 January 2022) resolved to increase the share capital of the Company from SR 311.35 million to SR 500 million from retained earnings, through rights issue to existing shareholders against cash contribution and through issuance of new shares purchased by the Company and reserved for Employees program. The rights issue was successful, and the amount of SR 160,623,050 was collected from existing shareholder of the Company and SR 28,021,950 was transferred from retained earnings to proposed increase in share capital.

The capital increase was executed pursuant to the Extra Ordinary General Meeting resolution dated 23 Rajab 1443H (corresponding to 24 February 2022) and SAMA approval numbered 43055056 dated 7 Jumada Al-Alkhirah 1443H (corresponding 20 January 2022). The legal formalities required to enforce the increase in share capital have been completed during the second quarter of 2022.

	31 December 2022 ***SR***	*31 December 2021* *SR*
Saudi shareholders	**483,937,700**	311,355,000
Treasury shares	**16,062,300**	-
	500,000,000	311,355,000

The treasury shares are held by the Group for the purpose of Employees retention program which will be launched in the coming period.

22 STATUTORY RESERVE

In accordance with Saudi Companies' Law, the Company must set aside 10% of its income after zakat in each year to statutory reserve until it has built up a reserve equal to 30% of the share capital. The reserve is not available for distribution.

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23 EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2022 and 2021 are calculated by dividing the net income for the years by the weighted average number of shares 45,348,479 (31 December 2021: 30,188,716) outstanding during the year.

24 ZAKAT

Charge for the year
The movement in the zakat provision for the year was as follows:

	2022 ***SR***	*2021* *SR*
At the beginning of the year	**7,000,512**	7,188,728
Charge for the year	**9,514,233**	6,599,568
Paid during the year	**(6,878,941)**	(6,787,784)
At the end of the year	**9,635,804**	7,000,512

Status of assessments
Morabaha Marina Financing Company
The Company has filed its zakat returns with the Zakat, Tax and Customs Authority ("ZATCA") for all previous years up to 2021. The Company had obtained its final zakat assessments for all the years until 2017, while the assessments for the years from 2018 to 2021 are still under review by ZATCA.

Status of assessments (continued)
Digital Payments Company for Financial Technology
The Company has filed its zakat returns with ZATCA for all previous years up to 2021, which is yet to be reviewed by ZATCA.

25 PARTLY-OWNED SUBSIDIARY

Financial Information of subsidiary that have material non-controlling interest is provided below:

Proportion of equity interest held by non-controlling interest:

Name	**Country of incorporation and operation**	***2022***
Digital Payments Company for Financial Technology (Loop)	Kingdom of Saudi Arabia	20%

	2022
Net Loss allocated to non-controlling interest	(2,028,442)
Net Comprehensive Loss allocated to non-controlling interest	(2,040,329)

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25 PARTLY-OWNED SUBSIDIARY (continued)

The summarized financial information of subsidiary is provided below. This information is based on accounts before inter-company eliminations.

Summarised statement of comprehensive loss for 2022:

	2022
Bank Charges	(636,597)
General & Administrative Expenses	(10,112,568)
Loss from operations	**(10,749,166)**
Other Income	764,202
Loss before zakat	**(9,984,963)**
Zakat	(157,248)
Net loss for the year	**(10,142,211)**
Actuarial loss on remeasurement of employees' defined benefit liabilities	(59,433)
Net comprehensive loss	**(10,201,644)**
Net loss attributable to NCI	(2,028,442)
Net Comprehensive loss attributable to NCI	(2,040,329)

Summarised statement of financial position as at 31 December 2022:

	2022
Cash and cash equivalents	26,665,440
Prepayments and other assets	2,279,838
Right of use asset	2,780,034
Intangible assets, net	9,511,862
Property and equipment, net	2,558,466
Accounts payable and accrued expenses	(6,027,031)
Provision for zakat	(157,248)
Lease liability	(2,892,822)
Employees' terminal benefits	(271,558)
Total Equity	**34,446,983**
Attributable to:	
Equity holders of parent	27,557,586
Non-controlling interest	6,889,397

Summarised cash flow information for year ended 31 December 2022:

	2022
Operating	(21,451,039)
Investing	(3,249,076)
Financing	50,430,217
Net increase in cash and cash equivalents	**25,730,102**

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26 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group's objectives for managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing the services commensurately with the level of risk.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, short term loans, trade and other payables, less cash and bank balances.

	2022 ***SR***	*2021* *SR*
Accounts payable, accruals and others	**16,887,940**	11,928,262
Provision for zakat	**9,635,804**	7,000,512
Borrowings	**615,724,994**	649,282,746
Lease liabilities	**6,649,315**	3,928,005
Employees' defined benefit liabilities	**5,399,716**	4,245,231
Less: Bank balances and cash	**(69,639,011)**	(42,807,690)
Net debt	**584,658,758**	633,577,066
Equity	**569,489,437**	365,879,650
Capital and net debt	**1,154,148,195**	999,456,716
Gearing ratio	**51%**	63%

27 FINANCIAL INSTRUMENTS AND FAIR VALUE

Financial instruments comprise financial asset and financial liabilities.

Financial assets consist of cash and cash equivalents, restricted cash deposits, Islamic financing receivables, Investment at fair value investment through OCI and other receivables. Financial liabilities consist of borrowings, accounts payable and others.

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

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27 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

Fair value hierarchy (continued)

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.

Following table indicates fair value level hierarchy of the financial instruments of the Group. Islamic financing receivables, investment at FVOCI and borrowings are classified within level 3 of the fair value hierarchy while the rest of the financial assets and financial liabilities included in the below table are classified within level 2 of the fair value hierarchy. Management believes that the fair value of the financial assets and liabilities included in the table below at the reporting date, approximate their carrying values mainly due to the short maturities of most of these financial assets and liabilities.

	2022 SR	*2021 SR*
Financial assets		
Cash and cash equivalents	**69,639,011**	42,807,690
Restricted cash deposits	**16,000,000**	-
Other assets (excluding special commission receivable)	**8,369,582**	7,801,679
Financial liabilities		
Accounts payables, accruals and others (excluding accrued special commission expense)	**9,701,802**	10,397,748

For assets and liabilities that are recognised at fair values in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

There have been no transfers to and from Level 2 and 3 during the current and prior year.

Fair value of the Islamic financing receivables (including special commission receivable)

	2022 Carrying value SR	***2022 Fair value SR***	*2021 Carrying value SR*	*2021 Fair value SR*
Financial assets				
Islamic financing receivables	**981,883,052**	**1,030,054,524**	924,111,199	966,742,246

For determination of the fair value of Islamic financing receivables, management assesses the market under the current conditions, and assesses the profit rates that the Group could obtain against its current portfolio. The portfolio is segregated into various categories. The profit rates over the last 5 years have been assessed and used as a base for the discount rate relating to the valuation of the portfolio. Premiums have then been added to each category based on the prevailing economic conditions in the country. The premiums move from 50 basis points to 250 basis points.

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27 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

The initial base rate, before premiums, were calculated using the average quoted rate against contracts for the last 5 years. This quoted rate was compared to the average effective yield that the contracts generate to derive the factor to translate the quoted rate to an effective rate in order to lift the base rate from a quoted rate to an effective rate. The average of the quoted rate for the Group's portfolio over this period was 14.86% (2021: 15.06 %), and the average effective rate for this same portfolio was 13.97% (2021: 13.70%), resulting in a lift factor of 0.75 (2021 0.92x).

Deemed premium for each category has been added to the base quoted rate, and the lift factor was applied to arrive at the effective yield which was used as a proxy discount rate to fair value the portfolio.

The cash flows of each category were discounted using the proxy discount rate applicable to each category to arrive at the fair value of the portfolio. Provision carried against the portfolio was then deducted to compare the carrying value to the deemed fair value.

The discount rates used range from 14.35% to 15.8% (2021: 15.36% to 17.36%).

Fair value of Borrowings (including accrued special commission expense):

The fair value of bank borrowings, sukuk payable and government loans is based on discounted value of expected future cash flows using the applicable market rates for similar types of instrument as of reporting date. The table below shows the fair value of bank borrowings as at 2022 and 2021, respectively.

	2022 Carrying value SR	***2022 Fair value SR***	*2021 Carrying value SR*	*2021 Fair value SR*
Financial liabilities				
Bank borrowings	**404,752,078**	**424,272,284**	251,292,639	265,769,282
Sukuk payable	**8,787,285**	**8,987,476**	69,711,733	80,926,381
Loans from a government entity	**202,185,631**	**208,632,199**	328,278,374	337,159,735

Fair Value of Investment at FVOCI

Management believes that the fair value of investment at FVOCI approximates its carrying value.

28 SEGMENT INFORMATION

The Group objective is to provide financing for Retails & SME`s. The Group has only one geographical segment and it operates in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the statement of financial position and statement of comprehensive income belongs to the Retail & SME`s segment. For management purposes, the Group is organised into the following primary business segments:

Retail
These represents financing products granted to individuals' customers.

SMEs
These represents finance products granted to small and medium sized businesses (SMEs).

Digital payments
These represents electronic commerce payments (Bayan) and providing electronic wallet services.

Head office
Head office is responsible for managing the surplus liquidity of the Group through short term market placements. It also provides support services to the business functions.

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28 SEGMENT INFORMATION (continued)

	Retail SR	*SMEs SR*	*Head office SR*	*Digital Payment*	*Total SR*
Statement of comprehensive income					
31 December 2022					
Income	**114,650,205**	**72,041,403**	**12,155,468**	**764,204**	**199,611,279**
Expense	**(51,841,130)**	**(44,042,114)**	**-**	**(10,965,847)**	**(106,849,091)**
Allowance for expected credit losses	**(30,879,576)**	**(15,570,342)**	**-**	**-**	**(46,449,918)**
Segment profit	**31,929,499**	**12,428,947**	**12,155,468**	**(10,201,643)**	**46,312,270**
31 December 2021					
Income	102,034,359	49,261,905	1,190,864	-	152,487,128
Expense	(41,556,642)	(31,235,063)	-	-	(72,791,705)
Allowance for expected credit losses	(21,486,028)	(17,328,149)	-	-	(38,814,177)
Segment profit	38,991,689	698,693	1,190,864	-	40,881,246
Statement of financial position					
31 December 2022					
Total Assets	**543,644,316**	**438,238,735**	**207,620,376**	**34,283,776**	**1,223,787,203**
Total Liabilities	**332,903,625**	**282,821,368**	**29,224,117**	**9,348,659**	**654,297,769**
31 December 2021					
Total Assets	527,573,272	396,537,927	118,153,207	-	1,042,264,406
Total Liabilities	370,674,247	278,608,499	27,102,010	-	676,384,756

29 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including special commission rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management. The most important types of risk are summarized below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The Group's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the table below.

	2022 SR	*2021 SR*
Cash and cash equivalents	**69,639,011**	42,807,690
Restricted cash deposit	**16,000,000**	-
Islamic financing receivables, net	**981,883,052**	924,111,199
Other assets	**8,369,582**	7,811,804
	1,075,891,645	974,730,693

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29 FINANCIAL RISK MANAGEMENT (continued)

Credit quality analysis

The following table sets out information about the credit quality of Islamic financing receivables measured at amortised cost:

	2022 ***SR***	*2021* *SR*
Neither past due nor impaired	**685,057,056**	640,947,622
Past due but not impaired:		
From 1 day to 30 days	**96,594,114**	95,507,696
From 31 day to 90 days	**160,069,593**	126,855,541
Past due and impaired	**92,976,647**	104,384,829
	1,034,697,410	967,695,688

a) Gross carrying value of Islamic financing receivable before ECL

	12 month ECL *SR*	*Life time ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
31 December 2022	**621,709,243**	**241,885,651**	**171,102,516**	**1,034,697,410**
31 December 2021	697,933,617	168,312,985	101,449,086	967,695,688

b) Allowance for ECL

	12 month ECL *SR*	*Life time ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
31 December 2022	**10,008,140**	**7,453,772**	**35,352,446**	**52,814,358**
31 December 2021	1,078,377	26,409,508	16,096,604	43,584,489

Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

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29 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades
The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

a) Generating the term structure of PD
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

The Group employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors include GDP growth, benchmark interest rates, unemployment etc.

Based on external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

b) Determining whether credit risk has increased significantly
The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Group’s staging criteria.

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

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

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29 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

b) Determining whether credit risk has increased significantly (continued)

The Group classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Group recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Group recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected behavioral maturity profile including restructuring or rescheduling of facilities.

Stage 3: for credit-impaired financial instruments, the Group recognises the lifetime ECL. Default identification process i.e. DPD of 121 or more is assumed to be stage 3.

c) Modified financial assets

The contractual terms of financing receivables may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing receivable whose terms have been modified may be derecognised and the renegotiated amount recognised as a new financing receivable at fair value in accordance with the Group's accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Group may renegotiate financing receivables to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's policy, Financing receivables' forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending other terms of financing.

Forbearance is a qualitative indicator of a significant increase in credit risk, and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of 12 months before the exposure is no longer considered to be credit-impaired/ in default.

d) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any credit obligations to the Group including principal instalments and interest payments.
- The Group considers that the obligor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any).

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

e) Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information from published sources, the Group formulates a forward looking adjustment to PD term structures to arrive at forward looking PD estimates across the lifetime using macroeconomic models.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2022

29 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)
e) Incorporation of forward looking information (continued)

The Group considers scenarios in range of 3-5 years horizon (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios, adjustments are made to base case forecasts based on expert judgement.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

f) Measurement of ECL
The key inputs into the measurement of ECL are the term structure of the variables set out below. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on models and assessed using tools tailored to various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the recoveries and costs incurred in the process to arrive at the estimates.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

The Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options), depending on exposure’s rating classification over which it is exposed to credit risk.

Collateral
The Group in the ordinary course of lending activities to SMEs hold collaterals as security to mitigate credit risk in the loans. These collaterals mostly include vehicles and real estate. The collaterals are held mainly against SME loans and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of collateral held as security for loans that are credit impaired as at 31 December 2022 is SR 405.2 million (31 December 2021: 371.6 million)

g) Governance and controls
In addition to the existing risk management framework, the Group has established a Management Committee for oversight of IFRS 9 impairment process that includes representation from Finance, as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2022

29 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)
Analysis of financial liabilities by remaining contractual maturities
The table below summarizes the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date.

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*Total SR*
31 December 2022				
Accounts payable, accruals and others*	**7,899,564**	**6,042,821**	**-**	**13,942,385**
Borrowings*	**94,293,904**	**213,535,793**	**310,840,852**	**618,670,549**
	102,193,468	**219,578,614**	**310,840,852**	**632,612,934**
31 December 2021				
Accounts payable, accruals and others*	9,881,922	-	515,824	10,397,746
Borrowings*	79,653,164	226,053,898	345,106,198	650,813,260
	89,535,086	226,053,898	345,622,022	661,211,006

* Accrued special commission expense as at the reporting date has been included as part of borrowings for the purpose of above disclosure.

Analysis of financial assets and liabilities according to when they are expected to be recovered or settled
The table shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
31 December 2022					
Cash and cash equivalents	**69,639,011**	-	-	-	**69,639,011**
Investment at fair value through OCI	-	-	-	**892,850**	**892,850**
Islamic financing receivables	**112,485,215**	**299,303,467**	**570,094,369**	-	**981,883,051**
Other assets	**49,568,750**	**68,560,503**	**53,243,041**	-	**171,372,294**
Financial assets	**231,692,976**	**367,863,970**	**623,337,410**	**892,850**	**1,223,787,206**
Accounts payable, accruals and others	**10,200,399**	**6,687,541**	-	-	**16,887,940**
Borrowings	**91,348,348**	**213,535,793**	**310,840,852**	-	**615,724,993**
Lease liabilities	**923,472**	**1,736,912**	**3,988,931**	-	**6,649,315**
Other liabilities	-	**9,635,804**	-	**5,399,716**	**14,969,120**
Financial liabilities	**102,472,219**	**231,596,050**	**314,829,783**	**5,399,716**	**654,231,368**
Maturity gap	**129,220,757**	**136,267,920**	**308,507,627**	**(4,506,866)**	**569,555,838**
Cumulative maturity gap	**129,220,757**	**265,488,677**	**573,996,303**	**569,489,438**	

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2022

29 FINANCIAL RISK MANAGEMENT (continued)

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
31 December 2021					
Cash and cash equivalents	42,807,690	-	-	-	42,807,690
Investment at fair value through OCI	-	-	-	892,850	892,850
Islamic financing receivables	89,720,387	249,387,304	585,003,508	-	924,111,199
Other assets	4,788,759	2,962,701	8,145,725	58,555,482	74,452,667
Financial assets	137,316,836	252,350,005	593,149,233	59,448,332	1,042,264,406
Accounts payable, accruals and others	11,412,438	-	515,824	-	11,928,262
Borrowings	78,122,650	226,053,898	345,106,198	-	649,282,746
Lease liabilities	423,861	1,271,583	2,232,561	-	3,928,005
Other liabilities	-	6,257,031	-	4,245,231	10,502,262
Financial liabilities	89,958,949	233,582,512	347,854,583	4,245,231	675,641,275
Maturity gap	47,357,887	18,767,493	245,294,650	55,203,101	366,623,131
Cumulative maturity gap	47,357,887	66,125,380	311,420,030	366,623,131	

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Group is subject to special commission rate risk on its special commission bearing assets and liabilities, including Islamic financing receivables and borrowings.

All of the Group's special commission bearing assets, sukuk payable and loans from a government entity carry special commission at fixed rates and therefore, management believes that the Group is not exposed to any special commission rate risk in respect of these assets.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's profit or loss relating to the floating rate borrowings for which the Group does not use derivatives for hedging. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net commission income for one year, based on such floating rate borrowings held as at the reporting date.

	2022	
	Change in basis points	***Impact on net income SR***
Saudi Riyals	+50	**839,230**
Saudi Riyals	-50	**(839,230)**

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2022

29 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	2021	
	Change in basis points	*Impact on net income SR*
Saudi Riyals	+50	1,106,415
Saudi Riyals	-50	(1,106,415)

The Group is exposed to risks associated with the fluctuations in the levels of market special commission rates. The table below summarizes the Group's exposure to special commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that reprice or mature in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

			2022		
	Within 3 months SR	*3 -12 months SR*	*1 to 5 years SR*	*Non commission bearing SR*	*Total SR*
Assets					
Cash and cash equivalents	**69,639,011**	-	-	-	**69,639,011**
Restricted cash deposits	**16,000,000**	-	-	-	**16,000,000**
Prepayments and other assets	**23,823,488**	**7,485,165**	**5,262,442**	-	**36,571,095**
Investment at FVOCI	-	-	-	**892,850**	**892,850**
Islamic financing receivables	**112,485,215**	**299,303,467**	**570,094,369**	-	**981,883,051**
Intangible assets	-	-	-	**45,379,200**	**45,379,200**
Fair value derivatives	-	-	-	**5,500,462**	**5,500,462**
Repossessed asset held for sale	-	-	-	**53,629,422**	**53,629,422**
Right to use assets	-	-	-	**7,225,463**	**7,225,463**
Property and equipment	-	-	-	**7,066,652**	**7,066,652**
Total assets	**221,947,714**	**306,788,632**	**575,356,811**	**119,694,049**	**1,223,787,206**
Liabilities					
Accounts payable, accruals and others	-	-	-	**16,887,940**	**16,887,940**
Provision for zakat	-	-	-	**9,635,804**	**9,635,804**
Lease liabilities	**923,472**	**1,736,912**	**3,988,931**	-	**6,649,315**
Borrowings	**91,348,348**	**213,535,793**	**310,840,852**	-	**615,724,994**
Employees' terminal benefits	-	-	-	**5,399,716**	**5,399,716**
Total liabilities	**92,271,820**	**215,272,705**	**314,829,783**	**31,923,460**	**654,297,769**
Total special commission rate sensitivity gap	**129,675,894**	**91,515,927**	**260,527,028**	**87,770,589**	**569,489,437**
Cumulative special commission rate sensitivity gap	**129,675,894**	**221,191,821**	**481,718,849**	**569,489,437**	

Morabaha Marina Financing Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2022

29 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	2021				
	Within 3 months SR	*3 -12 months SR*	*1 to 5 years SR*	*Non commission bearing SR*	*Total SR*
Assets					
Cash and cash equivalents	42,807,690	-	-	-	42,807,690
Prepayments and other assets	4,364,605	1,690,239	5,577,854	-	11,632,698
Investment at FVOCI	-	-	-	892,850	892,850
Islamic financing receivables	89,720,387	249,387,304	585,003,508	-	924,111,199
Repossessed asset held for sale	-	-	-	49,421,675	49,421,675
Right to use assets	-	-	-	4,264,487	4,264,487
Property and equipment	-	-	-	4,491,747	4,491,747
Intangible assets	-	-	-	4,642,060	4,642,060
Total assets	136,892,682	251,077,543	590,581,362	63,712,819	1,042,264,406
Liabilities					
Accounts payable, accruals and others	-	-	-	11,928,262	11,928,262
Provision for zakat	-	-	-	7,000,512	7,000,512
Lease liabilities	423,861	1,271,583	2,232,561	-	3,928,005
Borrowings	78,122,650	226,053,898	345,106,198	-	649,282,746
Employees' terminal benefits	-	-	-	4,245,231	4,245,231
Total liabilities	78,546,511	227,325,481	347,338,759	23,174,005	676,384,756
Total special commission rate sensitivity gap	58,346,171	23,752,062	243,242,603	40,538,814	365,879,650
Cumulative special commission rate sensitivity gap	58,346,171	82,098,233	325,340,836	365,879,650	

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is not subject to fluctuations in foreign exchange rates in the normal course of its business as it does not have any significant financial assets and liabilities denominated in foreign currency.

30 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections. despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The Group has also made updates within its ECL model.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
31 December 2022

30 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (continued)

During the year ended 31 December 2022, the Group has revised certain inputs and assumptions (including but not limited to macroeconomic factors and scenario probabilities) used for the determination of ECL.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

Private Sector Financing Support Program ("PSFSP")
In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently.

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

In order to compensate the related cost that the Group has incurred under SAMA program, during the years 2022 and 2021, the Group as an SME to their bankers, received option to defer payments from its bank borrowings during 2021 and 2022, amounting to SR 56.2 million and SR 41 million respectively.

The Group has effected this by deferring the instalments falling in the same fifteen months period. This has resulted in the Group recognizing a day 1 modification gain of SR 16.3 million. As at 30 June 2021, Group offset 16.3 million as unwinding of recorded modified gain. The net impact of day 1 modification gain and unwinding of recorded modified gain has been presented as part of special commission income.

Funding for lending program:
During 2021 and 2022, the Group has received SR 250 million from SAMA for granting credit facilities to eligible MSMEs under Funding for Lending program. The funding received qualified for the government grant treatment. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 22.94 million, which has been recognized in the statement of comprehensive income as day 1 gain during 2021 and 2022 and subsequent unwinding of SR 0.011 million SR 1.62 million for 2021 and 2022 respectively. In line with the requirements of deferment program the Group granted the credit facilities to eligible MSMEs customers at lower than market rate and accordingly recognized day 1 loss of SR 22.5 million in 2021 and 2022 in statement of comprehensive income and subsequent unwinding of SR 0.94 million and SR 7.2 million for 2021 and 2022 respectively.

The management has exercised certain judgements in the recognition and measurement of above modification loss, gain and government grant.

31 COMMITMENTS AND CONTIGENCIES

As at 31 December 2022 the Group had capital commitments of SR Nil million (2021: SR 4.43 million) in respect of building and equipment purchases.

As at 31 December 2022 and 31 December 2021 the Group do not have any contingent liabilities.

32 OFF BALANCE SHEET TRANSACTION

During the year, Group entered into a Musharakah agreement amounting to SR 50 million with one of the capital market institution. As per the agreement, the Group act as managing agent in fiduciary capacity for the Musharakah amount, and accordingly the amount is not included in the consolidated financial statements and are treated as off-balance sheet transaction.

33 EVENTS AFTER THE REPORTING PERIOD

No other events have occurred subsequent to the reporting date and before the issuance of these consolidated financial statements which requires adjustment to, or disclosure, in these consolidated financial statements.

34 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 27 February 2023 (corresponding to 7 Sha'ban 1444H).

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

EY
Building a better working world

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MORABAHA MARINA FINANCING COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Morabaha Marina Financing Company - A Saudi Joint Stock Company (the "Company") and its subsidiary (collectively with the Company, the "Group") as at 30 June 2022, and the related interim condensed consolidated statement of comprehensive income for the three-month and six-month periods ended 30 June 2022 and interim condensed consolidated statement of changes in shareholders' equity and cash flows for the six-month period then ended and other explanatory notes (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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" 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 5 Muharram 1444H
(3 August 2022)

C.R. 1010383821
Ernst & Young Professional Services
Professional LLC

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and six-month periods ended 30 June 2022

	Notes	*For the three-month period ended 30 June* **2022 (Unaudited) SR**	*For the three-month period ended 30 June* 2021 (Unaudited) SR	*For the six-month period ended 30 June* **2022 (Unaudited) SR**	*For the six-month period ended 30 June* 2021 (Unaudited) SR
Special commission income	4	**38,988,499**	31,431,743	**77,378,961**	60,786,931
Special commission expense		**(5,758,892)**	(4,758,680)	**(11,381,163)**	(10,037,535)
NET SPECIAL COMMISSION INCOME		**33,229,607**	26,673,063	**65,997,798**	50,749,396
Other income, net	5	**6,590,373**	4,259,637	**12,596,304**	8,314,132
General and administration expenses	6	**(14,363,962)**	(11,816,316)	**(26,450,769)**	(22,329,754)
Impairment losses on Islamic financing receivables	7	**(9,505,997)**	(6,024,363)	**(18,849,240)**	(12,868,888)
INCOME BEFORE ZAKAT		**15,950,021**	13,092,021	**33,294,093**	23,864,886
Zakat	9	**(3,337,279)**	(2,676,939)	**(6,898,048)**	(4,488,891)
NET INCOME FOR THE PERIOD		**12,612,742**	10,415,082	**26,396,045**	19,375,995
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**12,612,742**	10,415,082	**26,396,045**	19,375,995
Attributable to:					
Equity holders of the Parent		**12,694,246**	10,415,082	**26,477,548**	19,375,995
Non-controlling interest		**(81,504)**	-	**(81,504)**	-
		12,612,742	10,415,082	**26,396,044**	19,375,995
Basic and diluted earnings per share					
Earnings per share from net income attributable to equity holders of the Parent		**0.26**	0.33	**0.55**	0.65

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Notes	***30 June 2022 (Unaudited) SR***	*31 December 2021 (Audited) SR*
ASSETS			
Cash and cash equivalents		**86,073,861**	42,807,690
Restricted cash deposits	10	**16,000,000**	-
Prepayments and other assets		**22,036,927**	11,632,698
Investment at fair value through OCI		**892,850**	892,850
Islamic financing receivables	7	**1,001,714,663**	924,111,199
Repossessed asset held for sale	7	**59,990,647**	49,421,675
Right-of-use assets		**3,412,377**	4,264,487
Intangible assets - Goodwill	3	**11,176,751**	-
Other intangible assets		**13,287,818**	4,642,060
Property and equipment		**7,842,638**	4,491,747
TOTAL ASSETS		**1,222,428,532**	1,042,264,406
LIABILITIES AND EQUITY			
Accounts payable, accruals and others	8	**39,678,477**	11,928,262
Provision for zakat	9	**7,019,619**	7,000,512
Borrowings	10	**632,188,169**	649,282,746
Lease liabilities		**2,716,429**	3,928,005
Employees' defined benefit liabilities		**5,008,579**	4,245,231
TOTAL LIABILITIES		**686,611,273**	676,384,756
EQUITY			
Share capital	11	**500,000,000**	311,355,000
Statutory reserve		**17,250,061**	17,250,061
Treasury shares	11	**(16,062,300)**	-
Retained earnings		**35,730,187**	37,274,589
Equity attributable to equity holders of Parent		**536,917,948**	365,879,650
Non-controlling interests		**(1,100,689)**	-
TOTAL EQUITY		**535,817,259**	365,879,650
TOTAL LIABILITIES AND EQUITY		**1,222,428,532**	1,042,264,406

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six-month period ended 30 June 2022

	Share capital SR	*Statutory reserve SR*	*Treasury shares SR*	*Retained earnings SR*	*Total SR*	*Non-controlling interests*	*Total equity SR*
For the six-month period ended 30 June 2021							
Balance at 1 January 2021	280,500,000	13,194,711	-	31,631,442	325,326,153	-	325,326,153
Increase in share capital	30,855,000	-	-	(30,855,000)	-	-	-
Net income for the period	-	-	-	19,375,995	19,375,995	-	19,375,995
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	19,375,995	19,375,995	-	19,375,995
Balance at 30 June 2021 (unaudited)	311,355,000	13,194,711	-	20,152,437	344,702,148	-	344,702,148
For the six-month period ended 30 June 2022							
Balance at 1 January 2022	**311,355,000**	**17,250,061**	-	**37,274,589**	**365,879,650**	-	**365,879,650**
Increase in share capital through transfer from retained earnings (note 11)	**28,021,950**	-	-	**(28,021,950)**	-	-	-
Increase in share capital through cash injection (note 11)	**160,623,050**	-	-	-	**160,623,050**	-	**160,623,050**
Treasury share purchased (note 11)	-	-	**(16,062,300)**	-	**(16,062,300)**	-	**(16,062,300)**
Net income for the period	-	-	-	**26,477,548**	**26,477,548**	**(1,100,689)**	**25,376,859**
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	**26,477,548**	**26,477,548**	**(1,100,689)**	**25,376,859**
Balance at 30 June 2022 (unaudited)	**500,000,000**	**17,250,061**	**(16,062,300)**	**35,730,187**	**536,917,948**	**(1,100,689)**	**535,817,259**

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six-month period ended 30 June 2022

	Notes	*2022 (Unaudited) SR*	*2021 (Unaudited) SR*
OPERATING ACTIVITIES			
Income before zakat		**33,294,093**	10,772,865
Adjustments for:			
Impairment losses on Islamic financing receivables	7	**18,849,240**	6,844,525
Depreciation and amortisation		**1,721,238**	554,141
Depreciation of right-of-use assets		**852,110**	396,796
Finance charge on lease		**129,453**	71,391
Provision for employees' terminal benefits		**769,348**	570,771
Operating cash flows before working capital changes		**55,615,482**	19,210,489
Working capital adjustments:			
Islamic financing receivables		**(96,553,046)**	(74,719,683)
Prepayments and other assets		**(10,304,229)**	(2,923,358)
Restricted deposit		**(16,000,000)**	-
Repossessed asset held for sale		**(10,568,972)**	10,500,000
Accounts payable, accruals and others		**9,593,179**	1,194,598
Net cash used in operations		**(68,217,586)**	(46,737,954)
Zakat paid	9	**(6,878,941)**	(6,787,784)
Employees' terminal benefits paid		**(6,000)**	(93,747)
Net cash used in operating activities		**(75,102,527)**	(53,619,485)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(415,268)**	(117,327)
Purchase of intangible assets		**(1,305,971)**	(97,000)
Acquisition of a subsidiary, Cash acquired	3	**935,340**	-
Acquisition of a subsidiary – Consideration paid	3	**(7,100,000)**	-
Net cash used in investing activities		**(7,885,899)**	(214,327)
FINANCING ACTIVITIES			
Proceeds from borrowings		**126,062,300**	83,000,000
Repayment of borrowings		**(143,156,877)**	(44,478,083)
Proceeds from increase of capital, net of treasury shares		**144,560,750**	-
Lease liabilities paid		**(1,211,576)**	(410,000)
Net cash from financing activities		**126,254,597**	38,111,917
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**43,266,171**	(15,721,895)
Cash and cash equivalents at the beginning of the period		**42,807,690**	89,064,757
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**86,073,861**	73,342,862
SIGNIFICANT NON-CASH TRANSACTIONS:			
Proposed increase in share capital		-	30,855,000
Special commission received		**60,392,204**	19,330,840
Special commission paid		**(10,865,583)**	(3,645,726)

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
At 30 June 2022

1 ACTIVITIES

Morabaha Marina Financing Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010337706 dated 14 Jumad Al Thani 1433H (corresponding to 5 May 2012). The Company's head office is located at Riyadh and registered address is P.O. Box 8055, Riyadh 14925, Kingdom of Saudi Arabia, Ar Rabi district, Thomamah road. The Company has the following branches:

Branch Commercial Registration Number	*Branch location*	*Date*
3450015199	Arar	8 Jumada II 1437H
1010337706	Riyadh Main	14 Jumada II 1433H
1010351999	Riyadh	16 Dhul-Qadah 1433H
1010453589	Riyadh	2 Dhul-Qadah 1439H
1116010899	Dawadmi	19 Jumada II 1436H
2050125719	Dammam	8 Ramdan 1440H
2053112249	Qatif	2 Dhul-Qadah 1439H
3400019877	Skaka	10 Sahwwal 1437H
3452010771	Qurayyat	27 Sha'aban 1438H
4030288370	Jeddah	8 Jumada II 1437H
4030305936	Jeddah	2 Dhul-Qadah 1439H
5850064133	Abha	4 Sha'aban 1435H
5900034225	Jizan	8 Jumada II 1437H
1131307492	Buraydah	8 Muharram 1440H
3350149330	Hail	8 Muharram 1440H
5950028443	Najran	25 Muharram 1440H

The Group is engaged in leasing and providing financing facilities to medium and small enterprises and consumers in addition to financing production assets and offering consumer finance in accordance with the Saudi Central Bank ("SAMA") approval number 22/201410 dated 19 Dhul Qadah 1435H (corresponding to 13 September 2014).

On 20 August 2019 the shareholders of the Company decided to go for an Initial Public Offering (IPO). The listing procedures are still in process as of the date of approving these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements include the financial statements of the Company and the financial statements of the following subsidiary (collectively referred to as the "Group" in these interim condensed consolidated financial statements):

- Digital Payments Company for Financial Technology a limited liability company, is registered in the Kingdom of Saudi Arabia under Commercial Registration No. 1010949680 issued on 28 Sha'ban 1439H (corresponding to 14 May 2018) (note 3).

2 BASIS OF PREPARATION

a. Statement of compliance

The interim condensed consolidated financial statements of the Group as at and for the six-month period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2021.

An interim period is considered an integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

In preparing these interim condensed consolidated financial statements, the significant judgments made by the management are same as those that applied to the financial statements for the year ended 31 December 2021.

These interim condensed consolidated financial statements have been presented in Saudi Riyals, as it is the functional currency of the Group.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2022

2 BASIS OF PREPARATION (continued)

a. Statement of compliance

The Group presents its statement of financial position in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item.

b. Significant accounting judgments, estimates and assumptions

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021 except for the below new accounting policy which Group adopted due to first time business combination (note 3).

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2022

2 BASIS OF PREPARATION (continued)

b. Significant accounting judgments, estimates and assumptions (continued)

Business combinations and goodwill (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 30 June 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2022

2 BASIS OF PREPARATION (continued)

c. New standards, interpretations and amendments

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any impact on the financial statements of the year.

Standard, interpretation, amendments	**Description**	**Effective date**
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	*Amendments to IFRS 3, 'Business combinations'* update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. *Amendments to IAS 16, 'Property, plant and equipment'* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. *Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'* specify which costs a company includes when assessing whether a contract will be loss-making. *Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.*	Annual periods beginning on or after 1 January 2022.
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2022

2 BASIS OF PREPARATION (continued)

d. Accounting standards issued but not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after 1 January 2023.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2022

3 BUSINESS COMBINATION

On 16 June 2022, the Group acquired 80% shares of Digital Payments Company for Financial Technology, a non-listed Company registered and based in Kingdom of Saudi Arabia and is engaged in building the technology of payments gateway (aggregation model), capable of satisfying the rapidly growing electronic commerce payments (Bayan) and providing electronic wallet services (Bayan wallet) in the Kingdom of Saudi Arabia. The Group acquired Digital Payments Company for Financial Technology because it add new products in the business and Group strategy is to enter in Fintech market.

Assets acquired and liabilities assumed

The fair values of identifiable assets and liabilities of Digital Payments Company for Financial Technology as at the date of acquisition were:

	16 June 2022 *SR*
Assets	
Bank balances and cash	**935,340**
Prepayments and other assets	**645,342**
Intangible assets	**8,250,251**
Property and equipment, net	**3,387,940**
	13,218,873
Liabilities	
Accounts payable and accrued expenses	**(18,157,036)**
Employees' terminal benefits	**(157,776)**
	(18,314,812)
Total identifiable net assets acquired	**(5,095,939)**
Non-controlling interest	**1,019,188**
Net assets attributable to equity holders of Parent	**(4,076,751)**

Adjustments to the provisional fair values, goodwill will be finalised within one year of the date of acquisition as allowed by IFRS 3.

The provisional goodwill and intangible assets arising from the acquisition has been recognized as follows:

Purchase consideration transferred	**7,100,000**
Less: Fair value of identifiable net assets acquired	**(4,076,751)**
Provisional goodwill arising on acquisition	**11,176,751**

The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations. The Group is currently in the process of allocating the purchase consideration to the identifiable assets and liabilities acquired. Accordingly, the Group has provisionally accounted for the transaction based on the provisional fair values of the acquired assets and liabilities as of the acquisition date.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2022

4 SPECIAL COMMISSION INCOME

Special commission income comprises of income from the following financing products:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2022 (Unaudited) SR	2021 (Unaudited) SR	**2022 (Unaudited) SR**	2021 (Unaudited) SR
Tawarruq	**36,930,549**	29,422,828	**73,494,725**	57,879,552
Ijara	**2,057,950**	2,008,915	**3,884,236**	2,907,379
	38,988,499	31,431,743	**77,378,961**	60,786,931

All the special commission income are from financing products which are Shariah compliant.

5 OTHER INCOME

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2022 (Unaudited) SR	2021 (Unaudited) SR	**2022 (Unaudited) SR**	2021 (Unaudited) SR
Recovery of Islamic financing receivables written off	**3,944,342**	1,979,808	**8,462,762**	4,462,966
Income from early settlement fees	**1,284,441**	2,130,530	**2,629,334**	3,485,526
Gain on sale of repossessed asset held for sale	**1,076,527**	-	**1,076,527**	-
Income from short term deposits	**192,520**	71,903	**227,044**	288,244
Others	**92,543**	77,396	**200,637**	77,396
	6,590,373	4,259,637	**12,596,304**	8,314,132

6 GENERAL AND ADMINISTRATION EXPENSES

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2022 (Unaudited) SR	2021 (Unaudited) SR	**2022 (Unaudited) SR**	2021 (Unaudited) SR
Salaries and employee related costs	**8,467,862**	7,651,196	**16,364,492**	14,291,377
Depreciation and amortisation	**1,088,807**	954,420	**2,061,866**	1,906,291
Professional fee	**1,053,245**	831,410	**1,774,424**	1,653,146
Insurance charges	**683,763**	399,002	**1,203,212**	592,362
Utilities expense	**535,323**	347,951	**697,433**	512,486
Repair and maintenance	**306,775**	512,073	**574,976**	1,032,194
Bank charges	**242,707**	262,820	**509,106**	555,130
Other expenses	**1,985,480**	857,444	**3,265,260**	1,786,768
	14,363,962	11,816,316	**26,450,769**	22,329,754

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2022

7 ISLAMIC FINANCING RECEIVABLES, NET

	Tawarruq receivables		*Ijara receivables*		*Total*	
	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*	***30 June 2022 (Unaudited) SR***	*31 December 2021 (Audited) SR*	***30 June 2022 (Unaudited) SR***	*31 December 2021 (Audited) SR*
Gross Islamic financing receivables	**1,309,923,345**	1,219,257,138	**57,908,126**	56,397,266	**1,367,831,471**	1,275,654,404
Less: Unrealised profit	**(309,335,021)**	(294,590,531)	**(14,117,498)**	(13,368,185)	**(323,452,519)**	(307,958,716)
	1,000,588,324	924,666,607	**43,790,628**	43,029,081	**1,044,378,952**	967,695,688
Less: Allowance for impairment losses	**(41,000,736)**	(42,520,291)	**(1,663,553)**	(1,064,198)	**(42,664,289)**	(43,584,489)
Islamic financing receivables, net	**959,587,588**	882,146,316	**42,127,075**	41,964,883	**1,001,714,663**	924,111,199

All the financing facilities provided by Group are Shariah compliant, accordingly they are unconventional in nature.

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type is presented below:

30 June 2022 (unaudited)

	Gross Carrying Amount				***Allowance for ECL***				***ECL Coverage %***			
	Stage 1 SR	***Stage 2 SR***	***Stage 3 SR***	***Total SR***	***Stage 1 SR***	***Stage 2 SR***	***Stage 3 SR***	***Total SR***	***Stage 1 %***	***Stage 2 %***	***Stage 3 %***	***Total %***
Tawarruq	**702,816,076**	**171,034,060**	**126,738,188**	**1,000,588,324**	**1,702,129**	**10,070,096**	**29,228,511**	**41,000,736**	**0.2%**	**5.9%**	**23.1%**	**4.1%**
Ijara	**27,275,010**	**13,964,596**	**2,651,364**	**43,890,970**	**42,819**	**466,746**	**1,153,988**	**1,663,553**	**0.2%**	**3.3%**	**43.5%**	**3.8%**
Total	**730,091,086**	**184,998,656**	**129,389,552**	**1,044,479,294**	**1,744,948**	**10,536,842**	**30,382,499**	**42,664,289**	**0.2%**	**5.7%**	**23.5%**	**4.1%**

31 December 2021 (Audited)

	Gross carrying amount				*Allowance for ECL*				*ECL Coverage %*			
	Stage 1 SR	*Stage 2 SR*	*Stage 3 SR*	*Total SR*	*Stage 1 SR*	*Stage 2 SR*	*Stage 3 SR*	*Total SR*	*Stage 1 %*	*Stage 2 %*	*Stage 3 %*	*Total %*
Tawarruq	673,115,530	151,392,482	100,158,595	924,666,607	1,057,801	25,879,016	15,583,474	42,520,291	0.2%	17.1%	15.6%	4.6%
Ijara	24,818,087	16,920,503	1,290,491	43,029,081	20,577	530,492	513,129	1,064,198	0.1%	3.1%	39.8%	2.5%
Total	697,933,617	168,312,985	101,449,086	967,695,688	1,078,378	26,409,508	16,096,603	43,584,489	0.2%	15.7%	15.9%	4.5%

Morabaha Marina Financing Company
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2022

7 ISLAMIC FINANCING RECEIVABLES, NET (continued)

Analysis of credit quality of Islamic financing receivables is as follows:

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Neither past due nor impaired	**684,703,848**	640,947,622
Past due but not impaired	**259,207,391**	222,363,237
Past due and impaired	**100,467,713**	104,384,829
	1,044,378,952	967,695,688

Management classifies Islamic financing receivables that are either not yet due or otherwise past due but for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing". Below is the breakdown of performing and non-performing Islamic financing receivables:

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Performing	**943,911,239**	863,310,859
Non-performing	**100,467,713**	104,384,829
	1,044,378,952	967,695,688

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited)* ***SR***
Current	**394,693,622**	339,107,691
Non-current	**649,685,330**	628,587,997
	1,044,378,952	967,695,688

Movement in the allowance for impairment losses were as follows:

	For the six-month period ended 30 June 2022 (Unaudited) SR	*For the year ended 31 December 2021 (Audited) SR*	*For the six-month period ended 30 June 2021 (Unaudited) SR*
At beginning of the period / year	**43,584,489**	27,936,407	27,936,407
Charge for the period / year	**18,849,240**	38,814,177	12,868,888
Written-off during the period / year	**(19,769,440)**	(23,166,095)	(10,371,668)
At end of the period / year	**42,664,289**	43,584,489	30,433,627

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7 ISLAMIC FINANCING RECEIVABLES, NET (continued)

The following table shows reconciliations from the opening to the closing balance of the impairment allowance for financings to customers at amortized cost.

30 June 2022 (Unaudited)	***12 month ECL SR***	***Lifetime ECL not credit impaired SR***	***Lifetime ECL credit impaired SR***	***Total SR***
Balance at 1 January 2022	**(14,365,595)**	**20,247,888**	**37,702,196**	**43,584,489**
Transfer to 12 month ECL	**236,889**	**(194,141)**	**(42,748)**	**-**
Transfer to Lifetime ECL not credit impaired	**(5,717,730)**	**12,029,228**	**(6,311,498)**	**-**
Transfer to Lifetime ECL credit impaired	**(8,539,734)**	**(49,899)**	**8,589,633**	**-**
Charge for the year	**(14,940,775)**	**11,785,188**	**22,004,827**	**18,849,240**
Write-offs	**-**	**-**	**(19,769,440)**	**(19,769,440)**
Balance as at 30 June 2022	**(43,326,945)**	**43,818,264**	**42,172,970**	**42,664,289**

31 December 2021 (Audited)	*12 month ECL SR*	*Lifetime ECL not credit impaired SR*	*Lifetime ECL credit impaired SR*	*Total SR*
Balance at 1 January 2021	5,209,202	3,261,133	19,466,072	27,936,407
Transfer to 12 month ECL	2,863,458	(1,206,771)	(1,656,687)	-
Transfer to Lifetime ECL not credit impaired	(1,584,297)	2,828,035	(1,243,738)	-
Transfer to Lifetime ECL credit impaired	(12,226,497)	(2,422,969)	14,649,466	-
Charge for the year	(8,627,461)	17,788,460	29,653,178	38,814,177
Write-offs	-		(23,166,095)	(23,166,095)
Balance as at 31 December 2021	(14,365,595)	20,247,888	37,702,196	43,584,489

REPOSSESSED ASSET HELD FOR SALE

During prior years and current period, the Group acquired a real estate properties against defaulted Tawarruq receivables. Based on the external valuation of real estate properties by Olat Properties Management (OPM) and Moheet Al-Jazirah Company, fair value of the related properties are more than net realisable value of Islamic financing receivables. Accordingly, as at 30 June 2022, these assets are recognized at net realisable value of Islamic financing receivables amounting to SR 59.9 million (31 December 2021: SR 49.4 million). Below is the movement:

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Balance at the beginning of the period/year	**49,421,675**	66,606,251
Addition during the period/year	**19,847,445**	-
Sale during the period/year	**(9,278,473)**	(17,184,576)
Balance at the end of the period/year	**59,990,647**	49,421,675

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8 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Accounts payable	**31,806,644**	5,300,822
Accrued expenses	**6,410,223**	4,329,978
Accrued special commission expenses	**136,379**	1,530,514
Others	**1,325,231**	766,948
	39,678,477	11,928,262

Terms and conditions of the above financial liabilities:

- Accounts payables are non-interest bearing and are normally settled on 60-day terms.
- Accrued special commission expenses are normally settled as and when the instalment is paid.

Accrued special commission expense relates to the special commission expense against borrowings accrued until the period/year end.

9 ZAKAT

Charge for the period / year
The movement in the zakat provision for the period / year was as follows:

	For the six-month period ended 30 June 2022 (Unaudited) SR	*For the year ended 31 December 2021 (Audited) SR*	*For the six-month period ended 30 June 2021 (Unaudited) SR*
At beginning of the period / year	**7,000,512**	7,188,728	7,188,728
Charge for the period / year	**6,898,048**	6,599,568	4,488,891
Paid during the period / year	**(6,878,941)**	(6,787,784)	(6,787,784)
At end of the period / year	**7,019,619**	7,000,512	4,889,835

Status of assessments
Morabaha Marina Financing Company
The Company has filed its zakat returns with the Zakat, Tax and Customs Authority ("ZATCA") for all previous years up to 2021. The Company had obtained its final zakat assessments for all the years until 2017, while the assessments for the years from 2018 to 2022 are still under review by the ZATCA.

Digital Payments Company for Financial Technology
The Company has filed its zakat returns with the ZATCA for all previous years up to 2021, which is yet to be reviewed by ZATCA.

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10 BORROWINGS

The table below shows the details of the borrowings obtained by the Group:

		30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
A	Bank borrowings	**322,664,702**	251,292,639
B	Sukuk payable	**39,224,943**	69,711,733
C	Borrowings from government entities	**270,298,524**	328,278,374
		632,188,169	649,282,746
	Current portion	**313,682,584**	304,176,548
	Non-current portion	**318,505,585**	345,106,198
		632,188,169	649,282,746

All borrowing facilities of the Group are Shariah compliant financing arrangements, and are unconventional in nature.

A) The table below shows the details of the bank borrowings obtained by the Group:

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Islamic financing (see notes i and ii below)	**323,095,850**	251,563,085
Less: unamortised upfront charges	**(431,148)**	(270,446)
	322,664,702	251,292,639
Current portion	**122,616,326**	88,861,168
Non-current portion	**200,048,376**	162,431,471
	322,664,702	251,292,639

Islamic financing shown above includes:

i) The balance of five (2021: six) revolving Islamic facilities for a total amount of SR 97.6 million as at 30 June 2022 (2021: SR 171.5 million) at 4% + SIBOR. Each of these facilities is for an original term of one year and renewable for additional periods of one year each at the lender's option up to a total of 4 years and carry special commission at floating commercial rates. The facilities are secured by assignment of receivables. The option to refinance or roll over the facilities is at the lender's discretion.

ii) The balance of nine (2021: four) other Islamic facilities for a total amount of SR 225.03 million as at 30 June 2022 (2021: SR 79.8 million) obtained from commercial banks to finance the Islamic financing assets of the Group at a rate of interest from 2.75% to 3.5%. The facilities are secured by assignment of receivables and are repayable on a monthly basis over 48 installments.

iii) During the year 2022, the Group obtained new borrowings amounting to SR 126.06 million (2021: SR 100 million) from a local bank, the loan carries commission rate of 5.24% (2021: 4.41%) and is to be repayable by February 2025. The facilities are secured by assignment of receivables. In line with the requirements of funding facilities granted by the bank, the Company had set aside SR 16,000,000 as at 30 June 2022.

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10 BORROWINGS (continued)

B) The table below shows the details of the sukuk payable issued by the Group:

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Islamic financing through Sukuk	**40,033,333**	71,166,673
Less: unamortised upfront charges	**(808,390)**	(1,454,940)
	39,224,943	69,711,733
Current portion	**39,224,943**	61,605,957
Non-current portion	**-**	8,105,776
	39,224,943	69,711,733

In February 2018, the Group issued Sukuk with an aggregate principal of SR 178 million. The Sukuk carry a fixed rate of interest at 8% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from May 2018, with the final instalment due in February 2023.

In December 2019, the Group issued a new Sukuk with an aggregate principal of SR 80 million. The Sukuk carry a fixed rate of interest at 6% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from March 2020, with the final instalment due in December 2022.

Both the Sukuks are secured by assignment of Islamic financing receivables.

C) The table below shows the details of the loan obtained by the Group from a government entity:

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Current portion	**151,841,315**	153,709,423
Non-current portion	**118,457,209**	174,568,951
	270,298,524	328,278,374

During 2020, 2021 and period ended 30 June 2022, the Group participated in funding for lending program by SAMA and received funding in 19 instalments amounting to SR 270 million which is interest free funding with varying maturities, starting from September 2023 to February 2025.

Further, during 2020 and 2021, the Group obtained loans from Social Development Bank (government entity) amounting to SR 200 million at the prevailing market rates between 2.32% to 3.56% per annum. The maturity of the loans starting from June 2023 to May 2026.

During October 2021, the Group obtained loan from the Social Development Bank amounting to SR 20 million at interest lower than market rate. The loan is repayable in monthly instalments commencing from Jan 2022, with the final instalment due in January 2025.

From the above loans received by the Group from a Social Development Bank, loan amounting to SR 20 million carries special commission at rates significantly lower than the currently prevailing market rates while the loans received from SAMA are interest free. These loans provided to the Group carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates.

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10 BORROWINGS (continued)

The benefit being the impact of the "interest free" loans obtained by the Group had been identified and accounted for as "government grant" and has initially been recorded as deferred income and classified within "accounts payables, accruals and others". Such benefit is being recognised in statement of comprehensive income of the Group on a systematic basis as the expense, for which such grant is intended to compensate.

11 SHARE CAPITAL

Share capital is divided into 50 million shares (2021: 31.1355 million shares) of SR 10 each.

The Board of Directors in their meeting held on 1 Jumada al-Alkhirah 1443H (corresponding to 4 January 2022) resolved to increase the share capital of the Company from SR 311.35 million to SR 500 million from retained earnings, through rights issue to existing shareholders against cash contribution and through issuance of new shares purchased by the Company and reserved for Employees program. The rights issue was successful, and the amount of SR 160,623,050 was collected from existing shareholder and the Company and SR 28,021,950 was transferred from retained earnings to proposed increase in share capital.

The capital increase was executed pursuant to the Extra Ordinary General Meeting resolution dated 23 Rajab 1443H (corresponding to 24 February 2022) and SAMA approval numbered 43055056 dated 7 Jumada Al-Alkhirah 1443H (corresponding 20 January 2022). The legal formalities required to enforce the increase in share capital have been completed during the second quarter of 2022.

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Saudi shareholders	**483,937,700**	500,000,000
Treasury shares	**16,062,300**	-
	500,000,000	500,000,000

The treasury shares are held by the Company for the purpose of Employees retention program which will be launched in coming period.

12 RELATED PARTIES TRANSACTIONS AND BALANCES

The Group's shareholders, their affiliates and key management personnel are considered as related parties of the Group. Key management personnel of the Group comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Group. In the ordinary course of business, the Group enters into transactions with the related parties, which are based on mutually agreed prices and contract terms approved by the Group's management.

Terms and conditions of transactions with related parties

- Outstanding balances at year-end arise in the normal course of business.

Following are the major related party transactions with key management personnel during the year:

		Amount of transactions			
		For the three-month period ended 30 June		*For the six-month period ended 30 June*	
Related parties	*Nature of transactions*	***2022 (Unaudited) SR***	*2021 (Unaudited) SR*	***2022 (Unaudited) SR***	*2021 (Unaudited) SR*
Key management personnel	Compensation – salaries and other incentive	**561,000**	690,000	**1,635,100**	2,380,000
	Provision for employees' defined benefit liabilities	**259,758**	252,213	**1,044,856**	729,237

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12 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Below are the balances receivables from key management personnel as at period/year end:

Related parties	***Nature of transactions***	***30 June 2022 (Unaudited) SR***	*31 December 2021 (Audited) SR*
Key management personnel	Islamic financing receivables	**6,528,767**	7,776,073

13 FINANCIAL INSTRUMENTS AND FAIR VALUE

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, restricted cash deposits, investment, Islamic financing receivables and other receivables. Financial liabilities consist of borrowings, accrued expenses and other payables.

Fair value hierarchy

The Group 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.

Following table indicates fair value level hierarchy of the financial instruments of the Group. Islamic financing receivables, investment at FVOCI and borrowings are classified within level 3 of the fair value hierarchy while the rest of the financial assets and financial liabilities included in the below table are classified within level 2 of the fair value hierarchy. Management believes that the fair value of the financial assets and liabilities included in the table below at the reporting date, approximate their carrying values mainly due to the short maturities of most of these financial assets and liabilities.

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Financial assets		
Cash and cash equivalents	**86,073,861**	42,807,690
Other assets (excluding special commission receivable)	**8,715,357**	7,801,679
Restricted cash deposits	**16,000,000**	-
Financial liabilities		
Accounts payables, accruals and other liabilities (excluding accrued special commission expense)	**39,542,098**	10,397,748

For assets and liabilities that are recognised at fair values in the interim condensed consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Group's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

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13 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

Fair value of Islamic financing receivables

	30 June 2022		*31 December 2021*	
	(Unaudited) Carrying value SR	***(Unaudited) Fair value SR***	*(Audited) Carrying value SR*	*(Audited) Fair value SR*
Financial assets				
Islamic financing receivables	**1,001,714,663**	**1,033,934,882**	924,111,199	966,742,246

For determination of the fair value of Islamic financing receivables, management assesses the market under the current conditions, and assesses the profit rates that the Group could obtain against its current portfolio. The portfolio is segregated into various categories. The profit rates over the last 5 years have been assessed and used as a base for the discount rate relating to the valuation of the portfolio. Premiums have then been added to each category based on the prevailing economic conditions in the country. The premiums move from 50 basis points to 250 basis points.

The initial base rate, before premiums, were calculated using the average quoted rate against contracts for the last 5 years. This quoted rate was compared to the average effective yield that the contracts generate to derive the factor to translate the quoted rate to an effective rate in order to lift the base rate from a quoted rate to an effective rate. The average of the quoted rate for the Group's portfolio over this period was 15.21% (2021: 14.86%), and the average effective rate for this same portfolio was 14.35% (2021: 13.70%), resulting in a lift factor of 0.94x (2021: 0.92x).

Deemed premium for each category has been added to the base quoted rate, and the lift factor was applied to arrive at the effective yield which was used as a proxy discount rate to fair value the portfolio.

The cash flows of each category were discounted using the proxy discount rate applicable to each category to arrive at the fair value of the portfolio. Provision carried against the portfolio was then deducted to compare the carrying value to the deemed fair value.

The discount rates used range from 15.71% to 17.71% (2021: 15.36% to 17.36%).

Fair value of borrowings (including accrued special commission expense):
The fair value of bank borrowings, sukuk payable and government loans is based on discounted value of expected future cash flows using the applicable market rates for similar types of instrument as of reporting date. The table below shows the fair value of bank borrowings as at 30 June 2022 and 31 December 2021, respectively.

	30 June 2022 (Unaudited)		*31 December 2021 (Audited)*	
	Carrying value SR	***Fair value SR***	*Carrying value SR*	*Fair value SR*
Financial liabilities				
Bank borrowings	**322,664,702**	**337,485,548**	251,292,639	265,769,282
Sukuk payable	**39,224,943**	**40,660,997**	69,711,733	80,926,381
Borrowings from a government entity	**270,298,524**	**277,896,127**	328,278,374	337,159,735

Fair Value of Investment at FVOCI
Management believes that the fair value of investment at FVOCI approximates its carrying value.

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14 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including special commission rate risk and foreign currency risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management. The most important types of risk are summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the table below.

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Cash and cash equivalents	**86,073,861**	42,807,690
Islamic financing receivables	**1,001,714,663**	924,111,199
Other assets	**8,700,792**	7,811,804
Restricted cash deposits	**16,000,000**	-
	1,112,489,316	974,730,693

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to special commission rate risk on its special commission bearing assets and liabilities, including bank deposits, Islamic financing receivables and borrowings.

All of the Group's special commission bearing assets, sukuk payable and loans from a government entity carry special commission at fixed rates and therefore, management believes that the Group is not exposed to any special commission rate risk in respect of these assets.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's profit or loss relating to the floating rate borrowings for which the Group does not use derivatives for hedging. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net commission income for one year, based on such floating rate borrowings held as at the reporting date.

	30 June 2022 (Unaudited)	
	Change in basis points	***Increase (decrease) in net income SR***
Saudi Riyals	**+50**	**543,279**
Saudi Riyals	**-50**	**(543,279)**

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14 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	30 June 2021 (Unaudited)	
	Change in basis points	*Increase (decrease) in net income SR*
Saudi Riyals	+50	(336,984)
Saudi Riyals	-50	336,984

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date.

	Within 3 months SR	***3 to 12 months SR***	***1 to 5 years SR***	***Total SR***
30 June 2022 (Unaudited)				
Accounts payable, accruals and other liabilities	**37,268,650**	**1,894,003**	**515,824**	**39,678,477**
Borrowings*	**86,240,899**	**227,441,685**	**318,505,585**	**632,188,169**
	123,509,549	**229,335,688**	**319,021,409**	**671,866,646**

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*Total SR*
31 December 2021 (Audited)				
Accounts payable, accruals and other liabilities	9,881,922	-	515,824	10,397,746
Borrowings*	79,653,164	226,053,898	345,106,198	650,813,260
	89,535,086	226,053,898	345,622,022	661,211,006

* Accrued special commission expense as at the reporting date has been included as part of borrowings for the purpose of the above disclosure.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is not subject to fluctuations in foreign exchange rates in the normal course of its business as it does not have any significant financial assets and liabilities denominated in foreign currency.

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15 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The Group's objectives for managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing the services commensurately with the level of risk.

The primary objective of the Group's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt, short term loans, trade and other payables, less cash and bank balances.

	30 June 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Accounts payable, accruals and others	**39,678,477**	11,928,262
Provision for zakat	**7,019,619**	7,000,512
Borrowings	**632,188,169**	649,282,746
Lease liabilities	**2,716,429**	3,928,005
Employees' defined benefit liabilities	**5,008,579**	4,245,231
Less: Bank balances and cash	**(86,073,861)**	(42,807,690)
Net debt	**600,537,412**	633,577,066
Equity	**551,472,382**	365,879,650
Capital and net debt	**1,152,009,794**	999,456,716
Gearing ratio	**52%**	63%

16 IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS AND SAMA PROGRAMS

During 2020 and 2021, the Coronavirus ("COVID-19") pandemic disrupted global markets as many geographies experienced issues due to identification of multiple new variants of this infections. Significant improvement have been witnessed around the world after vaccination of mass population by various countries resulting in the reduction of active cases and relaxation of COVID restrictions.

The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures to date, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

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16 IMPACT OF COVID-19 ON THE COMPANY'S OPERATIONS AND SAMA PROGRAMS (continued)

Private Sector Financing Support Program ("PSFSP"):

The Private Sector Financing Support Program ("PSFSP") launched by SAMA in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H.

During the six month period ended 30 June 2022, SR 1.32 million (30 June 2021: SR 1.58 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits with an aggregate of SR 270 million deferred grant income as at 30 June 2022 (31 December 2021: SR 250 million). During the three month period ended 30 June 2022, SR 0.86 million (30 June 2021: SR 0.89 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits. The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic.

17 SEGMENT INFORMATION

The Group objective is to provide financing for Retails & SME`s. The Company has only one geographical segment and it operates in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the statement of financial position and statement of comprehensive income belongs to the Retail & SME`s segment. For management purposes, the Group is organised into the following primary business segments:

Retail
These represents financing products granted to individuals' customers.

SME
These represents finance products granted to small and medium sized businesses ("SMEs").

Digital payments
These represents electronic commerce payments (Bayan) and providing electronic wallet services.

Head office
Head office is responsible for managing the surplus liquidity of the Group through short term market placements. It also provides support services to the business functions.

The Group's total assets and liabilities at 30 June 2022 and 31 December 2021 and its total operating income, expenses and net income for the six month period ended 30 June 2022 and 30 June 2021 are as follows:

	Retail SR	*SME`s SR*	*Head office SR*	*Digital payments SR*	*Total SR*
Statement of comprehensive income					
30 June 2022 (unaudited)					
Income	**54,971,950**	**33,499,113**	**1,504,202**	**-**	**89,975,265**
Expense	**(22,851,503)**	**(21,878,476)**	**-**	**(407,519)**	**(44,729,980)**
Allowance for expected credit losses	**(14,155,714)**	**(4,693,526)**	**-**	**-**	**(18,849,240)**
Segment profit (loss)	**17,964,733**	**6,927,111**	**1,504,201**	**(407,519)**	**26,396,045**
30 June 2021 (unaudited)					
Income	50,240,782	18,494,642	365,639	-	69,101,063
Expense	20,500,970	16,355,210	-	-	36,856,180
Allowance for expected credit losses	5,400,720	7,468,168	-	-	12,868,888
Segment profit (loss)	24,339,092	(5,328,736)	365,639	-	19,375,995

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)
At 30 June 2022

17 SEGMENT INFORMATION (continued)

Statement of financial position	*Retail SR*	*SME`s SR*	*Head office SR*	*The Digital Payment Co SR*	*Total SR*
30 June 2022 (unaudited)					
Total assets	**511,752,654**	**489,962,009**	**165,058,048**	**55,655,821**	**1,222,428,532**
Total liabilities	**322,970,189**	**309,217,980**	**43,263,825**	**11,159,279**	**686,611,273**
31 Dec 2021 (Audited)					
Total assets	527,573,272	396,537,927	118,153,207	-	1,042,264,406
Total liabilities	370,674,247	278,608,499	27,102,010	-	676,384,756

18 EVENTS AFTER REPORTING DATE

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the interim condensed consolidated financial statements as at and for the six-months period ended 30 June 2022.

19 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors on 5 Muharram 1444H (corresponding to 3 August 2022).

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2021

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2021

Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of Morabaha Marina Financing Company (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Building a better working world

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

for Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 29 Rajab 1443H
(2 March 2022)

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **SR**	2020 SR
Special commission income	5	**133,619,550**	105,590,333
Special commission expense		**(20,045,044)**	(24,700,254)
NET SPECIAL COMMISSION INCOME		**113,574,506**	80,890,079
Other operating income			
Other income	6	**18,867,578**	17,412,492
TOTAL OPERATING INCOME		**132,442,084**	98,302,571
Operating expenses			
General and administration expenses	7	**(46,147,093)**	(35,047,325)
Impairment losses on Islamic financing receivables	12	**(38,814,177)**	(23,440,525)
INCOME BEFORE ZAKAT		**47,480,814**	39,814,721
Zakat	23	**(6,599,568)**	(5,873,024)
NET INCOME FOR THE YEAR		**40,881,246**	33,941,697
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to the profit and loss in subsequent periods			
Actuarial (loss) gain on remeasurement of employees' defined benefit liabilities	19	**(327,749)**	68,416
TOTAL COMPREHENSIVE INCOME		**40,553,497**	34,010,113
Basic and diluted earnings per share	22	**1.34**	1.24

The accompanying notes 1 to 32 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	**2021** SR	2020 SR
ASSETS			
Cash and cash equivalents	8	**42,807,690**	89,064,757
Restricted cash deposits	8(b)	**-**	2,023,184
Prepayments and other assets	9	**11,632,698**	13,002,576
Investment at fair value investment through OCI	10	**892,850**	892,850
Islamic financing receivables	12	**924,111,199**	793,636,024
Repossessed asset held for sale	11	**49,421,675**	66,606,251
Right of use assets	15	**4,264,487**	5,436,060
Intangible assets	14	**4,642,060**	4,957,212
Property and equipment	13	**4,491,747**	5,132,583
TOTAL ASSETS		**1,042,264,406**	980,751,497
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable, accruals and others	16	**11,928,262**	8,793,452
Provision for zakat	23	**7,000,512**	7,188,728
Borrowings	18	**649,282,746**	631,150,654
Lease liabilities	15	**3,928,005**	5,177,403
Employees' defined benefit liabilities	19	**4,245,231**	3,115,107
TOTAL LIABILITIES		**676,384,756**	655,425,344
SHAREHOLDERS' EQUITY			
Share capital	20	**311,355,000**	280,500,000
Statutory reserve	21	**17,250,061**	13,194,711
Retained earnings		**37,274,589**	31,631,442
TOTAL SHAREHOLDERS' EQUITY		**365,879,650**	325,326,153
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,042,264,406**	980,751,497

The accompanying notes 1 to 32 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2021

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Total SR*
Balance at 1 January 2020	255,000,000	9,793,700	26,522,340	291,316,040
Increase in share capital	25,500,000	-	(25,500,000)	-
Net income for the year			33,941,697	33,941,697
Other comprehensive income			68,416	68,416
Total comprehensive income	-	-	34,010,113	34,010,113
Transfer to statutory reserve	-	3,401,011	(3,401,011)	-
Balance at 31 December 2020	280,500,000	13,194,711	31,631,442	325,326,153
Increase in share capital (note 20)	30,855,000	-	(30,855,000)	-
Net income for the year	-	-	40,881,246	40,881,246
Other comprehensive income	-	-	(327,749)	(327,749)
Total comprehensive income	-	-	40,553,497	40,553,497
Transfer to statutory reserve	-	4,055,350	(4,055,350)	-
Balance at 31 December 2021	**311,355,000**	**17,250,061**	**37,274,589**	**365,879,650**

The accompanying notes 1 to 32 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	*2021* *SR*	*2020* *SR*
OPERATING ACTIVITIES			
Income before zakat		**47,480,814**	39,814,721
Adjustments for:			
Impairment losses on Islamic financing receivables	12	**38,814,177**	23,440,525
Depreciation on property and equipment	13	**1,499,659**	1,173,580
Amortisation of intangible assets	14	**732,520**	671,185
Depreciation on right of use assets	15	**1,606,091**	1,587,986
Provision for employees' terminal benefits	19	**1,021,152**	856,766
Finance charge on lease	15	**262,184**	332,161
Gain on sale of repossessed asset held for sale		**(414,073)**	-
Operating cash flows before working capital changes		**91,002,524**	67,876,924
Working capital adjustments:			
Islamic financing receivables		**(169,289,352)**	(226,658,103)
Prepayments and other assets		**1,369,878**	(3,052,607)
Restricted cash deposits		**2,023,184**	-
Repossessed asset held for sale		**17,598,649**	(62,397,289)
Accounts payable, accruals and others		**3,134,810**	(892,790)
Net cash used in operations		**(54,160,307)**	(225,123,865)
Zakat paid	23	**(6,787,784)**	(1,822,040)
Employees' terminal benefits paid	19	**(218,777)**	(54,534)
Net cash used in operating activities		**(61,166,868)**	(227,000,439)
INVESTING ACTIVITIES			
Additions to property and equipment	13	**(858,823)**	(1,416,350)
Additions to intangible assets	14	**(417,368)**	(1,428,790)
Net cash used in investing activities		**(1,276,191)**	(2,845,140)
FINANCING ACTIVITIES			
Proceeds from borrowings		**243,000,000**	327,000,000
Repayment of borrowings		**(224,867,908)**	(162,838,169)
Lease obligation paid	15	**(1,946,100)**	(1,832,500)
Net cash from financing activities		**16,185,992**	162,329,331
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(46,257,067)**	(67,516,248)
Cash and cash equivalents at beginning of the year		**89,064,757**	156,581,005
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8	**42,807,690**	89,064,757
SIGNIFICANT NON-CASH TRANSACTIONS			
Issuance of share capital	20	**30,855,000**	25,500,000
Right of use assets	15	**(434,518)**	(1,474,959)
Lease liabilities	15	**434,518**	1,495,609
OTHER SUPPLEMENTARY INFORMATION			
Special commission paid		**(22,128,291)**	(19,369,539)
Special commission received		**112,491,800**	96,763,732

The accompanying notes 1 to 32 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2021

1 ACTIVITIES

Morabaha Marina Financing Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010337706 dated 14 Jumada Al-Thani 1433H (corresponding to 5 May 2012). The Company's head office is located at Riyadh and registered address is P.O. Box 8055, Riyadh 14925, Kingdom of Saudi Arabia, Ar Rabi district, Thomamah road. The Company has the following branches:

Branch Commercial Registration Number	*Branch location*	*Date*
3450015199	Arar	8 Jumada II 1437H
1010337706	Riyadh Main	14 Jumada II 1433H
1010351999	Riyadh	16 Dhul-Qadah 1433H
1010453589	Riyadh	2 Dhul-Qadah 1439H
1116010899	Dawadmi	19 Jumada II 1436H
2050125719	Dammam	8 Ramdan 1440H
2053112249	Qatif	2 Dhul-Qadah 1439H
3400019877	Skaka	10 Sahwwal 1437H
3452010771	Qurayyat	27 Sha'aban 1438H
4030288370	Jeddah	8 Jumada II 1437H
4030305936	Jeddah	2 Dhul-Qadah 1439H
5850064133	Abha	4 Sha'aban 1435H
5900034225	Jizan	8 Jumada II 1437H
1131307492	Buraydah	8 Muharram 1440H
3350149330	Hail	8 Muharram 1440H
5950028443	Najran	25 Muharram 1440H

The Company is engaged in leasing and providing financing facilities to medium and small enterprises and consumers in addition to financing production assets and offering consumer finance in accordance with the Saudi Central Bank ("SAMA") approval number 22/201410 dated 19 Dhul Qadah 1435H (corresponding to 13 September 2014).

2 BASIS OF PREPARATION

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

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.
under the historical cost convention, except for the 'Investments classified as fair value through other comprehensive income' (FVOCI) which have been measured at their fair values and for employee benefits' liabilities, where actuarial present value calculations are used.

These financial statements have been presented in Saudi Riyals ("SR") unless otherwise stated, which is also the Company's functional currency.

The Company presents its statement of financial position in order of liquidity based on the Company's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 27.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2021 replacing, amending or adding to the corresponding accounting policies set out in 2020 annual financial statements.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

New standards, interpretations and amendments

Following standard, interpretation or amendment are effective from the current year and are adopted by the Company, however, these does not have any impact on the financial statements of the year.

Standard, interpretation, amendments	**Description**	**Effective date**
Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. Whilst adoption is not mandatory for September 2021 year ends, earlier application is permitted.	Annual periods beginning on or after 1 January 2021
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 June 2020

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after 1 January 2022. The Company did not opted for early adoption of these pronouncements and do not expect the adoption to have a significant impact on the financial statements of the Company.

Standard, interpretation, amendments	**Description**	**Effective date**
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	*Amendments to IFRS 3, 'Business combinations'* update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. *Amendments to IAS 16, 'Property, plant and equipment'* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. *Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'* specify which costs a company includes when assessing whether a contract will be loss-making. *Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.*	Annual periods beginning on or after 1 January 2022.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

Accounting standards issued but not yet effective (continued)

Standard, interpretation, amendments	**Description**	**Effective date**
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after 1 January 2023.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies

The significant accounting policies adopted by the Company in preparation of these financial statements are as follows:

Financial instruments

i) Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of Islamic financing receivables to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Islamic financing receivables to customers are recognised when funds are transferred to the customers' accounts. The Company recognises balances due to customers when funds are transferred to the Company.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in "Financial assets and liabilities per financial statement line" note below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Islamic financing receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination, the Company recognises the difference between the transaction price and fair value in special commission income.

Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income, FVOCI
- Fair value through profit and loss, FVTPL

Financial liabilities, other than loan commitments are measured at amortised cost or at FVPL when they are held for trading or the fair value designation is applied.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.
- Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

The Company periodically reviews its valuation techniques including the adopted methodologies and model calibrations.

ii) Financial assets and liabilities per financial statement line

Financial assets at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test

As a second step of its classification process the Company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in statement of comprehensive income in the same manner as for financial assets measured at amortised cost.

Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Financial instruments (continued)
Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

iii) Reclassification of financial assets and liabilities
The Company does not reclassify its financial assets subsequent to their initial recognition. Financial liabilities are never reclassified.

iv) Derecognition of financial assets and liabilities
Derecognition due to substantial modification of terms and conditions
The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, the Company considers various factors.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Company considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if the Company has transferred its contractual rights to receive cash flows from the financial asset.

A transfer only qualifies for derecognition if either:
- The Company has transferred substantially all the risks and rewards of the asset, OR
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

v) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

vi) Impairment of financial assets

Overview of the ECL principles

The Company records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL). The Company's policies for determining if there has been a significant increase in credit risk are set out in note 27.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECL.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Financial instruments (continued)
The calculation of ECL
The Company calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in note 27.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 26.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 27.

When estimating the ECL, the Company considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs, EADs and LGDs, as set out below. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1	The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

The Company also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., unemployment, GDP growth, inflation and profit rates) and economic forecasts obtained through internal and external sources.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Financial instruments (continued)
Debt instruments measured at fair value through OCI
The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

vii) Credit enhancements: collateral valuation
To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in form of personal guarantees, real estate and vehicles. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on an annual basis by the approved external valuer.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties.

viii) Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are presented as other income in the statement of comprehensive income.

ix) Repossessed asset held for sale
The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to asset held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Company's policy.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, are charged to the statement of comprehensive income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the statement of comprehensive income. Gains or losses on disposal are recognised in the statement of comprehensive income.

Revenue / expenses recognition
Special commission income and expenses
Net special commission income comprises special commission income and special commission expense calculated using both the effective interest method. These are disclosed separately on the face of the income statement for both special commission income and special commission expense to provide symmetrical and comparable information. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Revenue / expenses recognition (continued)
Measurement of amortized cost and special commission income
The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating special commission income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective special commission rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Income from early settlement fees is recognized upon the early termination of contract by the customer and fees charged at that point,

Earnings per share
Basic and diluted earnings per share are calculated by dividing the net income for the year by weighted average number of shares outstanding during the year .

Expenses
General and administration expenses include direct and indirect costs not specifically forming part of operating costs.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash in hand and short term bank deposits with original maturities of three months or less but does not include restricted cash deposits.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease. Expenditure for repair and maintenance are charged to statement of comprehensive income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following, the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets, which comprise computer software, are amortized over a useful life of 10 years.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Accounting for leases

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets (RoU)

The Company apply cost model, and measure right of use asset at cost;

1. less any accumulated depreciation and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Accounting for leases (continued)
Short-term leases and leases of low-value assets:
The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

Derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in its fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to statement of comprehensive income.

Impairment of non-current assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in statement of comprehensive income in those expense categories that are consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income. Impairment loss recognized against goodwill is not reversed in subsequent periods.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Employees' terminal benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding impact in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to statement of comprehensive income in subsequent periods.

Past service cost are recognised in statement of comprehensive income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognises related restructuring costs.

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in statement of comprehensive income:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administration expenses); and
- Net special commission expense or income.

Zakat

Zakat is provided in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia and on accruals basis. As set out in the note 2, zakat is charged to the statement of comprehensive income.

Value added tax (“VAT”)

The Company collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Company and is expensed.

Borrowings

Special commission bearing funding from financial institutions and shareholders are measured at amortised cost using the effective profit rate (“EPR”) method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EPR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortization is included in special commission expense in the statement of comprehensive income.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to statement of comprehensive income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Morabaha Marina Financing Company
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At 31 December 2021

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses**.**

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are charged to statement of comprehensive income.

Segment reporting
A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risks and rewards that are different from those of other segments.

Asset under management
Islamic financing receivables in which the Company act as Managing agent are not treated as assets of the Company and, accordingly, are not included in these accompanying financial statements.

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Determining the lease term of contracts with renewal and termination options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Determining the lease term of contracts with renewal and termination options (continued)

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Fair value of financial instruments
The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Impairment losses on financial assets
The measurement of impairment losses under IFRS 9 in respect of Islamic financing receivables requires certain amount of judgement including the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's Expected Credit Loss ("ECL") calculations are outputs of models with underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include assignment of Probability of Defaults ("PDs"), criteria for assessing significant increase in credit risk, segmentation of receivables if any, development of ECL models, including the various formulas and inputs, determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposures at Default ("EAD") and Loss Given Default ("LGD"), selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Employees' defined benefits plans
The cost of end of service benefit plans and the present value of end of service benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Future salary increases are based on the expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available local mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employees' end of service benefits are provided in note 19.

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4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Going concern
The Company’s management has made an assessment of the Company’s ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Useful lives of property and equipment and intangible assets
The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of non-financial assets
The Company determines the fair value of Repossessed asset held for sale which required certain estimates and assumptions. The Company engage independent external valuer to determine the fair value.

5 SPECIAL COMMISSION INCOME

Special commission income comprises of income from the following financing products:

	2021	*2020*
	SR	*SR*
Tawarruq	**127,455,165**	103,762,637
Ijara	**6,164,385**	1,572,493
Murabaha	**-**	255,203
	133,619,550	105,590,333

All the special commission income are from financing products which are Shariah compliant.

6 OTHER INCOME

	2021	*2020*
	SR	*SR*
Recovery of Islamic financing receivables written-off	**11,581,318**	10,579,454
Income from early settlement fees	**6,095,400**	4,792,367
Income from short term deposits	**559,651**	1,478,020
Others	**631,209**	562,651
	18,867,578	17,412,492

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At 31 December 2021

7 GENERAL AND ADMINSTRATION EXPENSES

	2021 *SR*	*2020* *SR*
Salaries and employee related costs	**28,960,526**	22,267,274
Professional and legal fees	**3,164,132**	2,565,504
Depreciation (notes 13 and 15)	**3,105,750**	2,761,566
Insurance expense	**1,595,385**	996,269
Non-claimable VAT	**1,350,864**	784,629
Repairs and maintenance	**1,292,646**	636,699
Bank charges	**1,014,715**	757,179
Utilities expense	**1,001,043**	651,106
Amortisation (note 14)	**732,520**	671,185
Other expenses	**3,929,512**	2,955,914
	46,147,093	35,047,325

8 CASH AND CASH EQUIVALENTS

	2021 *SR*	*2020* *SR*
Bank balances	**42,777,942**	58,963,213
Short term deposits (note "a")	**-**	30,073,795
Cash in hand	**29,748**	27,749
	42,807,690	89,064,757

a) Short term deposits represent time deposits with local banks with maturities of less than 3 months and have an average rate of return of 1.48% (2020: 2.03%) per annum. The Company earned SR 559,651 (2020: SR 1,478,020) (refer note 6) on these short term deposits. These deposits are unconventional in nature.

b) In line with the requirements of funding facilities granted by the bank, the Company had set aside SR 2,023,184 as at 31 December 2020 which was released during the year as loan was fully repaid during the year.

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

9 PREPAYMENTS AND OTHER ASSETS

	2021 *SR*	*2020* *SR*
Receivable from sale of repossessed asset*	**6,883,167**	7,087,901
Prepaid expenses	**3,650,017**	4,752,875
Other receivables	**181,002**	701,000
Advances to employees/suppliers	**485,415**	212,627
Others	**433,097**	248,173
	11,632,698	13,002,576

*The Company had a Tawarruq receivable from one of the customer who defaulted during 2019 and the Company repossessed the collateral which was a real estate property. The Company sold the repossessed property at SR 11.3 million on 60 months instalments. The balance represents the instalments receivable (net of unearned income) at the year end. There has been no default on the installment since the sale of the real estate property.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

10 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company owns unquoted investment of 2.33% shareholding in Saudi Finance Leasing Contract Registry Company. The Company has been formed with other finance and leasing Companies registered in the Kingdom of Saudi Arabia for registration of contracts relating to financial leases and amendments and registration and transfer of title deeds of the assets under the finance leases arrangements. The investment is recorded at cost as management believes that fair value is not materially different from cost, as the investment is not material and the company's management is confident that their not material impact between its initial cost and its FV.

11 REPOSSESSED ASSETS HELD FOR SALE

During prior years, the Company acquired a real estate properties against defaulted Tawarruq receivables. Based on the external valuation of real estate properties by Olat Properties Management (OPM) and Moheet Al-Jazirah Company, fair value of the related properties are more than net realisable value of Islamic financing receivables. Accordingly as at 31 December 2021, these assets are recognized at net realisable value of Islamic financing receivables amounting to SR 49.4 million (31 December 2020: SR 66.6 million).

Below is the movement.

	31 December ***2021*** ***SR***	*31 December* *2020* *SR*
Balance at the beginning of the period/year	**66,606,251**	4,208,962
Addition during the year	**-**	62,397,289
Sale during the period*	**(17,184,576)**	-
Balance at the end of the period/year	**49,421,675**	66,606,251

*The sale of repossessed assets held for sale resulted in realised gain of SR 0.4 million.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

12 ISLAMIC FINANCING RECEIVABLES, NET

	Tawarruq receivables		*Ijara receivables*		*Murabaha receivables*		*Total*	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
	SR	*SR*	***SR***	*SR*	***SR***	*SR*	***SR***	*SR*
Gross Islamic financing receivables	**1,219,257,138**	1,058,450,052	**56,397,266**	49,019,125	-	154,060	**1,275,654,404**	1,107,623,237
Less: Unrealised profit	**(294,590,531)**	(273,027,342)	**(13,368,185)**	(13,013,885)	-	(9,579)	**(307,958,716)**	(286,050,806)
	924,666,607	785,422,710	**43,029,081**	36,005,240	-	144,481	**967,695,688**	821,572,431
Less: Allowance for impairment losses	**(42,520,291)**	(27,750,535)	**(1,064,198)**	(172,875)	-	(12,997)	**(43,584,489)**	(27,936,407)
Islamic financing receivables, net	**882,146,316**	757,672,175	**41,964,883**	35,832,365	-	131,484	**924,111,199**	793,636,024

All the financing facilities provided by Company are Shariah compliant, accordingly they are unconventional in nature.

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type is presented below:

31 December 2021

	Gross carrying amount				*Allowance for ECL*				*ECL Coverage %*			
	Stage 1	***Stage 2***	***Stage 3***	***Total***	***Stage 1***	***Stage 2***	***Stage 3***	***Total***	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Tawarruq	673,115,530	151,392,482	100,158,595	**924,666,607**	1,057,801	25,879,016	15,583,474	**42,520,291**	0.2%	17.1%	15.6%	**4.6%**
Ijara	24,818,087	16,920,503	1,290,491	**43,029,081**	20,577	530,492	513,129	**1,064,198**	0.1%	3.1%	39.8%	**2.5%**
Murabaha	-	-	-	-	-	-	-	-	-	-	-	-
Total	**697,933,617**	**168,312,985**	**101,449,086**	**967,695,688**	**1,078,378**	**26,409,508**	**16,096,603**	**43,584,489**	**0.2%**	**15.7%**	**15.9%**	**4.5%**

31 December 2020

	Gross carrying amount				*Allowance for ECL*				*ECL Coverage %*			
	Stage 1	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Tawarruq	685,651,786	40,018,914	59,752,010	785,422,710	5,055,529	3,244,048	19,450,958	27,750,535	0.7%	8.1%	32.6%	3.5%
Ijara	35,433,902	485,074	86,264	36,005,240	153,650	16,723	2,502	172,875	0.4%	3.4%	2.9%	0.5%
Murabaha	6,115	6,876	131,490	144,481	23	362	12,612	12,997	0.4%	5.3%	9.6%	9.0%
Total	721,091,803	40,510,864	59,969,764	821,572,431	5,209,202	3,261,133	19,466,072	27,936,407	0.7%	8.1%	32.5%	3.4%

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

12 ISLAMIC FINANCING RECEIVABLES, NET (continued)

Analysis of credit quality of Islamic financing receivables is as follows:

	2021 ***SR***	*2020* *SR*
Neither past due nor impaired	**640,947,622**	594,156,641
Past due but not impaired	**222,363,237**	164,510,837
Past due and impaired	**104,384,829**	62,904,953
	967,695,688	821,572,431

Management classifies Islamic financing receivables that are either not yet due or otherwise past due but for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing". Below is the breakdown of performing and non-performing Islamic financing receivables:

	2021 ***SR***	*2020* *SR*
Performing	**863,310,859**	758,667,478
Non-performing	**104,384,829**	62,904,953
	967,695,688	821,572,431

	2021 ***SR***	*2020* *SR*
Current	**339,107,691**	277,976,183
Non-current	**628,587,997**	543,596,248
	967,695,688	821,572,431

Movement in the allowance for impairment losses were as follows:

	2021 ***SR***	*2020* *SR*
At the beginning of the year	**27,936,407**	22,793,032
Charge for the year	**38,814,177**	23,440,525
Written-off during the year	**(23,166,095)**	(18,297,150)
At the end of the year	**43,584,489**	27,936,407

The following table shows reconciliations from the opening to the closing balance of the impairment allowance for financings to customers at amortized cost.

31 December 2021	***12 month ECL***	***Lifetime ECL not credit impaired***	***Lifetime ECL credit impaired***	***Total***
Balance at 1 January 2021	**5,209,202**	**3,261,133**	**19,466,072**	**27,936,407**
Transfer to 12 month ECL	**2,863,458**	**(1,206,771)**	**(1,656,687)**	**-**
Transfer to Lifetime ECL not credit impaired	**(1,584,297)**	**2,828,035**	**(1,243,738)**	**-**
Transfer to Lifetime ECL credit impaired	**(12,226,497)**	**(2,422,969)**	**14,649,466**	**-**
Charge for the year	**(8,627,461)**	**17,788,460**	**29,653,178**	**38,814,177**
Write-offs	**-**	**-**	**(23,166,095)**	**(23,166,095)**
Balance as at 31 December 2021	**(14,365,595)**	**20,247,888**	**37,702,196**	**43,584,489**

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

12 ISLAMIC FINANCING RECEIVABLES, NET (continued)

31 December 2020	*12 month ECL*	*Lifetime ECL not credit impaired*	*Lifetime ECL credit impaired*	*Total*
Balance at 1 January 2020	2,898,416	2,657,348	17,237,268	22,793,032
Transfer to 12 month ECL	3,232,965	(10,638)	(3,222,327)	-
Transfer to Lifetime ECL not credit impaired	(3,459,966)	4,019,497	(559,531)	-
Transfer to Lifetime ECL credit impaired	(9,117,896)	(31,270)	9,149,166	-
Charge for the year	11,655,683	(3,373,804)	15,158,646	23,440,525
Write-offs	-	-	(18,297,150)	(18,297,150)
Balance as at 31 December 2020	5,209,202	3,261,133	19,466,072	27,936,407

The terms and conditions, and credit risks associated with the Islamic financing receivables are disclosed in note 27.

13 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Furniture, equipment and computers	4 years
Leasehold improvement	5 - 10 years

	2021		
	Furniture, equipment and computers SR	*Leasehold improvement SR*	***Total SR***
Cost:			
At the beginning of the year	5,405,438	5,724,725	**11,130,163**
Additions during the year	502,690	356,133	**858,823**
At the end of the year	5,908,128	6,080,858	**11,988,986**
Accumulated depreciation:			
At the beginning of the year	3,365,197	2,632,383	**5,997,580**
Charge for the year	920,829	578,830	**1,499,659**
At the end of the year	4,286,026	3,211,213	**7,497,239**
Net book amounts:			
At 31 December 2021	**1,622,102**	**2,869,645**	**4,491,747**

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

13 PROPERTY AND EQUIPMENT (continued)

	2020		
	Furniture, equipment and computers SR	*Leasehold improvement SR*	*Total SR*
Cost:			
At the beginning of the year	4,077,988	5,635,825	9,713,813
Additions during the year	1,327,450	88,900	1,416,350
At the end of the year	5,405,438	5,724,725	11,130,163
Accumulated depreciation:			
At the beginning of the year	2,759,760	2,064,240	4,824,000
Charge for the year	605,437	568,143	1,173,580
At the end of the year	3,365,197	2,632,383	5,997,580
Net book amounts:			
At 31 December 2020	2,040,241	3,092,342	5,132,583

14 INTANGIBLE ASSETS

	2021		
	Software SR	*Capital work in progress SR*	***Total SR***
Cost:			
At the beginning of the year	6,573,867	1,289,222	**7,863,089**
Additions during the year	33,036	384,332	**417,368**
Transfers during the year	854,250	(854,250)	**-**
At the end of the year	7,461,153	819,304	**8,280,457**
Accumulated amortization:			
At the beginning of the year	2,905,877	-	**2,905,877**
Charge for the year	732,520	-	**732,520**
At the end of the year	3,638,397	-	**3,638,397**
Net book amounts:			
At 31 December 2021	**3,822,756**	**819,304**	**4,642,060**

Capital work in progress during the year represents software upgrade.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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14 INTANGIBLE ASSETS (continued)

	2020		
	Software SR	*Capital work in progress SR*	***Total SR***
Cost:			
At the beginning of the year	6,434,299	-	6,434,299
Additions during the year	139,568	1,289,222	1,428,790
At the end of the year	6,573,867	1,289,222	7,863,089
Accumulated amortization:			
At the beginning of the year	2,234,692	-	2,234,692
Charge for the year	671,185	-	671,185
At the end of the year	2,905,877	-	2,905,877
Net book amounts:			
At 31 December 2020	3,667,990	1,289,222	4,957,212

15 RIGHT OF USE ASSET AND LEASE LIABIITIES

The Company have lease contracts for various office spaces. These leases generally have lease terms between 2 and 5 years. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2021 SR	*2020 SR*
As at 1 January	**5,436,060**	5,549,087
Additions during the year	**434,518**	1,474,959
Depreciation expense	**(1,606,091)**	(1,587,986)
At 31 December	**4,264,487**	5,436,060

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2021 SR	*2020 SR*
At the beginning of the year	**5,177,403**	5,182,133
Additions during the year	**434,518**	1,495,609
Accretion of interest	**262,184**	332,161
Payments during the year	**(1,946,100)**	(1,832,500)
At the end of the year	**3,928,005**	5,177,403

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15 RIGHT OF USE ASSET AND LEASE LIABIITIES (continued)

Set our below is the break-up between current and non-current portion of lease liabilities:

	2021 SR	*2020 SR*
Current	**1,695,445**	1,552,427
Non-current	**2,232,560**	3,624,976
	3,928,005	5,177,403

The following are the amounts recognised in statement of comprehensive income:

	2021 SR	*2020 SR*
Depreciation expense of right-of-use assets	**1,606,091**	1,587,986
Interest expense on lease liabilities	**262,184**	332,161
	1,868,275	1,920,147

16 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	2021 SR	*2020 SR*
Accrued expenses	**4,329,978**	4,326,933
Accounts payable	**5,300,822**	2,431,863
Accrued special commission expense	**1,530,514**	1,284,605
Others	**766,948**	750,051
	11,928,262	8,793,452

Terms and conditions of the above financial liabilities:
- Accounts payables are non-interest bearing and are normally settled on 60-day terms.
- Accrued special commission expenses are normally settled as and when the instalment is paid

Accrued special commission expense relates to the special commission expense against borrowings accrued until the year end.

17 RELATED PARTY TRANSACTIONS AND BALANCES

The Company's shareholders, their affiliates and key management personnel are considered as related parties of the Company. Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. In the ordinary course of business, the Company enters into transactions with the related parties, which are based on mutually agreed prices and contract terms approved by the Company's management.

Terms and conditions of transactions with related parties
- Outstanding balances at year-end arise in the normal course of business.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Following are the major related party transactions with key management personnel during the year:

Related party	*Nature of transaction*	***2021 SR***	*2020 SR*
Key management personnel	Compensation - salaries and other incentive	**3,652,000**	3,560,000
	Loans provided using Islamic financing	**9,580,000**	222,291
	Board remuneration	**1,010,000**	1,010,000
	Provision for employees' defined benefit liabilities	**938,239**	744,384

Below are the balances receivables from key management personnel as at year end:

Key management personnel	Islamic financing receivables	**7,776,073**	252,449

18 BORROWINGS

The table below shows the details of the borrowings obtained by the Company:

		2021 SR	*2020 SR*
A	Bank borrowings	**251,292,639**	190,147,834
B	Sukuks payable	**69,711,733**	130,331,977
C	Borrowings from a government entity	**328,278,374**	310,670,843
		649,282,746	631,150,654
	Current portion	**304,176,548**	285,690,520
	Non-current portion	**345,106,198**	345,460,134
		649,282,746	631,150,654

All borrowing facilities of the Company are Shariah complaint financing arrangements.

A) The table below shows the details of the bank borrowings obtained by the Company:

	2021 SR	*2020 SR*
Islamic financing (see notes a and b below)	**251,563,085**	194,130,190
Less: unamortized upfront charges	**(270,446)**	(3,982,356)
	251,292,639	190,147,834
Current portion	**88,861,168**	113,062,159
Non-current portion	**162,431,471**	77,085,675
	251,292,639	190,147,834

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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18 BORROWINGS (continued)

Islamic financing shown above includes:

a) The balance of six (2020: four) revolving Islamic facilities for a total amount of SR 171.5 million (2020: SR 87.02 million) as at 31 December 2021 at 4% + SIBOR. Each of these facilities is for an original term of 1 year and renewable for additional periods of one year each at the lender's option up to a total of 4 years and carry special commission at floating commercial rates. The facilities are secured by assignment of receivables. The option to refinance or roll over the facilities is at the lender's discretion.

b) The balance of four (2020: five) other Islamic facilities for a total amount of SR 79.8 million (2020: SR 103.12 million) as at 31 December 2021 obtained from commercial banks to finance the Islamic financing assets of the Company at a rate of interest from 2.75% to 3.5%. The facilities are secured by assignment of receivables and are repayable on a monthly basis over 48 installments

c) During the year 2021, the Company obtained new borrowings amounting to SR 100 million (2020: Nil) from a local bank, the loan carries commission rate of 4.41% and is to be repayable by February 2025.

B) The table below shows the details of the sukuks payable issued by the Company:

	2021	*2020*
	SR	*SR*
Islamic financing through Sukuks	**71,166,673**	133,433,334
Less: unamortized upfront charges	**(1,454,940)**	(3,101,357)
	69,711,733	130,331,977
Current portion	**61,605,957**	62,266,667
Non-current portion	**8,105,776**	68,065,310
	69,711,733	130,331,977

In February 2018, the Company issued Sukuk with an aggregate principal of SR 178 million. The Sukuk carry a fixed rate of interest at 8% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from May 2018, with the final instalment due in February 2023.

In December 2019, the Company issued a new Sukuk with an aggregate principal of SR 80 million. The Sukuk carry a fixed rate of interest at 6% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from March 2020, with the final instalment due in December 2022.

Both the Sukuks are secured by assignment of Islamic financing receivables.

C) The table below shows the details of the loans obtained by the Company from a government entity:

	2021	*2020*
	SR	*SR*
Current portion	**153,709,423**	110,361,694
Non-current portion	**174,568,951**	200,309,149
	328,278,374	310,670,843

During September 2018 and December 2018, the Company received loans from the Social Development Bank (government entity) amounting to SR 20 million and SR 36 million, respectively. The loans are repayable in monthly instalments commencing from December 2018 and April 2019, respectively, with the final instalment due in November 2021 and March 2022, respectively.

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18 BORROWINGS (continued)

During 2020 and 2021, the Company participated in funding for lending program by SAMA and received funding in 17 instalments total of SR 250 million funding from SAMA which is interest free funding with varying maturities, starting from September 2023 to August 2024.

The above loans received by the Company from a Social Development Bank carries special commission at rates significantly lower than the currently prevailing market rates while the loan received from SAMA is interest free. These loans provided to the Company carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of the "lower than market value" or "interest free" loans obtained by the Company had been identified and accounted for as "government grant" and has initially been recorded as deferred income and classified within "accounts payables, accruals and others". Such benefit is being recognised in statement of comprehensive income of the Company on a systematic basis as the expense, for which such grant is intended to compensate.

Further, during 2020 and 2021, the Company obtained loans from Social Development Bank amounting to SR 200 million at the prevailing market rates at 2.32% to 3.56% per annum. The maturity of the loans starting from June 2023 to May 2026.

19 EMPLOYEES' DEFINED BENEFIT LIABILITIES

The Company operates an End of Service Benefit Plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

The following tables summaries the components of employees' defined benefit liabilities recognised in the statement of comprehensive income and statement of financial position:

a) Amount recognised in the statement of financial position:

	2021 ***SR***	*2020* *SR*
Present value of employees' defined benefit liabilities	**4,245,231**	3,115,107

b) Benefit expense (recognised in statement of comprehensive income):

	2021 ***SR***	*2020* *SR*
Current service cost	**940,899**	780,046
Special commission expense	**80,253**	76,720
Benefit expense	**1,021,152**	856,766

c) Movement in the present value of employees' defined benefit liabilities:

	2021 ***SR***	*2020* *SR*
Present value of employees' defined benefit liabilities at beginning of the year	**3,115,107**	2,381,291
Charge recognised in statement of comprehensive income		
Current service cost	**940,899**	780,046
Special commission expense	**80,253**	76,720
Actuarial loss (gain) on recognised in the statement of other comprehensive income	**327,749**	(68,416)
Benefits paid	**(218,777)**	(54,534)
Present value of employees' defined benefit liabilities at end of the year	**4,245,231**	3,115,107

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

19 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

d) Principal actuarial assumptions:

Key assumptions used in the actuarial valuation:

	2021 SR	*2020 SR*
Discount rate	**3.53%**	2.67%
Salary growth rate	**3.53%**	2.67%
Retirement age (years)	**60**	60
Plan duration (years)	**12.40**	11.15
Mortality rate	**SA16 – 75%**	SA16 – 75%

e) Sensitivity analysis

A qualitative sensitivity analysis for significant assumptions is as shown:

31 December 2021	***Impact on defined benefit obligation – increase / (decrease)***		
Base Scenario	***Change in assumption***	***Increase in assumption***	***Decrease in assumption***
Discount rate	+/- 50 basis points	(214,464)	234,298
Expected rate of salary increase	+/- 50 basis points	233,128	(215,460)
Withdrawal rate	+/- 100 basis points	(57,059)	60,880
Life expectancy	+/- 1 year	3,590	(1,802)

31 December 2020	*Impact on defined benefit obligation – increase / (decrease)*		
Base Scenario	*Change in assumption*	*Increase in assumption*	*Decrease in assumption*
Discount rate	+/- 50 basis points	(167,093)	182,843
Expected rate of salary increase	+/- 50 basis points	181,906	(167,872)
Withdrawal rate	+/- 100 basis points	(44,667)	47,645
Life expectancy	+/- 1 year	2,997	(1,399)

The most recent actuarial valuation was performed by an independent, qualified actuary "Global Advisory" using the projected unit credit method. The Actuary is licensed from the "Fellow of Society of Actuaries, USA".

The following are the expected payments or contributions to the defined benefit plan in future years:

	2021 SR	*2020 SR*
Within the next 12 months (next annual reporting period)	**753,182**	483,398
Between 1 and 2 years	**182,625**	147,686
Between 2 and 5 years	**1,065,635**	659,332
Beyond 5 years	**4,472,950**	3,031,942
Total expected payments	**6,474,392**	4,322,358

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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20 SHARE CAPITAL

Share capital is divided into 31.1355 million shares (2020: 28.05 million shares) of SR 10 each.

The Board of Directors in their meeting held on 9 Rajab 1442H (corresponding to 21 February 2021) resolved to increase the share capital of the Company from SR 280.5 million to SR 311.35 million from retained earnings. The capital increase was executed pursuant to the Extra Ordinary General Meeting resolution dated 10 Ramadan 1442H (corresponding to 22 April 2021) and SAMA approval number 42054868 dated 5 Sha'aban 1442H (corresponding 18 March 2021). The legal formalities of the increase in share capital were completed in second quarter of 2021.

21 STATUTORY RESERVE

In accordance with Saudi Companies' Law, the Company must set aside 10% of its income after zakat in each year to statutory reserve until it has built up a reserve equal to 30% of the share capital. The reserve is not available for distribution.

22 EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2021 and 2020 are calculated by dividing the net income for the years by the weighted average number of shares 30,188,716 (2020: 27,274,521) outstanding during the year.

23 ZAKAT

Charge for the year
The movement in the zakat provision for the year was as follows:

	2021 ***SR***	*2020* *SR*
At the beginning of the year	**7,188,728**	3,137,744
Charge for the year	**6,599,568**	5,873,024
Paid during the year	**(6,787,784)**	(1,822,040)
At the end of the year	**7,000,512**	7,188,728

Status of assessments
The Company has filed its zakat returns with the Zakat, Tax and Customs Authority ("ZATCA") for all previous years up to 2020. The Company had obtained its final zakat assessments for all the years until 2017, while the assessments for the years from 2018 to 2020 are still under review by the ZATCA.

24 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The Company's objectives for managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing the services commensurately with the level of risk.

The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, short term loans, trade and other payables, less cash and bank balances.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

24 CAPITAL MANAGEMENT (continued)

	2021	*2020*
	SR	*SR*
Accounts payable, accruals and others	**11,928,262**	8,793,452
Provision for zakat	**7,000,512**	7,188,728
Borrowings	**649,282,746**	631,150,654
Lease liabilities	**3,928,005**	5,177,403
Employees' defined benefit liabilities	**4,245,231**	3,115,107
Less: Bank balances and cash	**(42,807,690)**	(89,064,757)
Net debt	**633,577,066**	566,360,587
Equity	**365,879,650**	325,326,153
Capital and net debt	**999,456,716**	891,686,740
Gearing ratio	**63%**	64%

25 FINANCIAL INSTRUMENTS AND FAIR VALUE

Financial instruments comprise financial asset and financial liabilities.

Financial assets consist of cash and cash equivalents, restricted cash deposits, Islamic financing receivables, investment and other receivables. Financial liabilities consist of borrowings, accounts payable and others.

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.

Following table indicates fair value level hierarchy of the financial instruments of the Company. Islamic financing receivables, investment at FVOCI and borrowings are classified within level 3 of the fair value hierarchy while the rest of the financial assets and financial liabilities included in the below table are classified within level 2 of the fair value hierarchy. Management believes that the fair value of the financial assets and liabilities included in the table below at the reporting date, approximate their carrying values mainly due to the short maturities of most of these financial assets and liabilities.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

25 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

	2021 SR	*2020 SR*
Financial assets		
Cash and cash equivalents	**42,807,690**	89,064,757
Restricted cash deposits	**-**	2,023,184
Other assets (excluding special commission receivable)	**7,801,679**	7,548,701
Financial liabilities		
Accounts payables, accruals and others (excluding accrued special commission expense)	**10,397,748**	7,508,848

For assets and liabilities that are recognised at fair values in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

There have been no transfers to and from Level 2 and 3 during the current and prior year.

Fair value of the Islamic financing receivables (including special commission receivable)

	2021 Carrying value SR	***2021 Fair value SR***	*2020 Carrying value SR*	*2020 Fair value SR*
Financial assets				
Islamic financing receivables	**924,111,199**	**966,742,246**	793,636,024	832,732,971

For determination of the fair value of Islamic financing receivables, management assesses the market under the current conditions, and assesses the profit rates that the Company could obtain against its current portfolio. The portfolio is segregated into various categories. The profit rates over the last 5 years have been assessed and used as a base for the discount rate relating to the valuation of the portfolio. Premiums have then been added to each category based on the prevailing economic conditions in the country. The premiums move from 50 basis points to 250 basis points.

The initial base rate, before premiums, were calculated using the average quoted rate against contracts for the last 5 years. This quoted rate was compared to the average effective yield that the contracts generate to derive the factor to translate the quoted rate to an effective rate in order to lift the base rate from a quoted rate to an effective rate. The average of the quoted rate for the Company's portfolio over this period was 14.86% (2020: 15.06 %), and the average effective rate for this same portfolio was 13.70% (2020: 16.5%), resulting in a lift factor of 0.92x (2020: 0.74x).

Deemed premium for each category has been added to the base quoted rate, and the lift factor was applied to arrive at the effective yield which was used as a proxy discount rate to fair value the portfolio.

The cash flows of each category were discounted using the proxy discount rate applicable to each category to arrive at the fair value of the portfolio. Provision carried against the portfolio was then deducted to compare the carrying value to the deemed fair value.

The discount rates used range from 15.36% to 17.36% (2020: 20.29% to 22.29%).

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25 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

Fair value of Borrowings (including accrued special commission expense):

The fair value of bank borrowings, sukuk payable and government loans is based on discounted value of expected future cash flows using the applicable market rates for similar types of instrument as of reporting date. The table below shows the fair value of bank borrowings as at 2021 and 2020, respectively.

	2021 Carrying value SR	***2021 Fair value SR***	*2020 Carrying value SR*	*2020 Fair value SR*
Financial liabilities				
Bank borrowings	**251,292,639**	**265,769,282**	190,147,834	199,922,851
Sukuk payable	**69,711,733**	**80,926,381**	130,331,977	147,317,224
Loans from a government entity	**328,278,374**	**337,159,735**	310,670,843	318,904,594

Fair Value of Investment at FVOCI

Management believes that the fair value of investment at FVOCI approximates its carrying value.

26 SEGMENT INFORMATION

The Company objective is to provide financing for Retails & SME`s. The Company has only one geographical segment and it operates in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the statement of financial position and statement of comprehensive income belongs to the Retail & SME`s segment. For management purposes, the Company is organised into the following primary business segments:

Retail
These represents financing products granted to individuals' customers.

SMEs
These represents finance products granted to small and medium sized businesses (SMEs).

Head office
Head office is responsible for managing the surplus liquidity of the Company through short term market placements. It also provides support services to the business functions.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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26 SEGMENT INFORMATION (continued)

	Retail SR	*SMEs SR*	*Head office SR*	*Total SR*
Statement of comprehensive income				
31 December 2021				
Income	**102,034,359**	**49,261,905**	**1,190,864**	**152,487,128**
Expense	**(41,556,642)**	**(31,235,063)**	**-**	**(72,791,705)**
Allowance for Expected credit losses	**(21,486,028)**	**(17,328,149)**	**-**	**(38,814,177)**
Segment profit	**38,991,689**	**698,693**	**1,190,864**	**40,881,246**
31 December 2020				
Income	98,821,767	22,140,387	2,040,671	123,002,825
Expense	(34,181,643)	(31,438,960)	-	(65,620,603)
Allowance for Expected credit losses	(15,617,877)	(7,822,648)	-	(23,440,525)
Segment profit (loss)	49,022,247	(17,121,221)	2,040,671	33,941,697
Statement of financial position				
31 December 2021				
Total Assets	**527,573,272**	**396,537,927**	**118,153,207**	**1,042,264,406**
Total Liabilities	**370,674,247**	**278,608,499**	**27,102,010**	**676,384,756**
31 December 2020				
Total Assets	448,098,515	412,143,760	120,509,222	980,751,497
Total Liabilities	337,090,225	310,042,609	8,292,510	655,425,344

27 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including special commission rate risk and foreign currency risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by management. The most important types of risk are summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the table below.

	2021 SR	*2020 SR*
Cash and cash equivalents	**42,807,690**	89,064,757
Restricted cash deposit	**-**	2,023,184
Islamic financing receivables, net	**924,111,199**	793,636,024
Other assets	**7,811,804**	7,513,701
	974,730,693	892,237,666

Morabaha Marina Financing Company
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27 FINANCIAL RISK MANAGEMENT (continued)

Credit quality analysis
The following table sets out information about the credit quality of Islamic financing receivables measured at amortised cost:

	2021 ***SR***	*2020* *SR*
Neither past due nor impaired	**640,947,622**	594,156,641
Past due but not impaired:		
From 1 day to 30 days	**95,507,696**	129,283,980
From 31 day to 90 days	**126,855,541**	35,226,857
Past due and impaired	**104,384,829**	62,904,953
	967,695,688	821,572,431

a) Gross carrying value of Islamic financing receivable before ECL

	12 month ECL *SR*	*Life time ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
31 December 2021	**697,933,617**	**168,312,985**	**101,449,086**	**967,695,688**
31 December 2020	721,091,803	40,510,864	59,969,764	821,572,431

b) Allowance for ECL

	12 month ECL *SR*	*Life time ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
31 December 2021	**1,078,377**	**26,409,508**	**16,096,604**	**43,584,489**
31 December 2020	5,209,202	3,261,133	19,466,072	27,936,407

Amounts arising from ECL – Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

Consideration due to COVID-19:
In response to the impacts of COVID-19, various support programs have been offered to the customers on account of SAMA initiatives, such as customers eligible under Deferred Payments Program (refer note 28 for further details). The exercise of the deferment option by a customer, in its own, is not consider by the Company as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Company's credit evaluation process especially given the current economic situation due to aftereffects of lock down, the Company obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.
No change has been made in the backstop criteria for all types of exposures.

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27 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

a) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors include GDP growth, benchmark interest rates, unemployment etc.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

b) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Company's staging criteria.

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

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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27 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

b) Determining whether credit risk has increased significantly (continued)

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected behavioral maturity profile including restructuring or rescheduling of facilities.

Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL. Default identification process i.e. DPD of 121 or more is assumed to be stage 3.

c) Modified financial assets

The contractual terms of financing receivables may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing receivable whose terms have been modified may be derecognised and the renegotiated amount recognised as a new financing receivable at fair value in accordance with the Company's accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company may renegotiate financing receivables to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's policy, Financing receivables' forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending other terms of financing.

Forbearance is a qualitative indicator of a significant increase in credit risk, and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of 12 months before the exposure is no longer considered to be credit-impaired/ in default.

d) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any credit obligations to the Company including principal instalments and interest payments.
- The Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

e) Incorporation of forward looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information from published sources, the Company formulates a forward looking adjustment to PD term structures to arrive at forward looking PD estimates across the lifetime using macroeconomic models.

27 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

e) Incorporation of forward looking information (continued)

The Company considers scenarios in range of 3-5 years horizon (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios, adjustments are made to base case forecasts based on expert judgement.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

f) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the variables set out below. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on models and assessed using tools tailored to various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the recoveries and costs incurred in the process to arrive at the estimates.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

The Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options), depending on exposure's rating classification over which it is exposed to credit risk.

Collateral

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

The amount of collateral held as security for loans that are credit impaired as at 31 December 2021 is SR 371.6 million (31 December 2020: 155.5 million)

g) Governance and controls

In addition to the existing risk management framework, the Company has established a Management Committee for oversight of IFRS 9 impairment process that includes representation from Finance, as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that bank facilities are available.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

27 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date.

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*Total SR*
31 December 2021				
Accounts payable, accruals and others*	**9,881,922**	**-**	**515,824**	**10,397,746**
Borrowings*	**79,653,164**	**226,053,898**	**345,106,198**	**650,813,260**
	89,535,086	**226,053,898**	**345,622,022**	**661,211,006**
31 December 2020				
Accounts payable, accruals and others*	6,724,709	268,314	515,824	7,508,847
Borrowings*	38,531,175	248,307,573	345,460,134	632,298,882
	45,255,884	248,575,887	345,975,958	639,807,729

* Accrued special commission expense as at the reporting date has been included as part of borrowings for the purpose of above disclosure.

Analysis of financial assets and liabilities according to when they are expected to be recovered or settled

The table shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
31 December 2021					
Cash and cash equivalents	**42,807,690**	**-**	**-**	**-**	**42,807,690**
Investment at fair value through OCI	**-**	**-**	**-**	**892,850**	**892,850**
Islamic financing receivables	**89,720,387**	**249,387,304**	**585,003,508**	**-**	**924,111,199**
Other assets	**4,788,759**	**2,962,701**	**8,145,725**	**58,555,482**	**74,452,667**
Financial assets	**137,316,836**	**252,350,005**	**593,149,233**	**59,448,332**	**1,042,264,406**
Accounts payable, accruals and others	**11,412,438**	**-**	**515,824**	**-**	**11,928,262**
Borrowings	**78,122,650**	**226,053,898**	**345,106,198**	**-**	**649,282,746**
Lease liabilities	**423,861**	**1,271,583**	**2,232,561**	**-**	**3,928,005**
Other liabilities	**-**	**6,257,031**	**-**	**4,245,231**	**10,502,262**
Financial liabilities	**89,958,949**	**233,582,512**	**347,854,583**	**4,245,231**	**675,641,275**
Maturity gap	**47,357,887**	**18,767,493**	**245,294,650**	**55,203,101**	**366,623,131**
Cumulative maturity gap	**47,357,887**	**66,125,380**	**311,420,030**	**366,623,131**	

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

27 FINANCIAL RISK MANAGEMENT (continued)

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
31 December 2020					
Cash and cash equivalents	89,064,757	-	-	-	89,064,757
Restricted cash deposit	2,023,184	-	-	-	2,023,184
Investment at fair value through OCI	-	-	-	892,850	892,850
Islamic financing receivables	23,268,065	253,392,418	516,975,541	-	793,636,024
Other assets	4,018,794	4,693,929	9,725,913	76,696,046	95,134,682
Financial assets	118,374,800	258,086,347	526,701,454	77,588,896	980,751,497
Accounts payable, accruals and others	8,009,614	268,014	515,824	-	8,793,452
Borrowings	37,382,947	248,307,573	345,460,134	-	631,150,654
Lease liabilities	126,303	1,426,124	3,624,976	-	5,177,403
Other liabilities	-	7,188,728	-	3,115,107	10,303,835
Financial liabilities	45,518,864	257,190,439	349,600,934	3,115,107	655,425,344
Maturity gap	72,855,936	895,908	177,100,520	74,473,789	325,326,153
Cumulative maturity gap	72,855,936	73,751,844	250,852,364	325,326,153	

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Company is subject to special commission rate risk on its special commission bearing assets and liabilities, including Islamic financing receivables and borrowings.

All of the Company's special commission bearing assets, sukuk payable and loans from a government entity carry special commission at fixed rates and therefore, management believes that the Company is not exposed to any special commission rate risk in respect of these assets.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Company's profit or loss relating to the floating rate borrowings for which the Company does not use derivatives for hedging. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net commission income for one year, based on such floating rate borrowings held as at the reporting date.

	2021	
	Change in basis points	***Impact on net income SR***
Saudi Riyals	+50	**1,106,415**
Saudi Riyals	-50	**(1,106,415)**

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

27 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	2020	
	Change in basis points	*Impact on net income SR*
Saudi Riyals	+50	(883,383)
Saudi Riyals	-50	883,383

The Company is exposed to risks associated with the fluctuations in the levels of market special commission rates. The table below summarizes the Company's exposure to special commission rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Company is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that reprice or mature in a given period. The Company manages this risk by matching the repricing of assets and liabilities through risk management strategies.

	2021				
	Within 3 months SR	***3 -12 months SR***	***1 to 5 years SR***	***Non commission bearing SR***	***Total SR***
Assets					
Cash and cash equivalents	**42,807,690**	-	-	-	**42,807,690**
Prepayments and other assets	**4,364,605**	**1,690,239**	**5,577,854**	-	**11,632,698**
Investment at FVOCI	-	-	-	**892,850**	**892,850**
Islamic financing receivables	**89,720,387**	**249,387,304**	**585,003,508**	-	**924,111,199**
Repossessed asset held for sale	-	-	-	**49,421,675**	**49,421,675**
Right to use assets	-	-	-	**4,264,487**	**4,264,487**
Property and equipment	-	-	-	**4,491,747**	**4,491,747**
Intangible assets	-	-	-	**4,642,060**	**4,642,060**
Total assets	**136,892,682**	**251,077,543**	**590,581,362**	**63,712,819**	**1,042,264,406**
Liabilities					
Accounts payable, accruals and others	-	-	-	**11,928,262**	**11,928,262**
Provision for zakat	-	-	-	**7,000,512**	**7,000,512**
Lease liabilities	**423,861**	**1,271,583**	**2,232,561**	-	**3,928,005**
Borrowings	**78,122,650**	**226,053,898**	**345,106,198**	-	**649,282,746**
Employees' terminal benefits	-	-	-	**4,245,231**	**4,245,231**
Total liabilities	**78,546,511**	**227,325,481**	**347,338,759**	**23,174,005**	**676,384,756**
Total special commission rate sensitivity gap	**58,346,171**	**23,752,062**	**243,242,603**	**40,538,814**	**365,879,650**
Cumulative special commission rate sensitivity gap	**58,346,171**	**82,098,233**	**325,340,836**	**365,879,650**	

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

27 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	2020				
	Within 3 months SR	*3 -12 months SR*	*1 to 5 years SR*	*Non commission bearing SR*	*Total SR*
Assets					
Cash and cash equivalents	89,064,757	-	-	-	89,064,757
Restricted cash deposits	2,023,184	-	-	-	2,023,184
Prepayments and other assets	3,621,798	3,502,939	5,877,839	-	13,002,576
Investment at FVOCI	-	-	-	892,850	892,850
Islamic financing receivables	23,268,065	253,392,418	516,975,541	-	793,636,024
Repossessed asset held for sale	-	-	-	66,606,251	66,606,251
Right to use assets	-	-	-	5,436,060	5,436,060
Property and equipment	-	-	-	5,132,583	5,132,583
Intangible assets	-	-	-	4,957,212	4,957,212
Total assets	117,977,804	256,895,357	522,853,380	83,024,956	980,751,497
Liabilities					
Accounts payable, accruals and others	-	-	-	8,793,452	8,793,452
Provision for zakat	-	-	-	7,188,728	7,188,728
Lease liabilities	126,303	1,426,124	3,624,976	-	5,177,403
Borrowings	37,382,947	248,307,573	345,460,134	-	631,150,654
Employees' terminal benefits	-	-	-	3,115,107	3,115,107
Total liabilities	37,509,250	249,733,697	349,085,110	19,097,287	655,425,344
Total special commission rate sensitivity gap	80,468,554	7,161,660	173,768,270	63,927,669	325,326,153
Cumulative special commission rate sensitivity gap	80,468,554	87,630,214	261,398,484	325,326,153	

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business as it does not have any significant financial assets and liabilities denominated in foreign currency.

28 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections. despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Company continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The Company has also made updates within its ECL model.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

28 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (continued)

During the year ended 31 December 2021, the Company has revised certain inputs and assumptions (including but not limited to macroeconomic factors and scenario probabilities) used for the determination of ECL.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

Private Sector Financing Support Program ("PSFSP")
In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently.

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

In order to compensate the related cost that the Company has incurred under SAMA program, during the years 2021 and 2020, the Company as an SME to their bankers, received option to defer payments from its bank borrowings during 2020 and 2021, amounting to SR 56.2 million and SR 41 million respectively.

The Company has effected this by deferring the instalments falling in the same fifteen months period. This has resulted in the Company recognizing a day 1 modification gain of SR 16.3 million. As at 30 June 2021, Company offset 16.3 million as unwinding of recorded modified gain. The net impact of day 1 modification gain and unwinding of recorded modified gain has been presented as part of special commission income.

Funding for lending program:
During 2020 and 2021, the Company has received SR 250 million from SAMA for granting credit facilities to eligible MSMEs under Funding for Lending program. The funding received qualified for the government grant treatment. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 22.94 million, which has been recognized in the statement of comprehensive income as day 1 gain during 2020 and 2021 and subsequent unwinding of SR 0.011 million SR 1.62 million for 2020 and 2021 respectively. In line with the requirements of deferment program the Company granted the credit facilities to eligible MSMEs customers at lower than market rate and accordingly recognized day 1 loss of SR 22.5 million in 2020 and 2021 in statement of comprehensive income and subsequent unwinding of SR 0.94 million and SR 7.2 million for 2020 and 2021 respectively.

The management has exercised certain judgements in the recognition and measurement of above modification loss, gain and government grant.

29 COMMITMENTS

As at 31 December 2021 the Company had capital commitments of SR 4.43 million (2020: SR 2.96 million) in respect of building and equipment purchases.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

30 OFF BALANCE SHEET TRANSACTION

During the year, Company entered into a Musharakah agreement amounting to SR 50 million with one of the capital market institution. As per the agreement, the Company act as managing agent in fiduciary capacity for the Musharakah amount, and accordingly the amount is not included in the financial statements and are treated as off-balance sheet transaction.

31 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 December 2021, the Board of Directors in their meeting held on 1 Jumad Thani 1443H (corresponding to 4 January 2022) has resolved to increase the share capital of the company from SR 311,355,000 to SR 339,376,950 through the transfer from retained earnings. The increase is share capital will be reflected in the financial statements upon the completion of all the legal formalities.

Other than the above, no other events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

32 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 21 February 2022 (corresponding to 20 Rajab 1443H).

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2020

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Morabaha Marina Financing Company (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Report on the audit of the financial statements (continued)

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Report on the audit of the financial statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

for Ernst & Young

Rashid S. AlRashoud
Certified Public Accountant
License No. (366)

Riyadh: 12 Rajab 1442H
(24 February 2021)

ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS
PROFESSIONAL LICENCE No. 45

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	Notes	*2020* SR	*2019* SR
Special commission income	5	**105,590,333**	108,318,078
Special commission expense		**(24,700,254)**	(34,671,494)
NET SPECIAL COMMISSION INCOME		**80,890,079**	73,646,584
Other operating income			
Other income	6	**17,412,492**	16,283,676
TOTAL OPERATING INCOME		**98,302,571**	89,930,260
Operating expenses			
General and administration expenses	7	**(35,047,325)**	(33,773,883)
Impairment losses on Islamic financing receivables	12	**(23,440,525)**	(20,144,035)
INCOME BEFORE ZAKAT		**39,814,721**	36,012,342
Zakat	23	**(5,873,024)**	(6,611,673)
NET INCOME FOR THE YEAR		**33,941,697**	29,400,669
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to the profit and loss in subsequent periods			
Actuarial gain (loss) on remeasurement of employees' defined benefit liabilities	19	**68,416**	(285,510)
TOTAL COMPREHENSIVE INCOME		**34,010,113**	29,115,159
Basic and diluted earnings per share	22	**1.24**	1.24

The accompanying notes 1 to 30 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	***2020 SR***	*2019 SR*
ASSETS			
Cash and cash equivalents	8	**89,064,757**	156,581,005
Restricted cash deposits	8(b)	**2,023,184**	1,873,624
Prepayments and other assets	9	**13,002,576**	9,949,969
Investment at fair value investment through OCI	10	**892,850**	892,850
Islamic financing receivables	12	**793,636,024**	590,418,446
Repossessed asset held for sale	11	**66,606,251**	4,208,962
Right of use assets	15	**5,436,060**	5,549,087
Intangible assets	14	**4,957,212**	4,199,607
Property and equipment	13	**5,132,583**	4,889,813
TOTAL ASSETS		**980,751,497**	778,563,363
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable, accruals and others	16	**8,793,452**	9,557,332
Provision for zakat	23	**7,188,728**	3,137,744
Borrowings	18	**631,150,654**	466,988,823
Lease liabilities	15	**5,177,403**	5,182,133
Employees' defined benefit liabilities	19	**3,115,107**	2,381,291
TOTAL LIABILITIES		**655,425,344**	487,247,323
SHAREHOLDERS' EQUITY			
Share capital	20	**280,500,000**	255,000,000
Statutory reserve	21	**13,194,711**	9,793,700
Retained earnings		**31,631,442**	26,522,340
TOTAL SHAREHOLDERS' EQUITY		**325,326,153**	291,316,040
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**980,751,497**	778,563,363

The accompanying notes 1 to 30 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2020

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Total SR*
Balance at 1 January 2019	228,960,000	6,882,184	26,358,697	262,200,881
Increase in share capital	26,040,000	-	(26,040,000)	-
Net income for the year	-	-	29,400,669	29,400,669
Other comprehensive income	-	-	(285,510)	(285,510)
Total comprehensive income	-	-	29,115,159	29,115,159
Transfer to statutory reserve	-	2,911,516	(2,911,516)	-
Balance at 31 December 2019	255,000,000	9,793,700	26,522,340	291,316,040
Increase in share capital	25,500,000	-	(25,500,000)	-
Net income for the year	-	-	33,941,697	33,941,697
Other comprehensive income	-	-	68,416	68,416
Total comprehensive income	-	-	34,010,113	34,010,113
Transfer of statutory reserve	-	3,401,011	(3,401,011)	-
Balance at 31 December 2020	**280,500,000**	**13,194,711**	**31,631,442**	**325,326,153**

The accompanying notes 1 to 30 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	***2020*** ***SR***	*2019* *SR*
OPERATING ACTIVITIES			
Net income for the year		**39,814,721**	36,012,342
Adjustments for:			
Impairment losses on Islamic financing receivables	12	**23,440,525**	20,144,035
Depreciation on property and equipment	13	**1,173,580**	1,164,369
Amortisation of intangible assets	14	**671,185**	511,482
Depreciation on right of use assets	15	**1,587,986**	1,701,535
Prepaid zakat	23	**-**	(3,473,929)
Provision for employees' terminal benefits	19	**856,766**	682,287
Finance charge on lease	15	**332,161**	379,713
Operating cash flows before working capital changes		**67,876,924**	57,121,834
Working capital adjustments:			
Islamic financing receivables		**(226,658,103)**	(122,704,155)
Prepayments and other assets		**(3,052,607)**	(4,324,999)
Repossessed asset held for sale		**(62,397,289)**	(4,208,962)
Accounts payable, accruals and others		**(892,790)**	(1,002,430)
Net cash used in operations		**(225,123,865)**	(75,118,712)
Zakat paid	23	**(1,822,040)**	-
Lease obligation paid	15	**(1,832,500)**	(1,889,367)
Employees' terminal benefits paid	19	**(54,534)**	(79,382)
Net cash used in operating activities		**(228,832,939)**	(77,087,461)
INVESTING ACTIVITIES			
Additions to property and equipment	13	**(1,416,350)**	(872,305)
Additions to intangible assets	14	**(1,428,790)**	(957,064)
Cash used in investing activities		**(2,845,140)**	(1,829,369)
FINANCING ACTIVITIES			
Proceeds from borrowings		**327,000,000**	264,315,727
Repayment of borrowings		**(162,838,169)**	(113,009,056)
Net cash from financing activities		**164,161,831**	151,306,671
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(67,516,248)**	72,389,841
Cash and cash equivalents at beginning of the year		**156,581,005**	84,191,164
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8	**89,064,757**	156,581,005
SIGNIFICANT NON-CASH TRANSACTIONS			
Issuance of share capital	20	**25,500,000**	26,040,000
Right of use assets	15	**(1,474,959)**	(7,250,622)
Prepaid rent (adjustment upon adoption of IFRS 16)	15	**-**	558,835
Lease liabilities	15	**1,495,609**	6,691,787
OTHER SUPPLEMENTARY INFORMATION			
Special commission paid		**(19,369,539)**	(29,294,202)
Special commission received		**96,763,732**	100,840,942

The accompanying notes 1 to 30 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

1 ACTIVITIES

Morabaha Marina Financing Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010337706 dated 14 Jumada Al-Thani 1433H (corresponding to 5 May 2012). The Company's head office is located at Riyadh and registered address is P.O. Box 8055, Riyadh 14925, Kingdom of Saudi Arabia, Ar Rabi district, Thomamah road. The Company has the following branches:

Branch Commercial Registration Number	*Branch location*	*Date*
3450015199	Arar	8 Jumada II 1437H
1010337706	Riyadh Main	14 Jumada II 1433H
1010351999	Riyadh	16 Dhul-Qadah 1433H
1010453589	Riyadh	2 Dhul-Qadah 1439H
1116010899	Dawadmi	19 Jumada II 1436H
2050125719	Dammam	8 Ramdan 1440H
2053112249	Qatif	2 Dhul-Qadah 1439H
3400019877	Skaka	10 Sahwwal 1437H
3452010771	Qurayyat	27 Sha'aban 1438H
4030288370	Jeddah	8 Jumada II 1437H
4030305936	Jeddah	2 Dhul-Qadah 1439H
5850064133	Abha	4 Sha'aban 1435H
5900034225	Jizan	8 Jumada II 1437H
1131307492	Buraydah	8 Muharram 1440H
3350149330	Hail	8 Muharram 1440H
5950028443	Najran	25 Muharram 1440H

The Company is engaged in leasing and providing financing facilities to medium and small enterprises and consumers in addition to financing production assets and offering consumer finance in accordance with the Saudi Arabian Monetary Authority ("SAMA") approval number 22/201410 dated 19 Dhul Qadah 1435H (corresponding to 13 September 2014).

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (SOCPA).

The financial statements are prepared on a going concern basis under the historical cost convention, except for the 'Investments classified as fair value through other comprehensive income' (FVOCI) which have been measured at their fair values and for employee benefits' liabilities, where actuarial present value calculations are used.

These financial statements have been presented in Saudi Riyals ("SR") unless otherwise stated, which is also the Company's functional currency.

The Company presents its statement of financial position in order of liquidity based on the Company's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 26.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2020 replacing, amending or adding to the corresponding accounting policies set out in 2019 annual financial statements.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments
Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2020. The management has assessed that the below amendments have no significant impact on the Company's financial statements.

- *Amendments to IFRS 3: Definition of a Business*

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

- *Amendments to IAS 1 and IAS 8: Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements, nor is there expected to be any future impact to the Company.

- *Amendments to References to the Conceptual Framework in IFRS Standards.*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

- *Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform*

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase 1
The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase 2
The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. Now that the Phase 2 Amendments have been finalised, the Company will complete its assessment of the accounting implications of the scenarios it expects to encounter as the transition from IBORs to RFRs in order to accelerate its programs to implement the new requirements. The Phase 2 Amendments introduce new areas of judgement, the Company needs to ensure it has appropriate accounting policies and governance in place. For the additional disclosures, the Company will have to assess and implement required updates in the financial reporting systems and processes to gather and present the information required.

Management is assessing the impact of amendments on the Company.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning on or after 1 January 2021 are listed below. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements.

- *Amendments to IFRS 16: Leases for COVID-19 rent related concessions.*

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

- *IFRS 17 – "Insurance contracts", applicable for the period beginning on or after January 1, 2023.*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

- *Amendments to IAS 1 – "Classification of Liabilities as Current or Non-current", applicable for the period beginning on or after January,1, 2022*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- *Reference to the Conceptual Framework – Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards issued but not yet effective (continued)

- *Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)*

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and this standard is not applicable to the Company.

- *Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- *Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

- *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards issued but not yet effective (continued)

- *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (continued)*

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- *IAS 41 Agriculture – Taxation in fair value measurements*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

3.2 Summary of significant accounting policies

The significant accounting policies adopted by the Company in preparation of these financial statements are as follows:

Financial instruments

i) Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of Islamic financing receivables to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Islamic financing receivables to customers are recognised when funds are transferred to the customers' accounts. The Company recognises balances due to customers when funds are transferred to the Company.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in "Financial assets and liabilities per financial statement line" note below. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Islamic financing receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination, the Company recognises the difference between the transaction price and fair value in special commission income.

Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income, FVOCI
- Fair value through profit and loss, FVTPL

Financial liabilities, other than loan commitments are measured at amortised cost or at FVPL when they are held for trading or the fair value designation is applied.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Financial instruments (continued)
Determination of fair value
In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.
- Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

The Company periodically reviews its valuation techniques including the adopted methodologies and model calibrations.

ii) Financial assets and liabilities per financial statement line
Financial assets at amortised cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

SPPI Test
As a second step of its classification process the Company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in statement of comprehensive income in the same manner as for financial assets measured at amortised cost.

Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Financial instruments (continued)
Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

iii) Reclassification of financial assets and liabilities
The Company does not reclassify its financial assets subsequent to their initial recognition. Financial liabilities are never reclassified.

iv) Derecognition of financial assets and liabilities
Derecognition due to substantial modification of terms and conditions
The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognise a loan to a customer, the Company considers various factors.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Company considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if the Company has transferred its contractual rights to receive cash flows from the financial asset.

A transfer only qualifies for derecognition if either:
- The Company has transferred substantially all the risks and rewards of the asset, OR
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Financial instruments (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

v) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the statement of financial position except when IFRS netting criteria are met.

vi) Impairment of financial assets

Overview of the ECL principles

The Company records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments issued, if any, all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit losses (12mECL). The Company’s policies for determining if there has been a significant increase in credit risk are set out in note 26.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECL.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Financial instruments (continued)
The calculation of ECL
The Company calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in note 26.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in note 26.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. The LGD is further explained in note 26.

When estimating the ECL, the Company considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs, EADs and LGDs, as set out below. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1	The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3	For loans considered credit-impaired, the Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

The Company also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., unemployment, GDP growth, inflation and profit rates) and economic forecasts obtained through internal and external sources.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Financial instruments (continued)
Debt instruments measured at fair value through OCI
The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

vii) Credit enhancements: collateral valuation
To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in form of personal guarantees, real estate and vehicles. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on an annual basis by the approved external valuer..

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties.

viii) Write-off
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are presented as other income in the statement of comprehensive income.

ix) Repossessed asset held for sale
The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to asset held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Company's policy.

Subsequent to initial recognition, any subsequent write down to fair value, less costs to sell, are charged to the statement of comprehensive income. Any subsequent revaluation gain in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in the statement of comprehensive income. Gains or losses on disposal are recognised in the statement of comprehensive income.

Revenue / expenses recognition
Special commission income and expenses
Net special commission income comprises special commission income and special commission expense calculated using both the effective interest method. These are disclosed separately on the face of the income statement for both special commission income and special commission expense to provide symmetrical and comparable information. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. The calculation of the effective interest rate includes transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Revenue / expenses recognition (continued)
Measurement of amortized cost and special commission income
The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating special commission income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective special commission rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Income from early settlement fees is recognized upon the early termination of contract by the customer and fees charged at that point,

Earnings per share
Basic and diluted earnings per share are calculated by dividing the net income for the year by weighted average number of shares outstanding during the year .

Expenses
General and administration expenses include direct and indirect costs not specifically forming part of operating costs.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash in hand and short term bank deposits with original maturities of three months or less but does not include restricted cash deposits.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease. Expenditure for repair and maintenance are charged to statement of comprehensive income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following, the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets, which comprise computer software, are amortized over a useful life of 10 years.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Accounting for leases

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Right of Use Assets (RoU)

The Company apply cost model, and measure right of use asset at cost;

1. less any accumulated depreciation and any accumulated impairment losses; and
2. adjusted for any re-measurement of the lease liability for lease modifications

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as Site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment

Lease Liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

After the commencement date, Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability.
2. Reducing the carrying amount to reflect the lease payments made and;

Re-measuring the carrying amount to reflect any re-assessment or lease modification. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Accounting for leases (continued)
Short-term leases and leases of low-value assets:
The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

Derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in its fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to statement of comprehensive income.

Impairment of non-current assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in statement of comprehensive income in those expense categories that are consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income. Impairment loss recognized against goodwill is not reversed in subsequent periods.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Employees' terminal benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding impact in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to statement of comprehensive income in subsequent periods.

Past service cost are recognised in statement of comprehensive income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognises related restructuring costs.

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in statement of comprehensive income:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administration expenses); and
- Net special commission expense or income.

Zakat

Zakat is provided in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia and on accruals basis. As set out in the note 2, zakat is charged to the statement of comprehensive income.

Borrowings

Special commission bearing funding from financial institutions and shareholders are measured at amortised cost using the effective profit rate ("EPR") method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EPR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortization is included in special commission expense in the statement of comprehensive income.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to statement of comprehensive income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Summary of significant accounting policies (continued)
Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are charged to statement of comprehensive income.

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

Recently, number of COVID-19 vaccines have been developed and approved for mass distribution by various governments around the world. The Government has also approved a vaccine which is currently available for healthcare workers and certain other categories of people and it will be available to the masses in general during 2021. Despite the fact that there are some uncertainties around the COVID-19 vaccine such as how long the immunity last, whether vaccine will prevent transmission or not etc.; however, the testing results showed exceptionally high success rates. Hence, the Company continues to be cognizant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. The Company has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Company believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Determining the lease term of contracts with renewal and termination options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Fair value of financial instruments
The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Impairment losses on financial assets
The measurement of impairment losses under IFRS 9 in respect of Islamic financing receivables requires certain amount of judgement including the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's Expected Credit Loss ("ECL") calculations are outputs of models with underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include assignment of Probability of Defaults ("PDs"), criteria for assessing significant increase in credit risk, segmentation of receivables if any, development of ECL models, including the various formulas and inputs, determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposures at Default ("EAD") and Loss Given Default ("LGD"), selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Employees' defined benefits plans
The cost of end of service benefit plans and the present value of end of service benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, management considers the market yield on high quality corporate bonds. Future salary increases are based on the expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available local mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes.

Further details about employees' end of service benefits are provided in note 19.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

4 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Useful lives of property and equipment and intangible assets

The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

5 SPECIAL COMMISSION INCOME

Special commission income comprises of income from the following financing products:

	2020 SR	*2019 SR*
Tawarruq	**103,762,637**	104,020,825
Ijara	**1,572,493**	2,578,940
Murabaha	**255,203**	1,718,313
	105,590,333	108,318,078

All the special commission income are from financing products which are Shariah compliant.

6 OTHER INCOME

	2020 SR	*2019 SR*
Recovery of Islamic financing receivables written-off	**10,579,454**	8,958,701
Income from early settlement fees	**4,792,367**	3,142,250
Income from short term deposits (note 8a)	**1,478,020**	3,805,025
Others	**562,651**	377,700
	17,412,492	16,283,676

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7 GENERAL AND ADMINSTRATION EXPENSES

	2020 SR	*2019 SR*
Salaries and employee related costs	**22,267,274**	20,297,270
Depreciation (notes 13 and 15)	**2,761,566**	2,865,904
Professional fee	**2,565,504**	2,707,840
Insurance expense	**996,269**	1,106,860
VAT expense	**784,629**	710,309
Bank charges	**757,179**	1,518,933
Amortisation (note 14)	**671,185**	511,482
Utilities expense	**651,106**	524,890
Repairs and maintenance	**636,699**	534,555
Rent expense	-	85,000
Other expenses	**2,955,914**	2,910,840
	35,047,325	33,773,883

8 CASH AND CASH EQUIVALENTS

	2020 SR	*2019 SR*
Bank balances	**58,963,213**	116,553,163
Short term deposits (note “a”)	**30,073,795**	39,997,590
Cash in hand	**27,749**	30,252
	89,064,757	156,581,005

a) Short term deposits represent time deposits with local banks with maturities of less than 3 months and have an average rate of return of 2.03% (2019: 2.53%) per annum. The Company earned SR 1,478,020 (2019: SR 3,805,025) (refer note 6) on these short term deposits. These deposits are unconventional in nature.

b) In line with the requirements of funding facilities granted by the bank, the Company has set aside SR 2,023,184 (2019: SR 1,873,624) as ‘restricted cash’. The cash is deposited in a bank account and is not available for the Company’s operational use (see note 18b).

9 PREPAYMENTS AND OTHER ASSETS

	2020 SR	*2019 SR*
Receivable from sale of repossessed asset*	**7,087,901**	7,773,000
Prepaid expenses	**4,752,875**	1,153,103
Other receivables	**701,000**	628,042
Advances to employees	**212,627**	340,801
Others	**248,173**	55,023
	13,002,576	9,949,969

*The Company had a Tawarruq receivable from one of the customer who defaulted during 2019 and the Company repossessed the collateral which was a real estate property. The Company sold the repossessed property at SR 11.3 million on 60 months instalments. The balance represents the instalments receivable (net of unearned income) at the year end. There has been no default on the installment since the sale of the real estate property.

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10 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company owns unquoted investment of 2.33% shareholding in Saudi Finance Leasing Contract Registry Company. The Company has been formed with other finance and leasing Companies registered in the Kingdom of Saudi Arabia for registration of contracts relating to financial leases and amendments and registration and transfer of title deeds of the assets under the finance leases arrangements. The investment is recorded at cost as management believes that fair value is not materially different from cost.

11 REPOSSESSED ASSETS HELD FOR SALE

During current and prior year, the Company acquired a real estate properties against defaulted Tawarruq receivables. Based on the external valuation by Olat Properties Management (OPM) and Moheet Al-Jazirah Company, of real estate properties, fair value of the related properties are more than net realisable value of Islamic financing receivables. Accordingly as at 31 December 2020, these assets are recognized at net realisable value of Islamic financing receivables amounting to SR 66.6 million (31 December 2019 – SR 4.2 million).

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12 ISLAMIC FINANCING RECEIVABLES, NET

	Tawarruq receivables		***Ijara receivables***		***Murabaha receivables***		***Total***	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*	***2020***	*2019*
	SR	*SR*	***SR***	*SR*	***SR***	*SR*	***SR***	*SR*
Gross Islamic financing receivables	**1,058,450,052**	823,021,199	**49,019,125**	27,189,274	**154,060**	4,742,050	**1,107,623,237**	854,952,523
Less: Unrealised profit	**(273,027,342)**	(234,009,116)	**(13,013,885)**	(7,338,512)	**(9,579)**	(393,417)	**(286,050,806)**	(241,741,045)
	785,422,710	589,012,083	**36,005,240**	19,850,762	**144,481**	4,348,633	**821,572,431**	613,211,478
Less: Allowance for impairment losses	**(27,750,535)**	(22,363,241)	**(172,875)**	(326,313)	**(12,997)**	(103,478)	**(27,936,407)**	(22,793,032)
Islamic financing receivables, net	**757,672,175**	566,648,842	**35,832,365**	19,524,449	**131,484**	4,245,155	**793,636,024**	590,418,446

All the financing facilities provided by Company are Shariah compliant, accordingly they are unconventional in nature.

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type is presented below:

31 December 2020

	Gross carrying amount				***Allowance for ECL***				***ECL Coverage %***			
	Stage 1	***Stage 2***	***Stage 3***	***Total***	***Stage 1***	***Stage 2***	***Stage 3***	***Total***	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Tawarruq	685,651,786	40,018,914	59,752,010	**785,422,710**	5,055,529	3,244,048	19,450,958	**27,750,535**	0.7%	8.1%	32.6%	**3.5%**
Ijara	35,433,902	485,074	86,264	**36,005,240**	153,650	16,723	2,502	**172,875**	0.4%	3.4%	2.9%	**0.5%**
Murabaha	6,115	6,876	131,490	**144,481**	23	362	12,612	**12,997**	0.4%	5.3%	9.6%	**9.0%**
Total	**721,091,803**	**40,510,864**	**59,969,764**	**821,572,431**	**5,209,202**	**3,261,133**	**19,466,072**	**27,936,407**	**0.7%**	**8.1%**	**32.5%**	**3.4%**

31 December 2019

	Gross carrying amount				*Allowance for ECL*				*ECL Coverage %*			
	Stage 1	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Tawarruq	452,755,785	52,457,446	83,839,925	589,053,156	2,761,050	2,549,100	17,142,462	22,452,612	0.6%	4.9%	20.4%	3.8%
Ijara	17,726,393	1,858,944	228,141	19,813,478	133,487	96,394	7,063	236,944	0.8%	5.2%	3.1%	1.2%
Murabaha	2,118,227	1,103,758	1,122,859	4,344,844	3,879	11,854	87,743	103,476	0.2%	1.1%	7.8%	2.4%
Total	472,600,405	55,420,148	85,190,925	613,211,478	2,898,416	2,657,348	17,237,268	22,793,032	0.6%	4.8%	20.2%	3.7%

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31 December 2020

12 ISLAMIC FINANCING RECEIVABLES, NET (continued)

Analysis of credit quality of Islamic financing receivables is as follows:

	2020 ***SR***	*2019* *SR*
Neither past due nor impaired	**594,156,641**	362,012,419
Past due but not impaired	**164,510,837**	169,050,712
Past due and impaired	**62,904,953**	82,148,347
	821,572,431	613,211,478

Management classifies Islamic financing receivables that are either not yet due or otherwise past due but for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing". Below is the breakdown of performing and non-performing Islamic financing receivables:

	2020 ***SR***	*2019* *SR*
Performing	**758,667,478**	531,063,131
Non-performing	**62,904,953**	82,148,347
	821,572,431	613,211,478

	2020 ***SR***	*2019* *SR*
Current	**277,976,183**	250,507,324
Non-current	**543,596,248**	362,704,154
	821,572,431	613,211,478

Movement in the allowance for impairment losses were as follows:

	2020 ***SR***	*2019* *SR*
At beginning of the year	**22,793,032**	13,194,852
Charge for the year	**23,440,525**	20,144,035
Written-off during the year	**(18,297,150)**	(10,545,855)
At end of the year	**27,936,407**	22,793,032

The following table shows reconciliations from the opening to the closing balance of the impairment allowance for financings to customers at amortized cost.

31 December 2020	***12 month ECL***	***Lifetime ECL not credit impaired***	***Lifetime ECL credit impaired***	***Total***
Financings to customers at amortized cost				
Balance at 1 January 2020	2,898,416	2,657,348	17,237,268	**22,793,032**
Transfer to 12 month ECL	3,232,965	(10,638)	(3,222,327)	-
Transfer to Lifetime ECL not credit impaired	(3,459,966)	4,019,497	(559,531)	-
Transfer to Lifetime ECL credit impaired	(9,117,896)	(31,270)	9,149,166	-
Charge for the year	11,655,683	(3,373,804)	15,158,646	**23,440,525**
Write-offs	-	-	(18,297,150)	**(18,297,150)**
Balance as at 31 December 2020	**5,209,202**	**3,261,133**	**19,466,072**	**27,936,407**

Morabaha Marina Financing Company
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31 December 2020

12 ISLAMIC FINANCING RECEIVABLES, NET (continued)

31 December 2019	*12 month ECL*	*Lifetime ECL not credit impaired*	*Lifetime ECL credit impaired*	*Total*
Financings to customers at amortized cost				
Balance at 1 January 2019	816,093	4,833,155	7,545,604	13,194,852
Transfer to 12 month ECL	125,307	(83,278)	(42,029)	-
Transfer to Lifetime ECL not credit impaired	(800,520)	4,306,930	(3,506,409)	-
Transfer to Lifetime ECL credit impaired	(6,437,851)	(82,442)	6,520,293	-
Charge for the year	9,195,387	(6,317,017)	17,265,665	20,144,035
Write-offs	-	-	(10,545,856)	(10,545,856)
Balance as at 31 December 2019	2,898,416	2,657,348	17,237,268	22,793,032

The terms and conditions, and credit risks associated with the Islamic financing receivables are disclosed in note 26.

13 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvement	10 years
Furniture, equipment and computers	4 years

	2020		
	Furniture, equipment and computers SR	*Leasehold improvement SR*	***Total SR***
Cost:			
At beginning of the year	4,077,988	5,635,825	**9,713,813**
Additions during the year	1,327,450	88,900	**1,416,350**
At end of the year	5,405,438	5,724,725	**11,130,163**
Accumulated depreciation:			
At beginning of the year	2,759,760	2,064,240	**4,824,000**
Charge for the year	605,437	568,143	**1,173,580**
At end of the year	3,365,197	2,632,383	**5,997,580**
Net book amounts:			
At 31 December 2020	**2,040,241**	**3,092,342**	**5,132,583**

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31 December 2020

13 PROPERTY AND EQUIPMENT (continued)

	2019			
	Furniture, equipment and computers SR	*Leasehold improvement SR*	*Capital work in progress SR*	*Total SR*
Cost:				
At beginning of the year	3,433,344	3,963,851	1,444,313	8,841,508
Additions during the year	644,644	227,661	-	872,305
Transfers during the year	-	1,444,313	(1,444,313)	-
At end of the year	4,077,988	5,635,825	-	9,713,813
Accumulated depreciation:				
At beginning of the year	2,139,152	1,520,479	-	3,659,631
Charge for the year	620,608	543,761	-	1,164,369
At end of the year	2,759,760	2,064,240	-	4,824,000
Net book amounts:				
At 31 December 2019	1,318,228	3,571,585	-	4,889,813

14 INTANGIBLE ASSETS

	2020		
	Software SR	*Capital work in progress SR*	***Total SR***
Cost:			
At beginning of the year	6,434,299	-	**6,434,299**
Additions during the year	139,568	1,289,222	**1,428,790**
At end of the year	6,573,867	1,289,222	**7,863,089**
Accumulated amortization:			
At beginning of the year	2,234,692	-	**2,234,692**
Charge for the year	671,185	-	**671,185**
At end of the year	2,905,877	-	**2,905,877**
Net book amounts:			
At 31 December 2020	**3,667,990**	**1,289,222**	**4,957,212**

Capital work in progress during the year represents software upgrade charges.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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14 INTANGIBLE ASSETS (continued)

	2019		
	Software *SR*	*Capital work in progress* *SR*	***Total*** ***SR***
Cost:			
At beginning of the year	4,965,735	511,500	5,477,235
Additions during the year	957,064	-	957,064
Transfers during the year	511,500	(511,500)	-
At end of the year	6,434,299	-	6,434,299
Accumulated amortization:			
At beginning of the year	1,723,210	-	1,723,210
Charge for the year	511,482	-	511,482
At end of the year	2,234,692	-	2,234,692
Net book amounts:			
At 31 December 2019	4,199,607	-	4,199,607

15 RIGHT OF USE ASSET AND LEASE LIABIITIES

The Company have lease contracts for various office spaces. These leases generally have lease terms between 1 and 5 years.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2020		*2019*
	Office spaces *SR*	***Total*** ***SR***	*Total* *SR*
As at 1 January	5,549,087	**5,549,087**	6,733,695
Additions during the year	1,474,959	**1,474,959**	516,927
Depreciation expense	(1,587,986)	**(1,587,986)**	(1,701,535)
At 31 December	5,436,060	**5,436,060**	5,549,087

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 ***SR***	*2019* *SR*
At the beginning of the year	**5,182,133**	6,174,859
Additions during the year	**1,495,609**	516,928
Accretion of interest	**332,161**	379,713
Payments during the year	**(1,832,500)**	(1,889,367)
At the end of the year	**5,177,403**	5,182,133

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15 RIGHT OF USE ASSET AND LEASE LIABIITIES (continued)

Set our below is the break-up between current and non-current portion of lease liabilities:

	2020 SR	*2019 SR*
Current	**1,552,427**	1,494,637
Non-current	**3,624,976**	3,687,496
	5,177,403	5,182,133

The following are the amounts recognised in statement of comprehensive income:

	2020 SR	*2019 SR*
Depreciation expense of right-of-use assets	**1,587,986**	1,701,535
Interest expense on lease liabilities	**332,161**	379,713
Total	**1,920,147**	2,081,248

16 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	2020 SR	*2019 SR*
Accrued expenses	**4,326,933**	4,201,046
Accounts payable	**2,431,863**	1,596,276
Accrued special commission expense	**1,284,605**	3,181,265
Others	**750,051**	578,745
	8,793,452	9,557,332

Terms and conditions of the above financial liabilities:
- Accounts payables are non-interest bearing and are normally settled on 60-day terms.
- Accrued special commission expenses are normally settled as and when the instalment is paid

Accrued special commission expense relates to the special commission expense against borrowings accrued until the year end.

17 RELATED PARTY TRANSACTIONS AND BALANCES

The Company's shareholders, their affiliates and key management personnel are considered as related parties of the Company. Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. In the ordinary course of business, the Company enters into transactions with the related parties, which are based on mutually agreed prices and contract terms approved by the Company's management.

Terms and conditions of transactions with related parties
- Outstanding balances at year-end arise in the normal course of business.

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17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Following are the major related party transactions with key management personnel during the year:

Related party	*Nature of transaction*	***2020*** ***SR***	*2019* *SR*
Key management personnel	Compensation - salaries and other incentive	**3,560,000**	3,259,000
	Loans provided using Islamic financing	**222,291**	1,966,500
	Board remuneration	**1,010,000**	1,010,000
	Provision for employees' defined benefit liabilities	**744,384**	556,063

Below are the balances receivables from key management personnel as at year end:

Key management personnel	Islamic financing receivables	**252,449**	1,882,236

18 BORROWINGS

The table below shows the details of the borrowings obtained by the Company:

		2020 ***SR***	*2019* *SR*
A	Bank borrowings	**190,147,834**	240,024,652
B	Sukuks payable	**130,331,977**	190,276,124
C	Borrowings from a government entity	**310,670,843**	36,688,047
		631,150,654	466,988,823
	Current portion	**285,690,520**	261,872,437
	Non-current portion	**345,460,134**	205,116,386
		631,150,654	466,988,823

All borrowing facilities of the Company are Shariah complaint financing arrangements.

A) The table below shows the details of the bank borrowings obtained by the Company:

	2020 ***SR***	*2019* *SR*
Islamic financing (see notes a and b below)	**194,130,190**	241,962,159
Less: unamortized upfront charges	**(3,982,356)**	(1,937,507)
	190,147,834	240,024,652
Current portion	**113,062,159**	185,184,496
Non-current portion	**77,085,675**	54,840,156
	190,147,834	240,024,652

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18 BORROWINGS (continued)

Islamic financing shown above includes:

a) The balance of four (2019: four) revolving Islamic facilities for a total amount of SR 87.02 million (2019: SR 95.71 million) as at 31 December 2020 at 4% + SIBOR. Each of these facilities is for an original term of 1 year and renewable for additional periods of one year each at the lender's option up to a total of 4 years and carry special commission at floating commercial rates. The facilities are secured by assignment of receivables. Since the option to refinance or roll over the facilities is at the lender's discretion.

b) The balance of five **(**2019**:** seven) other Islamic facilities for a total amount of SR 103.12 million (2019: SR 144.3 million) as at 31 December 2020 obtained from commercial banks to finance the Islamic financing assets of the Company at a rate of interest from 2.75% to 3.5%. The facilities are secured by restricted deposit and are repayable on agreed terms (note 8 b).

c) During the year 2019, Company has taken new borrowings amounting to SR 235.5 million from various banks. There are no new borrowings during the year.

B) The table below shows the details of the sukuks payable issued by the Company:

	2020 SR	*2019 SR*
Islamic financing through Sukuks	**133,433,334**	195,700,000
Less: unamortized upfront charges	**(3,101,357)**	(5,423,876)
	130,331,977	190,276,124
Current portion	**62,266,667**	58,044,282
Non-current portion	**68,065,310**	132,231,842
	130,331,977	190,276,124

In February 2018, the Company issued Sukuk with an aggregate principal of SR 178 million. The Sukuk carry a fixed rate of interest at 8% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from May 2018, with the final instalment due in February 2023.

In December 2019, the Company issued a new Sukuk with an aggregate principal of SR 80 million. The Sukuk carry a fixed rate of interest at 6% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from March 2020, with the final instalment due in December 2022.

Both the Sukuks are secured by assignment of Islamic financing receivables.

C) The table below shows the details of the loans obtained by the Company from a government entity:

	2020 SR	*2019 SR*
Current portion	**110,361,694**	18,643,661
Non-current portion	**200,309,149**	18,044,386
	310,670,843	36,688,047

During September 2018 and December 2018, the Company received loans from the Social Development Bank (government entity) amounting to SR 20 million and SR 36 million, respectively. The loans are repayable in monthly instalments commencing from December 2018 and April 2019, respectively, with the final instalment due in November 2021 and March 2022, respectively.

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18 BORROWINGS (continued)

During 2020, the Company has participated in funding for lending program by SAMA and received funding in 12 instalments total of SR 177 million funding from SAMA which is interest free funding with varying maturities, starting from September 2023 to May 2024. Refer to note 27.

The above loans received by the Company from a Social Development Bank carries special commission at rates significantly lower than the currently prevailing market rates while the loan received from SAMA is interest free. These loans provided to the Company carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of the "lower than market value" or "interest free" loans obtained by the Company had been identified and accounted for as "government grant" and has initially been recorded as deferred income and classified within "accounts payables, accruals and others". Such benefit is being recognised in statement of comprehensive income of the Company on a systematic basis as the expense, for which such grant is intended to compensate.

Further, during 2020, the Company obtained loans from Social Development Bank amounting to SR 150 million at the prevailing market rates at 2.32% to 3.56%. The maturity of the loans starting from June 2023 to October 2025.

19 EMPLOYEES' DEFINED BENEFIT LIABILITIES

The following tables summaries the components of employees' defined benefit liabilities recognised in the statement of comprehensive income and statement of financial position:

a) Amount recognised in the statement of financial position:

	2020 SR	*2019 SR*
Present value of employees' defined benefit liabilities	**3,115,107**	2,381,291

b) Benefit expense (recognised in statement of comprehensive income):

	2020 SR	*2019 SR*
Current service cost	**780,046**	634,041
Special commission expense	**76,720**	48,246
Benefit expense	**856,766**	682,287

c) Movement in the present value of employees' defined benefit liabilities:

	2020 SR	*2019 SR*
Present value of employees' defined benefit liabilities at beginning of the year	**2,381,291**	1,492,876
Charge recognised in statement of comprehensive income		
Current service cost	**780,046**	634,041
Special commission expense	**76,720**	48,246
Actuarial loss on recognised in the statement of other comprehensive income	**(68,416)**	285,510
Benefits paid	**(54,534)**	(79,382)
Present value of employees' defined benefit liabilities at end of the year	**3,115,107**	2,381,291

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19 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

d) Principal actuarial assumptions:

Key assumptions used in the actuarial valuation:

	2020 ***SR***	*2019* *SR*
Discount rate	**2.67%**	3.32%
Salary growth rate	**2.67%**	3.32%
Retirement age (years)	**60**	60
Plan duration (years)	**11.15**	10
Mortality rate	**SA16 – 75%**	SA16 – 75%

e) Sensitivity analysis

A qualitative sensitivity analysis for significant assumptions is as shown:

31 December 2020	***Impact on defined benefit obligation – increase / (decrease)***		
Base Scenario	***Change in assumption***	***Increase in assumption***	***Decrease in assumption***
Discount rate	+/- 50 basis points	(167,093)	182,843
Expected rate of salary increase	+/- 50 basis points	181,906	(167,872)
Withdrawal rate	+/- 100 basis points	(44,667)	47,645
Life expectancy	+/- 1 year	2,997	(1,399)

31 December 2019	*Impact on defined benefit obligation – increase / (decrease)*		
Base Scenario	*Change in assumption*	*Increase in assumption*	*Decrease in assumption*
Discount rate	+/- 50 basis points	(139,802)	153,131
Expected rate of salary increase	+/- 50 basis points	152,357	(140,456)
Withdrawal rate	+/- 100 basis points	(38,984)	41,419
Life expectancy	+/- 1 year	(1,301)	2,697

The most recent actuarial valuation was performed by an independent, qualified actuary "Global Advisory" using the projected unit credit method. The Actuaries and Consultants are licensed from the "Fellow of Society of Actuaries, USA".

The following are the expected payments or contributions to the defined benefit plan in future years:

	2020 ***SR***	*2019* *SR*
Within the next 12 months (next annual reporting period)	**483,398**	293,008
Between 1 and 2 years	**147,686**	125,853
Between 2 and 5 years	**659,332**	530,809
Beyond 5 years	**3,031,942**	2,780,839
Total expected payments	**4,322,358**	3,730,509

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20 SHARE CAPITAL

Share capital is divided into 28.05 million shares (2019: 25.50 million shares) of SR 10 each.

During 2020, the Company issued 2.55 million shares of SR 10 each thus increasing share capital of the Company from SR 255 million to SR 280.5 million through the transfer of SR 25,500,000 from retained earnings.

The capital increase was executed pursuant to the Extra Ordinary General Meeting resolution dated 28 Sha'aban 1441H (corresponding to 21 April 2020) and SAMA approval numbered 41049099 dated 15 Rajab 1441H (corresponding 10 March 2020). The legal formalities of the increase in share capital were completed in second quarter of 2020.

21 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after zakat in each year to statutory reserve until it has built up a reserve equal to 30% of the share capital. The reserve is not available for distribution.

22 EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended 31 December 2020 and 2019 are calculated by dividing the net income for the years by the weighted average number of shares 27,274,521 (2019: 23,780,668) outstanding during the year.

23 ZAKAT

Charge for the year
The movement in the zakat provision for the year was as follows:

	2020	*2019*
	SR	*SR*
At beginning of the year	**3,137,744**	-
Charge for the year	**5,873,024**	6,611,673
Paid during the year	**(1,822,040)**	-
Transfer to prepaid zakat	-	(3,473,929)
At end of the year	**7,188,728**	3,137,744

Status of assessments
The Company has filed its zakat returns with the General Authority of Zakat and Income Tax ("GAZT") for all previous years up to 2019. The Company had obtained its zakat assessments for all the years until 2017 while the assessments for the years 2018 and 2019 are still under review by the GAZT.

24 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The Company's objectives for managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing the services commensurately with the level of risk.

The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, short term loans, trade and other payables, less cash and bank balances.

Morabaha Marina Financing Company
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24 CAPITAL MANAGEMENT (continued)

	2020	*2019*
	SR	*SR*
Accounts payable, accruals and others	**8,793,452**	9,557,332
Provision for zakat	**7,188,728**	3,137,744
Borrowings	**631,150,654**	466,988,823
Lease liabilities	**5,177,403**	5,182,133
Employees' defined benefit liabilities	**3,115,107**	2,381,291
Less: Bank balances and cash	**(89,064,757)**	(156,581,005)
Net debt	**566,360,587**	330,666,318
Equity	**325,326,153**	291,316,040
Capital and net debt	**891,686,740**	621,982,358
Gearing ratio	**64%**	53%

25 FINANCIAL INSTRUMENTS AND FAIR VALUE

Financial instruments comprise financial asset and financial liabilities.

Financial assets consist of cash and cash equivalents, restricted cash deposits, Islamic financing receivables, investment and other receivables. Financial liabilities consist of borrowings, shareholders' loans and accounts payable, accruals and others.

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.

Following table indicates fair value level hierarchy of the financial instruments of the Company. Islamic financing receivables, investment at FVOCI and borrowings are classified within level 3 of the fair value hierarchy while the rest of the financial assets and financial liabilities included in the below table are classified within level 2 of the fair value hierarchy. Management believes that the fair value of the financial assets and liabilities included in the table below at the reporting date, approximate their carrying values mainly due to the short maturities of most of these financial assets and liabilities.

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25 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

	2020 SR	*2019 SR*
Financial assets		
Cash and cash equivalents	**89,064,757**	156,581,005
Restricted cash deposits	**2,023,184**	1,873,624
Other assets (excluding special commission receivable)	**7,548,701**	8,168,826
Financial liabilities		
Accounts payables, accruals and others (excluding accrued special commission expense)	**7,508,848**	6,376,067

For assets and liabilities that are recognised at fair values in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

There have been no transfers to and from Level 2 and 3 during the current and prior year.

Fair value of the Islamic financing receivables (including special commission receivable)

	2020 Carrying value SR	***2020 Fair value SR***	*2019 Carrying value SR*	*2019 Fair value SR*
Financial assets				
Islamic financing receivables	**793,636,024**	**832,732,972**	590,418,446	609,677,304

For determination of the fair value of Islamic financing receivables, management assesses the market under the current conditions, and assesses the profit rates that the Company could obtain against its current portfolio. The portfolio is segregated into various categories. The profit rates over the last 5 years have been assessed and used as a base for the discount rate relating to the valuation of the portfolio. Premiums have then been added to each category based on the prevailing economic conditions in the country. The premiums move from 50 basis points to 250 basis points.

The initial base rate, before premiums, were calculated using the average quoted rate against contracts for the last 5 years. This quoted rate was compared to the average effective yield that the contracts generate to derive the factor to translate the quoted rate to an effective rate in order to lift the base rate from a quoted rate to an effective rate. The average of the quoted rate for the Company's portfolio over this period was 15.06% (2019: 15.98 %), and the average effective rate for this same portfolio was 16.5% (2019: 17.23%), resulting in a lift factor of 0.74x (2019: 1.08x).

Deemed premium for each category has been added to the base quoted rate, and the lift factor was applied to arrive at the effective yield which was used as a proxy discount rate to fair value the portfolio.

The cash flows of each category were discounted using the proxy discount rate applicable to each category to arrive at the fair value of the portfolio. Provision carried against the portfolio was then deducted to compare the carrying value to the deemed fair value.

The discount rates used range from 20.29% to 22.29% (2019: 17.76% to 19.9%).

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25 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

Fair value of Borrowings (including accrued special commission expense):

The fair value of bank borrowings, sukuk payable and government loans is based on discounted value of expected future cash flows using the applicable market rates for similar types of instrument as of reporting date. The table below shows the fair value of bank borrowings as at 2020 and 2019, respectively.

	2020 Carrying value SR	**2020 Fair value SR**	*2019 Carrying value SR*	*2019 Fair value SR*
Financial liabilities				
Bank borrowings	**190,147,834**	**199,922,851**	240,024,652	246,462,977
Sukuk payable	**130,331,977**	**147,317,224**	190,276,124	213,135,122
Loans from a government entity	**310,670,843**	**318,904,594**	36,688,047	36,688,048

Fair Value of Investment at FVOCI

Management believes that the fair value of investment at FVOCI approximates its carrying value.

26 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including special commission rate risk and foreign currency risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by management. The most important types of risk are summarized below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the table below.

	2020 SR	*2019 SR*
Cash and cash equivalents	**89,064,757**	156,581,005
Restricted cash deposit	**2,023,184**	1,873,624
Islamic financing receivables, net	**793,636,024**	590,418,446
Other assets	**7,513,701**	8,796,868
	892,237,666	757,669,943

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26 FINANCIAL RISK MANAGEMENT (continued)

Credit quality analysis
The following table sets out information about the credit quality of Islamic financing receivables measured at amortised cost:

	2020 ***SR***	*2019* *SR*
Neither past due nor impaired	**594,156,641**	362,012,419
Past due but not impaired:		
From 1 day to 30 days	**129,283,980**	127,049,150
From 31 day to 90 days	**35,226,857**	42,001,562
Past due and impaired	**62,904,953**	82,148,347
	821,572,431	613,211,478

a) Gross carrying value of Islamic financing receivable before ECL

	12 month ECL *SR*	*Life time ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
31 December 2020	**721,091,803**	**40,510,864**	**59,969,764**	**821,572,431**
31 December 2019	489,061,569	52,103,674	72,046,235	613,211,478

b) Allowance for ECL

	12 month ECL *SR*	*Life time ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
31 December 2020	**5,209,202**	**3,261,133**	**19,466,072**	**27,936,407**
31 December 2019	2,898,416	2,657,348	17,237,268	22,793,032

Amounts arising from ECL – Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

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26 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

a) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors include GDP growth, benchmark interest rates, unemployment etc.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

b) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Company's staging criteria.

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

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

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26 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)
The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL. All accounts at origination would be classified as Stage 1.
Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Company recognises an allowance for the lifetime ECL for all financings categorized in this stage based on the actual / expected behavioral maturity profile including restructuring or rescheduling of facilities.
Stage 3: for credit-impaired financial instruments, the Company recognises the lifetime ECL. Default identification process i.e. DPD of 121 or more is assumed to be stage 3.

c) Modified financial assets
The contractual terms of financing receivables may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing receivable whose terms have been modified may be derecognised and the renegotiated amount recognised as a new financing receivable at fair value in accordance with the Company's accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company may renegotiate financing receivables to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's policy, Financing receivables' forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending other terms of financing.

Forbearance is a qualitative indicator of a significant increase in credit risk, and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behavior over a period of 12 months before the exposure is no longer considered to be credit-impaired/ in default.

d) Definition of 'Default'
A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any credit obligations to the Company including principal instalments and interest payments.
- The Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

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26 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

e) Incorporation of forward looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information from published sources, the Company formulates a forward looking adjustment to PD term structures to arrive at forward looking PD estimates across the lifetime using macroeconomic models.

The Company considers scenarios in range of 3-5 years horizon (consistent with forecasts available from public sources), beyond which the long term average macroeconomic conditions prevail. Externally available macroeconomic forecasts from International Monetary Fund (IMF) and Saudi Central Bank (SAMA) are used for making the base case forecast. For other scenarios, adjustments are made to base case forecasts based on expert judgement.

The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

f) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the variables set out below. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on models and assessed using tools tailored to various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the recoveries and costs incurred in the process to arrive at the estimates.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

The Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options), depending on exposure's rating classification over which it is exposed to credit risk.

g) Governance and controls

In addition to the existing risk management framework, the Company has established a Management Committee for oversight of IFRS 9 impairment process that includes representation from Finance, as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that bank facilities are available.

Morabaha Marina Financing Company
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26 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date.

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*Total SR*
31 December 2020				
Accounts payable, accruals and others*	**6,724,709**	**268,314**	**515,824**	**7,508,847**
Borrowings*	**38,531,175**	**248,307,573**	**345,460,134**	**632,298,882**
	45,255,884	**248,575,887**	**345,975,958**	**639,807,729**
31 December 2019				
Accounts payable, accruals and others*	5,104,730	755,513	515,824	6,376,067
Borrowings*	66,081,047	195,791,390	205,116,386	466,988,823
	71,185,777	196,546,903	205,632,210	473,364,890

* Accrued special commission expense as at the reporting date has been included as part of Borrowings for the purpose of above disclosure.

Analysis of financial assets and liabilities according to when they are expected to be recovered or settled

The table shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
31 December 2020					
Cash and cash equivalents	**89,064,757**	-	-	-	**89,064,757**
Restricted cash deposit	**2,023,184**	-	-	-	**2,023,184**
Investment at fair value through OCI	-	-	-	**892,850**	**892,850**
Islamic financing receivables	**23,268,065**	**253,392,418**	**516,975,541**	-	**793,636,024**
Other assets	**4,018,794**	**4,693,929**	**9,725,913**	**76,696,046**	**95,134,682**
Financial assets	**118,374,800**	**258,086,347**	**526,701,454**	**77,588,896**	**980,751,497**
Accounts payable, accruals and others	**8,009,614**	**268,014**	**515,824**	-	**8,793,452**
Borrowings	**37,382,947**	**248,307,573**	**345,460,134**	-	**631,150,654**
Lease liabilities	**126,303**	**1,426,124**	**3,624,976**	-	**5,177,403**
Other liabilities	-	**7,188,728**	-	**3,115,107**	**10,303,835**
Financial liabilities	**45,518,864**	**257,190,439**	**349,600,934**	**3,115,107**	**655,425,344**
Maturity gap	**72,855,936**	**895,908**	**177,100,520**	**74,473,789**	**325,326,153**
Cumulative maturity gap	**72,855,936**	**73,751,844**	**250,852,364**	**325,326,153**	

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26 FINANCIAL RISK MANAGEMENT (continued)

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
31 December 2019					
Cash and cash equivalents	156,581,005	-	-	-	156,581,005
Restricted cash deposit	1,873,624	-	-	-	1,873,624
Investment at fair value through OCI	-	-	-	892,850	892,850
Islamic financing receivables	64,806,170	174,643,297	350,968,979	-	590,418,446
Other assets	2,364,221	2,830,687	10,304,147	13,298,383	28,797,438
Financial assets	225,625,020	177,473,984	361,273,126	14,191,233	778,563,363
Accounts payable, accruals and others	8,494,385	547,123	515,824	-	9,557,332
Borrowings	66,081,047	195,791,390	205,116,386	-	466,988,823
Lease liabilities	333,089	999,266	3,849,778	-	5,182,133
Other liabilities	-	3,137,744	-	2,381,291	5,519,035
Financial liabilities	74,908,521	200,475,523	209,481,988	2,381,291	487,247,323
Maturity gap	150,716,499	(23,001,539)	151,791,138	11,809,942	291,316,040
Cumulative maturity gap	150,716,499	127,714,960	279,506,098	291,316,040	

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Company is subject to special commission rate risk on its special commission bearing assets and liabilities, including Islamic financing receivables and borrowings.

All of the Company's special commission bearing assets, sukuk payable and loans from a government entity carry special commission at fixed rates and therefore, management believes that the Company is not exposed to any special commission rate risk in respect of these assets.

All other borrowings of the Company carry special commission at variable rates. The Company uses derivative financial instruments (special commission rate swap) to hedge the Company's exposure to the fluctuations in special commission rates in respect of some of these borrowings and therefore management believes that the Company is not exposed to special commission rate risk in respect of such borrowings.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Company's profit or loss relating to the floating rate borrowings for which the Company does not use derivatives for hedging. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net commission income for one year, based on such floating rate borrowings held as at the reporting date.

	2020	
	Change in basis points	***Impact on net income SR***
Saudi Riyals	+50	**(883,383)**
Saudi Riyals	-50	**883,383**

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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26 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	2019 Change in basis points	Impact on net income SR
Saudi Riyals	+50	(478,565)
Saudi Riyals	-50	478,565

The Company is exposed to risks associated with the fluctuations in the levels of market special commission rates. The table below summarizes the Company's exposure to special commission rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Company is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that reprice or mature in a given period. The Company manages this risk by matching the repricing of assets and liabilities through risk management strategies.

	2020				
	Within 3 months SR	*3 -12 months SR*	*1 to 5 years SR*	*Non commission bearing SR*	*Total SR*
Assets					
Cash and cash equivalents	**89,064,757**	-	-	-	**89,064,757**
Restricted cash deposits	**2,023,184**	-	-	-	**2,023,184**
Prepayments and other assets	**3,621,798**	**3,502,939**	**5,877,839**	-	**13,002,576**
Investment at FVOCI	-	-	-	**892,850**	**892,850**
Islamic financing receivables	**23,268,065**	**253,392,418**	**516,975,541**	-	**793,636,024**
Repossessed asset held for sale	-	-	-	**66,606,251**	**66,606,251**
Right to use assets	-	-	-	**5,436,060**	**5,436,060**
Property and equipment	-	-	-	**5,132,583**	**5,132,583**
Intangible assets	-	-	-	**4,957,212**	**4,957,212**
Total assets	**117,977,804**	**256,895,357**	**522,853,380**	**83,024,956**	**980,751,497**
Liabilities					
Accounts payable, accruals and others	-	-	-	**8,793,452**	**8,793,452**
Provision for zakat	-	-	-	**7,188,728**	**7,188,728**
Lease liabilities	**126,303**	**1,426,124**	**3,624,976**	-	**5,177,403**
Borrowings	**37,382,947**	**248,307,573**	**345,460,134**	-	**631,150,654**
Employees' terminal benefits	-	-	-	**3,115,107**	**3,115,107**
Total liabilities	**37,509,250**	**249,733,697**	**349,085,110**	**19,097,287**	**655,425,344**
Total special commission rate sensitivity gap	**80,468,554**	**7,161,660**	**173,768,270**	**63,927,669**	**325,326,153**
Cumulative special commission rate sensitivity gap	**80,468,554**	**87,630,214**	**261,398,484**	**325,326,153**	

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

26 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	2019				
	Within 3 months SR	*3 -12 months SR*	*1 to 5 years SR*	*Non commission bearing SR*	*Total SR*
Assets					
Cash and cash equivalents	39,997,590	-	-	116,583,415	156,581,005
Restricted cash deposits	-	-	-	1,873,624	1,873,624
Prepayments and other assets	525,750	1,577,250	5,670,000	2,176,969	9,949,969
Investment at FVOCI	-	-	-	892,850	892,850
Islamic financing receivables	64,806,170	174,643,297	350,968,979	-	590,418,446
Repossessed asset held for sale	-	-	-	4,208,962	4,208,962
Right to use assets	-	-	-	5,549,087	5,549,087
Property and equipment	-	-	-	4,889,813	4,889,813
Intangible assets	-	-	-	4,199,607	4,199,607
Total assets	105,329,510	176,220,547	356,638,979	140,374,327	778,563,363
Liabilities					
Accounts payable, accruals and others	-	-	-	9,557,332	9,557,332
Provision for zakat	-	-	-	3,137,744	3,137,744
Lease liabilities	333,089	999,266	3,849,778	-	5,182,133
Borrowings	66,081,047	195,791,390	205,116,386	-	466,988,823
Employees' terminal benefits	-	-	-	2,381,291	2,381,291
Total liabilities	66,414,136	196,790,656	208,966,164	15,076,367	487,247,323
Total special commission rate sensitivity gap	38,915,374	(20,570,109)	147,672,815	125,297,960	291,316,040
Cumulative special commission rate sensitivity gap	38,915,374	18,345,265	166,018,080	291,316,040	

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business as it does not have any significant financial assets and liabilities denominated in foreign currency.

27 SAMA SUPPORT PROGRAMS AND INITIATIVES

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Facility guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2020

27 SAMA SUPPORT PROGRAMS AND INITIATIVES (continued)

Deferred payments program:
As part of the deferred payments program launched by SAMA, the Company was required to defer payments for a total of nine months (original deferment for six months was followed on by a further extension of three months) on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. This program is only applicable on customers with Stage 1 exposures as at 14 March 2020 under IFRS 9. The Company effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of special commission income.

Further to the above, on December 2020 SAMA extended the deferred payment program until 31 March 2021. The Company has effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Company recognizing an additional modification loss of SR 4.1 million.

As a result of the above program and related extensions, the Company has deferred the payments SR 102.8 million on MSMEs portfolio and accordingly, has recognised total modification losses of SR 17.3 million during the year.

The Company generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.

The Company has exposure of SR 347 million, SR 6 million and SR 35.6 million in stage 1, stage 2 and stage 3 for MSMEs customers with the corresponding provision against these exposure of SR 4.7 million, SR 2.3 million and SR 18 million respectively.

In order to compensate the modification loss that the Company is expected to incur in deferring the payments, the Company as an SME, received option to defer payments for twelve months (including extension referred above) from its bank borrowings. The Company has effected this by deferring the instalments falling in the same twelve months period. This has resulted in the Company recognising a day 1 modification gain of SR 14.2 million. As at 31 December 2020, Company offset SR 10.9 million as unwinding of recorded modified gain. The net impact of day 1 modificaion gain and unwinding of recorded modified gain has been presented as part of special commission income

Funding for lending program:
The Company has received SAR 177 million from SAMA for granting credit facilities to eligible MSMEs under Funding for Lending program. The funding received qualified for the government grant treatment. The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 16.05 million, which has been recognized in the statement of comprehensive income as day 1 gain.

The management has exercised certain judgements in the recognition and measurement of above modification loss, gain and government grant.

28 EVENTS AFTER THE REPORTING PERIOD

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

29 COMPARITIVE INFORMATION

Certain of the prior year amounts have been reclassified to conform with the presentation in the current year.

30 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 21 February 2021 (corresponding to 9 Rajab 1442H).

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2019

Building a better working world

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Morabaha Marina Financing Company (A Saudi Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Report on the audit of the financial statements (continued)

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Morabaha Marina Financing Company
(A Saudi Joint Stock Company) (continued)

Report on the audit of the financial statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

Report on other legal and regulatory requirements

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

for Ernst & Young

Yousef A. AlMubarak
Certified Public Accountant
License No. (427)

Riyadh: 1 Rajab 1441H
(25 February 2020)

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	**2019** **SR**	2018 SR (Restated, note 27)
Special commission income	5	**108,318,078**	93,233,460
Special commission expense		**(34,671,494)**	(25,623,826)
NET SPECIAL COMMISSION INCOME		**73,646,584**	67,609,634
Other operating income			
Other income	6	**16,283,676**	10,598,512
Operating expenses			
General and administration expenses	7	**(33,773,883)**	(29,547,269)
Impairment losses on Islamic financing receivables	12	**(20,144,035)**	(19,561,968)
INCOME BEFORE ZAKAT		**36,012,342**	29,098,909
Zakat	22	**(6,611,673)**	(2,909,891)
Reversal of excess zakat paid	22	**-**	6,315,025
NET INCOME FOR THE YEAR		**29,400,669**	32,504,043
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to the profit and loss in subsequent periods			
Actuarial loss on remeasurement of employees' defined benefit liabilities	19	**(285,510)**	-
TOTAL COMPREHENSIVE INCOME		**29,115,159**	32,504,043
Basic and diluted earnings per share		**1.15**	1.42

The accompanying notes 1 to 30 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	*2019* *SR*	*2018* *SR*
ASSETS			
Cash and cash equivalents	8	**156,581,005**	84,191,164
Restricted cash deposits	8(b)	**1,873,624**	1,873,624
Prepayments and other assets	9	**9,949,969**	6,183,805
Investment at fair value investment through OCI	10	**892,850**	892,850
Islamic financing receivables	12	**590,418,446**	487,858,326
Repossessed asset held for sale	11	**4,208,962**	-
Right of use assets	15	**5,549,087**	-
Property and equipment	13	**4,889,813**	5,181,877
Intangible assets	14	**4,199,607**	3,754,025
TOTAL ASSETS		**778,563,363**	589,935,671
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable, accruals and others	16	**9,557,332**	10,559,762
Provision for zakat	22	**3,137,744**	-
Borrowings	18	**466,988,823**	315,682,152
Lease liabilities	15	**5,182,133**	-
Employees' defined benefit liabilities	19	**2,381,291**	1,492,876
TOTAL LIABILITIES		**487,247,323**	327,734,790
SHAREHOLDERS' EQUITY			
Share capital	20	**255,000,000**	228,960,000
Statutory reserve	21	**9,793,700**	6,882,184
Retained earnings		**26,522,340**	26,358,697
TOTAL SHAREHOLDERS' EQUITY		**291,316,040**	262,200,881
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**778,563,363**	589,935,671

The accompanying notes 1 to 30 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2019

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Total SR*
Balance at 1 January 2018	212,000,000	3,972,293	13,724,545	229,696,838
Increase in share capital	16,960,000	-	(16,960,000)	-
Net income for the year, as restated (note 27)	-	-	32,504,043	32,504,043
Other comprehensive income	-	-	-	-
Total comprehensive income, as restated (note 27)	-	-	32,504,043	32,504,043
Transfer to statutory reserve	-	2,909,891	(2,909,891)	-
Balance at 31 December 2018	228,960,000	6,882,184	26,358,697	262,200,881
Increase in share capital	26,040,000	-	(26,040,000)	
Net income for the year	-	-	29,400,669	29,400,669
Other comprehensive income	-	-	(285,510)	(285,510)
Total comprehensive income	-	-	29,115,159	29,115,159
Transfer of statutory reserve	-	2,911,516	(2,911,516)	-
Balance at 31 December 2019	**255,000,000**	**9,793,700**	**26,522,340**	**291,316,040**

The accompanying notes 1 to 30 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 SR	2018 SR
OPERATING ACTIVITIES			
Net profit for the year		**36,012,342**	29,098,909
Adjustments for:			
Impairment losses on Islamic financing receivables	12	**20,144,035**	19,561,968
Depreciation on property and equipment	13	**1,164,369**	991,354
Amortisation of intangible assets	14	**511,482**	525,960
Depreciation on right of use assets	15	**1,701,535**	-
Special commission expense		**32,975,406**	25,623,826
Prepaid zakat	22	**(3,473,929)**	-
Provision for employees' terminal benefits		**682,287**	444,658
Finance charge on lease	15	**379,713**	-
Operating cash flows before working capital changes		**90,097,240**	76,246,675
Working capital adjustments:			
Islamic financing receivables		**(122,704,155)**	(148,721,449)
Prepayments and other assets		**(3,766,164)**	(454,371)
Repossessed asset held for sale		**(4,208,962)**	-
Accounts payable, accruals and others		**(4,683,634)**	5,600,617
Net cash used in operations		**(45,265,675)**	(67,328,528)
Zakat paid	22	**-**	(11,451,255)
Special commission paid		**(29,294,202)**	(25,613,167)
Employees' terminal benefits paid	19	**(79,382)**	(11,568)
Net cash used in operating activities		**(74,639,259)**	(104,404,518)
INVESTING ACTIVITIES			
Additions to property and equipment	13	**(872,305)**	(1,843,645)
Additions to intangible assets	14	**(957,064)**	(701,584)
Cash used in investing activities		**(1,829,369)**	(2,545,229)
FINANCING ACTIVITIES			
Proceeds from borrowings		**264,315,727**	367,507,124
Repayment of borrowings		**(113,009,056)**	(116,360,256)
Repayment of shareholders' loans		**-**	(95,410,000)
Lease liabilities, net		**(2,448,202)**	-
Net cash from financing activities		**148,858,469**	155,736,868
NET INCREASE IN CASH AND CASH EQUIVALENTS		**72,389,841**	48,787,121
Cash and cash equivalents at beginning of the year		**84,191,164**	35,404,043
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8	**156,581,005**	84,191,164
SIGNIFICANT NON-CASH TRANSACTIONS			
Issuance of share capital	20	**26,040,000**	16,960,000
Investment at fair value through OCI	10	**-**	892,850
Right of use assets	26	**7,250,623**	-
Prepaid rent (adjustment upon adoption of IFRS 16)	26	**(558,836)**	-
Lease liabilities	26	**6,691,787**	-
OTHER SUPPLEMENTARY INFORMATION			
Special commission received		**100,840,942**	86,816,399

The accompanying notes 1 to 30 form part of these financial statements

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2019

1 ACTIVITIES

Morabaha Marina Financing Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010337706 dated 14 Jumada Al-Thani 1433H (corresponding to 5 May 2012). The Company's head office is located in Riyadh. The Company has the following branches:

Branch Commercial Registration Number	*Branch location*	*Location*	*Date*
1010351999	Riyadh - Exit 28	Riyadh	16/11/1433H
1010453589	Riyadh - Exit10	Riyadh	02/11/1439H
4030305936	Jeddah - Alfayha'a	Jeddah	02/11/1439H
4030288370	Jedaah - AlRawdah	Jeddah	08/06/1437H
5900034225	Jizan - King Fahad Rd	Jizan	08/06/1437H
3450015199	Arar - King Abdulaziz	Arar	08/06/1437H
5850064133	Abha - King Fahad Rd	Abha	04/08/1435H
5950028443	Najran	Najran	25/01/1435H
1116010899	Dawadmi	Dawadmi	19/06/1436H
3400019877	Sakakah	Sakakah	20/01/1437H
3452010771	Qurayyat	Qurayyat	27/08/1438H
2050125719	Dammam	Dammam	08/09/1440H
2053112249	Al Qatif	Al Qatif	02/11/1439H

The Company is engaged in leasing and providing financing facilities to medium and small enterprises and consumers in addition to financing production assets and offering consumer finance in accordance with the Saudi Arabian Monetary Authority ("SAMA") approval number 22/201410 dated 19 Dhul Qadah 1435H (corresponding to 13 September 2014).

2 BASIS OF PREPARATION

The financial statements of the Company as at and for the year ended 31 December 2018 had been prepared in accordance with International Financial Reporting Standards ('IFRS') as modified by SAMA for the accounting of zakat and income tax.

Saudi Organization for Certified Public Accountants ("SOCPA") has issued Circular no. 2019/23099 dated 1 May 2019 as a clarification of Royal Decree no. 36763 dated 10 March 2019 relating to the accounting for zakat and income tax. The impact of these amendments is that zakat and income tax are considered to be the liability of the Company and are accordingly accrued and recognised in the statement of comprehensive income with a corresponding liability recognised.

Pursuant to the clarification from SOCPA; the Company has now revised the accounting for zakat and income tax and prior period numbers for the earliest period presented (i.e. 31 December 2018) have been consequently restated. The effects of the above change which have impacted the comparatives figures are disclosed in note 28 to the financial statements.

The Company has adopted, from 1 January 2019, IFRS 16 – Leases; accounting policy for this new standard is disclosed in note 3.1 whereas significant impacts relating to this new adopted standard is disclosed in note 26.

Applying the above framework, the financial statements of the Company as at and for the year ended 31 December 2019 had been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed in Kingdom of Saudi Arabia.

These financial statements have been presented in Saudi Riyals ("SR"), as it is the functional currency of the Company.

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2018 except for the following new accounting standards and other amendments to existing standards that the Company has adopted effective 1 January 2019.

The impact of the adoption of these standards is explained below:

A) Adoption of IFRS 16 - Leases effective as of 1 January 2019.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of applying the standard to be recognised in the retained earnings at the date of initial application and not to restate prior period. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'). Accordingly, as the Company recognised the right of use assets at an amount equal to the lease liabilities in accordance with the standard, there was no impact on retained earnings.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

- *Right of use assets*

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

- *Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less lease incentives receivable if any, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Changes in accounting policies (continued)

A) Adoption of IFRS 16 - Leases effective as of 1 January 2019 (continued)

The Company presents right of use assets that do not meet the definition of investment property and corresponding liabilities in separate line items captioned *'Right of use assets'* and *'Lease liabilities'* respectively, in the statement of financial position.

- *Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

B) Zakat

As set out under note 2, the basis of preparation of these financial statements has been changed as a result of the issuance of latest instructions from SAMA dated 17 July 2019. Previously, zakat and income tax were recognized in the statement of changes in shareholders' equity as per SAMA circular no 381000074519 dated 11 April 2017. With issuance of the latest instructions from SAMA dated 17 July 2019, zakat and income tax shall now be recognised in the statement of comprehensive income. The Company has accounted for this change in the accounting for zakat and income tax retrospectively and the effects of the above change are disclosed in note 27 to the financial statements.

The Company is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"). Zakat expense is charged to the statement of comprehensive income.

3.2 Significant standards issued but not yet effective

Significant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt the following standard, if applicable, when it becomes effective.

Amendments to IAS 1 and IAS 8: Definition of material

In October 2018, the International Accounting Standards Board ('IASB') issued amendments to "International Accounting Standard ('IAS') 1 – Presentation of Financial Statements" and "IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

The Company has not early adopted any standards, interpretations or amendments before their effective date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Summary of significant accounting policies

The significant accounting policies adopted by the Company in preparation of these financial statements are as follows:

Financial instruments

i) Classification of financial assets

On initial recognition, a financial asset is classified as amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

Financial assets at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Financial assets at FVOCI

Debt instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in statement of comprehensive income.

Equity instruments

On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

iii) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

iv) Classification of financial liabilities

Upon initial recognition, the Company classifies its financial liabilities, as measured at amortised cost or as at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss or an entity has opted to measure a liability at fair value through profit or loss as per the requirements of IFRS 9.

All the financial liabilities of the Company are currently carried at amortised cost.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Amortized cost

Islamic financing receivables and other financial assets measured at amortised cost are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

v) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in statement of comprehensive income.

Any cumulative gain/loss recognised in OCI in respect of equity investments designated as at FVOCI is not recognised in statement of comprehensive income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired.

vi) Modifications of financial assets and financial liabilities

Financial assets

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

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of comprehensive income. If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

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

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

vii) Impairment

The Company recognizes loss allowances for Expected Credit Loss ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued, if any.

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within a period of 12 months after the reporting date.

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

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Company categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

- Stage 1 – Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).
- Stage 2 – Financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL. The impairment allowance is recorded based on life time PD.
- Stage 3 – For financial assets that are impaired, the Company recognizes the impairment allowance based on life time PD.

The Company also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., unemployment, GDP growth, inflation and profit rates) and economic forecasts obtained through internal and external sources.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise ;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment loss.

viii) Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as personal guarantees other non-financial assets. The Company’s accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Company’s statement of financial position. The fair value of collaterals affect the calculation of ECLs. The value of the collateral is determined at inception.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ix) Repossessed asset held for sale

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to asset held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Company's policy.

Revenue / expenses recognition

Special commission income and expenses

Special commission income and expense are recognized in statement of comprehensive income using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortized cost of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Measurement of amortized cost and special commission income

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating special commission income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective special commission rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income for the year by numbers of shares.

Expenses

General and administration expenses include direct and indirect costs not specifically forming part of operating costs.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of bank balances and cash in hand and short term bank deposits with original maturities of 90 days or less but does not include restricted cash deposits.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease. Expenditure for repair and maintenance are charged to statement of comprehensive income. Improvements that increase the value or materially extend the life of the related assets are capitalised.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following, the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets, which comprise computer software, are amortized over a useful life of 10 years.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in its fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to statement of comprehensive income.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-current assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in statement of comprehensive income in those expense categories that are consistent with the function of the impaired asset. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of comprehensive income. Impairment loss recognized against goodwill is not reversed in subsequent periods.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Employees' terminal benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding impact in other comprehensive income in the period in which they occur. Remeasurements are not reclassified to statement of comprehensive income in subsequent periods.

Past service cost are recognised in statement of comprehensive income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognises related restructuring costs.

Net special commission income is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in statement of comprehensive income:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administration expenses); and
- Net special commission expense or income.

Zakat

Zakat is provided in accordance with the regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia and on accruals basis. As set out in the note 2, zakat is charged to the statement of comprehensive income. Additional amounts, if any, that may become due on finalization of an assessment are accounted for in the year in which assessment is finalized.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowings
Special commission bearing funding from financial institutions and shareholders are measured at amortised cost using the effective profit rate ("EPR") method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EPR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortization is included in special commission expense in the statement of comprehensive income.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to statement of comprehensive income over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

Foreign currencies
Transactions in foreign currencies are recorded in Saudi Riyals at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are charged to statement of comprehensive income.

4 SIGNIFICANT ACCOUNTING ESTIMATES

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

Determining the lease term of contracts with renewal and termination options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Impairment losses on financial assets
The measurement of impairment losses under IFRS 9 in respect of Islamic financing receivables requires certain amount of judgement including the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's Expected Credit Loss ("ECL") calculations are outputs of models with underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include assignment of Probability of Defaults ("PDs"), criteria for assessing significant increase in credit risk, segmentation of receivables if any, development of ECL models, including the various formulas and inputs, determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, Exposures at Default ("EAD") and Loss Given Default ("LGD"), selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

4 SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

Useful lives of property and equipment and intangible assets
The Company's management determines the estimated useful lives of its property and equipment and intangible assets for calculating depreciation and amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

5 SPECIAL COMMISSION INCOME

Special commission income comprises of income from the following financing products:

	2019 ***SR***	*2018* *SR*
Tawarruq	**104,020,825**	83,903,679
Ijara	**2,578,940**	2,792,352
Murabaha	**1,718,313**	6,537,429
	108,318,078	93,233,460

All the special commission income are from financing products which are Shariah compliant and hence unconventional in nature.

6 OTHER INCOME

	2019 ***SR***	*2018* *SR*
Recovery of Islamic financing receivables written off	**8,958,701**	7,227,246
Income from short term deposits (note 8a)	**3,805,025**	1,447,561
Income from early settlement fees	**3,142,250**	1,923,705
Others	**377,700**	-
	16,283,676	10,598,512

7 GENERAL AND ADMINSTRATION EXPENSES

	2019 ***SR***	*2018* *SR*
Salaries and employee related costs	**20,297,270**	18,076,474
Depreciation (note 13 & 15)	**2,865,904**	991,354
Professional fee	**2,707,840**	1,669,908
Bank charges	**1,518,933**	1,776,290
Insurance expense	**1,106,860**	969,355
VAT expense	**710,309**	707,544
Repairs and maintenance	**534,555**	525,718
Utilities expense	**524,890**	514,612
Amortisation (note 14)	**511,482**	525,960
Rent expense	**85,000**	1,670,832
Other expenses	**2,910,840**	2,119,222
	33,773,883	29,547,269

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

8 CASH AND CASH EQUIVALENTS

	2019 SR	2018 SR
Bank balances	**116,553,163**	64,144,671
Short term deposits (note “a”)	**39,997,590**	20,000,000
Cash in hand	**30,252**	46,493
	156,581,005	84,191,164

a) Short term deposits represent time deposits with local banks with maturities of less than 3 months and have an average rate of return of 2.53% per annum. The Company earned SR 3,805,025 (2018: SR 1,447,561) on these short term deposits. These deposits are unconventional in nature.

b) In line with the requirements of funding facilities granted by the bank, the Company has set aside SR 1,873,624 (2018: SR 1,873,624) as ‘restricted cash’. The cash is deposited in a bank account and is not available for the Company’s operational use (see note 18).

9 PREPAYMENTS AND OTHER ASSETS

	2019 SR	2018 SR
Receivable from sale of repossessed asset*	**7,773,000**	-
Prepaid expenses	**1,153,103**	1,755,181
Accrued special commission on short term deposits	**628,042**	699,946
Advances to employees	**340,801**	232,680
Prepaid zakat (note 22)	-	3,473,929
Others	**55,023**	22,069
	9,949,969	6,183,805

*The Company had a Tawarruq receivable from one of the customer who defaulted during the year and the Company repossessed the collateral which was real estate property. During the year the Company sold the repossessed property at SR 11.3 million on 60 months instalments, the balance represents the instalments receivable (net of unearned income) at the year end.

10 INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company owns unquoted investment of 2.33% shareholding in Saudi Finance Leasing Contract Registry Company. The Company has been formed with other finance and leasing Companies registered in the Kingdom of Saudi Arabia for registration of contracts relating to financial leases and amendments and registration and transfer of title deeds of the assets under the finance leases arrangements. The investment is recorded at cost as management believes that fair value is not materially different from cost.

11 REPOSSESSED ASSET HELD FOR SALE

During the year, the Company acquired a real estate property against defaulted Tawarruq receivables. Based on the external valuation of property, the asset is recognized at fair value amounting to SR 4.2 million which exceeds the outstanding Tawarruq receivables as at 31 December 2019.

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At 31 December 2019

12 ISLAMIC FINANCING RECEIVABLES, NET

	Tawarruq receivables		*Ijara receivables*		*Murabaha receivables*		*Total*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*
	SR	*SR*	***SR***	*SR*	***SR***	*SR*	***SR***	*SR*
Gross Islamic financing receivables	**823,021,199**	666,689,431	**27,189,274**	10,604,004	**4,742,050**	20,839,039	**854,952,523**	698,132,474
Less: Unrealised profit	**(234,009,116)**	(191,382,105)	**(7,338,512)**	2,754,549)	**(393,417)**	(2,942,642)	**(241,741,045)**	(197,079,296)
	589,012,083	475,307,326	**19,850,762**	7,849,455	**4,348,633**	17,896,397	**613,211,478**	501,053,178
Less: Allowance for impairment losses	**(22,363,241)**	(12,194,150)	**(326,313)**	(8,223)	**(103,478)**	(992,479)	**(22,793,032)**	(13,194,852)
Islamic financing receivables, net	**566,648,842**	463,113,176	**19,524,449**	7,841,232	**4,245,155**	16,903,918	**590,418,446**	487,858,326

All the financing facilities provided by Company are Shariah compliant, accordingly they are unconventional in nature.

Analysis of credit quality of Islamic financing receivables is as follows:

	2019	*2018*
	SR	*SR*
Neither past due nor impaired	**345,601,008**	381,652,942
Past due but not impaired	**244,817,438**	106,205,384
Past due and impaired	**22,793,032**	13,194,852
	613,211,478	501,053,178

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12 ISLAMIC FINANCING RECEIVABLES, NET (continued)

Management classifies Islamic financing receivables that are either not yet due or otherwise past due but for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing". Below is the breakdown of performing and non-performing Islamic financing receivables:

	2019 SR	*2018 SR*
Performing	**531,063,131**	466,868,288
Non-performing	**82,148,347**	34,184,890
	613,211,478	501,053,178

	2019 SR	*2018 SR*
Current	**250,507,324**	207,390,975
Non-current	**362,704,154**	293,662,203
	613,211,478	501,053,178

Movement in the allowance for impairment losses were as follows:

	2019 SR	*2018 SR*
At beginning of the year	**13,194,852**	12,560,412
Adjustment for first time adoption of IFRS 9	-	5,744,851
Charge for the year	**20,144,035**	19,561,968
Written-off during the year	**(10,545,856)**	(24,672,379)
At end of the year	**22,793,031**	13,194,852

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At 31 December 2019

13 PROPERTY AND EQUIPMENT

The estimated useful lives of the assets for the calculation of depreciation are as follows:

Leasehold improvement	10 years
Furniture, equipment and computers	4 years

	2019			
	Furniture, equipment and computers SR	*Leasehold improvement SR*	*Capital work in progress SR*	***Total SR***
Cost:				
At beginning of the year	3,433,344	3,963,851	1,444,313	**8,841,508**
Additions during the year	644,644	1,671,974	-	**2,316,618**
Transfers during the year	-	-	(1,444,313)	**(1,444,313)**
At end of the year	4,077,988	5,635,825	-	**9,713,813**
Accumulated depreciation:				
At beginning of the year	2,139,152	1,520,479	-	**3,659,631**
Charge for the year	620,608	543,761	-	**1,164,369**
At end of the year	2,759,760	2,064,240	-	**4,824,000**
Net book amounts:				
At 31 December 2019	**1,318,228**	**3,571,585**	-	**4,889,813**

	2018			
	Furniture, equipment and computers SR	*Leasehold improvement SR*	*Capital work in progress SR*	*Total SR*
Cost:				
At beginning of the year	3,119,596	3,878,267	-	6,997,863
Additions during the year	313,748	85,584	1,444,313	1,843,645
At end of the year	3,433,344	3,963,851	1,444,313	8,841,508
Accumulated depreciation:				
At beginning of the year	1,568,658	1,099,619	-	2,668,277
Charge for the year	570,494	420,860	-	991,354
At end of the year	2,139,152	1,520,479	-	3,659,631
Net book amounts:				
At 31 December 2018	1,294,192	2,443,372	1,444,313	5,181,877

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

14 INTANGIBLE ASSETS

	2019		
	Software *SR*	*Capital work in progress* *SR*	***Total*** ***SR***
Cost:			
At beginning of the year	4,965,735	511,500	**5,477,235**
Additions during the year	1,468,564	-	**1,468,564**
Transfers during the year	-	(511,500)	**(511,500)**
At end of the year	6,434,299	-	**6,434,299**
Accumulated amortization:			
At beginning of the year	1,723,210	-	**1,723,210**
Charge for the year	511,482	-	**511,482**
At end of the year	2,234,692	-	**2,234,692**
Net book amounts:			
At 31 December 2019	**4,199,607**	-	**4,199,607**

	2018		
	Software *SR*	*Capital work in progress* *SR*	*Total* *SR*
Cost:			
At beginning of the year	4,721,651	54,000	4,775,651
Additions during the year	189,684	511,900	701,584
Transfers during the year	54,400	(54,400)	-
At end of the year	4,965,735	511,500	5,477,235
Accumulated amortization:			
At beginning of the year	1,197,250	-	1,197,250
Amortization charge for the year	525,960	-	525,960
At end of the year	1,723,210	-	1,723,210
Net book amounts:			
At 31 December 2018	3,242,525	511,500	3,754,025

15 RIGHT OF USE ASSET AND LEASE LIABIITIES

The Company have lease contracts for various office spaces. These leases generally have lease terms between 1 and 5 years.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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15 RIGHT OF USE ASSET AND LEASE LIABIITIES (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2019	
	Office spaces SR	***Total SR***
As at 1 January 2019	6,733,695	**6,733,695**
Additions during the year	516,927	**516,928**
Depreciation expense	(1,701,535)	**(1,701,535)**
At 31 December 2019	5,549,087	**5,549,087**

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2019 SR
As at 1 January 2019	**6,174,859**
Additions during the year	**516,928**
Accretion of interest	**379,713**
Payments during the year	**(1,889,367)**
At 31 December 2019	**5,182,133**

Set our below is the break-up between current and non-current portion of lease liabilities:

	2019 SR
Current	**1,494,637**
Non-current	**3,687,496**
	5,182,133

The following are the amounts recognised in statement of comprehensive income:

	2019 SR
Depreciation expense of right-of-use assets	**1,701,535**
Interest expense on lease liabilities	**379,713**
Total	**2,081,248**

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

16 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	2019 SR	*2018 SR*
Accrued expenses	**4,201,046**	4,012,402
Accrued special commission expense	**3,181,265**	746,318
Accounts payable	**1,596,276**	2,445,950
Others	**578,745**	3,355,092
	9,557,332	10,559,762

17 RELATED PARTY TRANSACTIONS AND BALANCES

The Company's shareholders, their affiliates and key management personnel are considered as related parties of the Company. In the ordinary course of business, the Company enters into transactions with the related parties, which are based on mutually agreed prices and contract terms approved by the Company's management.

Following are the major related party transactions during the year:

Related party	***Nature of transaction***	***2019 SR***	*2018 SR*
Shareholders	Repayment of financing	-	95,410,000
	Special commission expense on financing	-	1,123,190
Key management personnel	Compensation - salaries and other incentive	**3,259,000**	2,754,000
	Loans provided using Islamic financing	**1,966,500**	666,500
	Board remuneration	**1,010,000**	2,120,000

Below are the balances receivables from key management personnel as at year end:

Key management personnel	Islamic financing receivables	**1,882,236**	453,905

18 BORROWINGS

The table below shows the details of the borrowings obtained by the Company:

		2019 SR	*2018 SR*
A	Bank borrowings	**240,024,652**	119,609,681
B	Sukuk payable	**190,276,124**	146,362,078
C	Borrowings from a government entity	**36,688,047**	49,710,393
		466,988,823	315,682,152
	Current portion	**261,872,437**	123,921,373
	Non-current portion	**205,116,386**	191,760,779
		466,988,823	315,682,152

All borrowing facilities of the Company are Shariah complaint financing arrangements, and are unconventional in nature.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

18 BORROWINGS (continued)

A) The table below shows the details of the bank borrowings obtained by the Company:

	2019	*2018*
	SR	*SR*
Islamic financing (see notes a and b below)	**241,962,159**	120,942,424
Less: unamortized upfront charges	**(1,937,507)**	(1,332,743)
	240,024,652	119,609,681
Current portion	**185,184,496**	76,693,885
Non-current portion	**54,840,156**	42,915,796
	240,024,652	119,609,681

Islamic financing shown above includes:

a) Four (2018: four) revolving Islamic facilities for a total amount of SR 95.71 million (2018: SR 57.7 million). Each of these facilities is for an original term of 1 year and renewable for additional periods of one year each at the lender's option up to a total of 4 years and carry special commission at floating commercial rates. The facilities are secured by an assignment of receivables. Since the option to refinance or roll over the facilities is at the lender's discretion therefore these facilities are classified as current in these financial statements.

b) Seven **(**2018**:** three) other Islamic facilities for a total amount of SR 144.3 million (2018: SR 61.8 million) obtained from commercial banks to finance the Islamic financing assets of the Company and carry special commission at floating commercial rates. The facilities are secured by restricted deposit and are repayable on agreed terms (note 8 b).

c) During the year 2019, Company has taken new borrowings amounting to SR 235.5 million from various banks.

B) The table below shows the details of the sukuk payable issued by the Company:

	2019	*2018*
	SR	*SR*
Islamic financing through Sukuk	**195,700,000**	151,300,000
Less: unamortized upfront charges	**(5,423,876)**	(4,937,922)
	190,276,124	146,362,078
Current portion	**58,044,282**	32,729,520
Non-current portion	**132,231,842**	113,632,558
	190,276,124	146,362,078

In February 2018, the Company issued Sukuk with an aggregate principal of SR 178 million. The Sukuk carry a fixed rate of interest at 8% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from May 2018, with the final instalment due in February 2023.

In December 2019, the Company issued a new Sukuk with an aggregate principal of SR 80 million. The Sukuk carry a fixed rate of interest at 6% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from March 2020, with the final instalment due in December 2022.

Both the Sukuks are secured by assignment of receivables.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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18 BORROWINGS (continued)

C) The table below shows the details of the loan obtained by the Company from a government entity:

	2019 ***SR***	*2018* *SR*
Current portion	**18,643,661**	14,497,968
Non-current portion	**18,044,386**	35,212,425
	36,688,047	49,710,393

During September 2018 and December 2018, the Company received loans from a government entity amounting to SR 20 million and SR 36 million, respectively. The loan has to be repaid in monthly instalments commencing from December 2018 and April 2019, respectively, with the final instalment due in November 2021 and March 2022, respectively.

The above loans received by the Company from a government entity carries special commission at rates significantly lower than the currently prevailing market rates. These loans provided to the Company carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit amounting to SR 6.2 million being the impact of the "lower than market value" loans obtained by the Company had been identified and accounted for as "government grant" and has initially been recorded as deferred income and classified within "accounts payables, accruals and others". Such benefit is being recognised in statement of comprehensive income of the Company on a systematic basis as the expense, for which such grant is intended to compensate. As at 31 December 2018, deferred income was SR 3.05 million which was fully recognised in 2019.

19 EMPLOYEES' DEFINED BENEFIT LIABILITIES

The following tables summaries the components of employees' defined benefit liabilities recognised in the statement of comprehensive income and statement of financial position:

a) Amount recognised in the statement of financial position:

	2019 ***SR***	*2018* *SR*
Present value of employees' defined benefit liabilities	**2,381,291**	1,492,876

b) Benefit expense (recognised in statement of comprehensive income):

	2019 ***SR***	*2018* *SR*
Current service cost	**634,041**	444,658
Special commission expense	**48,246**	-
Benefit expense	**682,287**	444,658

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19 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

c) Movement in the present value of employees' defined benefit liabilities:

	2019 SR	*2018 SR*
Present value of employees' defined benefit liabilities at beginning of the year	**1,492,876**	1,059,786
Charge recognised in statement of comprehensive income		
Current service cost	**634,041**	444,658
Special commission expense	**48,246**	-
Actuarial loss on recognised in the statement of other comprehensive income	**285,510**	-
Benefits paid	**(79,382)**	(11,568)
Present value of employees' defined benefit liabilities at end of the year	**2,381,291**	1,492,876

d) Principal actuarial assumptions:

The Company used discount rate of 3.32% and salary increase rate of 3.32% for the computation of employees' defined benefit liabilities.

e) Sensitivity analysis

A qualitative sensitivity analysis for significant assumptions as at 31 December 2019, is as shown:

The increase in discount rate by 0.50% would decrease the employees' defined benefit liabilities by SR 139,802 and decrease in discount rate by 0.50% would increase the employees' defined benefit liabilities SR 153,131.

The increase in salary growth rate by 0.50% would increase the employees' defined benefit liabilities SR 152,357 and decrease in salary growth rate by 0.50% would decrease the employees' defined benefit liabilities SR 140,456.

20 SHARE CAPITAL

Share capital is divided into 25.5 million shares (2018: 22.9 million shares) of SR 10 each.

During 2019, the Company issued 2.6 million shares of SR 10 each thus increasing share capital of the Company from SR 229 million to SR 255 million through the transfer of SR 26,040,000 from retained earnings.

The capital increase was executed pursuant to the Extra Ordinary General Meeting resolution dated 19 Dhul-Hijjah 1440H (corresponding to 20 August 2019) and SAMA approval numbered 64431/99 dated 28 Shawwal 1440H (corresponding 1 July 2019). The legal formalities of the increase in share capital were completed in fourth quarter of 2019.

21 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after zakat in each year to statutory reserve until it has built up a reserve equal to 30% of the share capital. The reserve is not available for distribution.

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22 ZAKAT

Charge for the year
The movement in the zakat provision for the year was as follows:

	2019 SR	*2018 SR*
At beginning of the year	-	11,382,460
Charge for the year	**6,611,673**	2,909,891
Paid during the year	-	(11,451,255)
Overpayment in the prior years (see note below)	-	(6,315,025)
Transfer to prepaid zakat (see note 9)	**(3,473,929)**	3,473,929
At end of the year	**3,137,744**	-

Status of assessments
The Company had filed its zakat returns for prior years with the General Authority of Zakat and Income Tax ("GAZT") up to the years 2018. The Company had obtained its zakat assessments for all the years until 2013 while the assessments for the years 2014 to 2018 are still under review by the GAZT.

Subsequent to 31 December 2018, the Company received a communication from GAZT in connection with the settlement of the open zakat assessments of the Company for the years from 2014 until 2017. The GAZT in its letter stated that the Company has an overpayment of SR 7,738,978 for these years. The Company has submitted a formal letter to GAZT requesting refund of the same against future zakat liabilities. As a result, the Company has recorded a reversal of zakat charged amounting to SR 6,315,025 in the statement of comprehensive income in the annual financial statements for the year ended 31 December 2018.

23 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The Company's objectives for managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing the services commensurately with the level of risk.

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24 FINANCIAL INSTRUMENTS AND FAIR VALUE

Financial instruments comprise financial asset and financial liabilities.

Financial assets consist of cash and cash equivalents, restricted cash deposits, Islamic financing receivables, investment and other receivables. Financial liabilities consist of borrowings, shareholders' loans and accounts payable, accruals and others.

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.

Following table indicates fair value level hierarchy of the financial instruments of the Company. Islamic financing receivables, investment at FVOCI and borrowings are classified within level 3 of the fair value hierarchy while the rest of the financial assets and financial liabilities included in the below table are classified within level 2 of the fair value hierarchy. Management believes that the fair value of the financial assets and liabilities included in the table below at the reporting date, approximate their carrying values mainly due to the short maturities of most of these financial assets and liabilities.

	2019 ***SR***	*2018* *SR*
Financial assets		
Cash and cash equivalents	**156,581,005**	84,191,164
Restricted cash deposits	**1,873,624**	1,873,624
Other assets (excluding special commission receivable)	**8,168,826**	254,749
Financial liabilities		
Accounts payables, accruals and others (excluding accrued special commission expense)	**6,376,067**	6,763,845

For assets and liabilities that are recognised at fair values in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

There have been no transfers to and from Level 2 and 3 during the current and prior year.

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24 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

Fair value of the Islamic financing receivables (including special commission receivable)

	2019 Carrying value SR	***2019 Fair value SR***	*2018 Carrying value SR*	*2018 Fair Value SR*
Financial assets				
Islamic financing receivables	**590,418,446**	**609,677,304**	487,858,326	523,665,324

For determination of the fair value of Islamic financing receivables, management assesses the market under the current conditions, and assesses the profit rates that the Company could obtain against its current portfolio. The portfolio is segregated into various categories. The profit rates over the last 5 years have been assessed and used as a base for the discount rate relating to the valuation of the portfolio. Premiums have then been added to each category based on the prevailing economic conditions in the country. The premiums move from 50 basis points to 250 basis points.

The initial base rate, before premiums, were calculated using the average quoted rate against contracts for the last 5 years. This quoted rate was compared to the average effective yield that the contracts generate to derive the factor to translate the quoted rate to an effective rate in order to lift the base rate from a quoted rate to an effective rate. The average of the quoted rate for the Company's portfolio over this period was 15.98% (2018: 16.18%), and the average effective rate for this same portfolio was 17.23% (2018: 19.10%), resulting in a lift factor of 1.08x (2018: 1.18x).

Deemed premium for each category has been added to the base quoted rate, and the lift factor was applied to arrive at the effective yield which was used as a proxy discount rate to fair value the portfolio.

The cash flows of each category were discounted using the proxy discount rate applicable to each category to arrive at the fair value of the portfolio. Provision carried against the portfolio was then deducted to compare the carrying value to the deemed fair value.

The discount rates used range from 17.76% to 19.9% (2018: 19.69% to 22.10%).

Fair value of Borrowings (including accrued special commission expense):

The fair value of bank borrowings, sukuk payable and government loans is based on discounted value of expected future cash flows using the applicable market rates for similar types of instrument as of reporting date. The table below shows the fair value of bank borrowings as at 2019 and 2018, respectively.

	2019 Carrying value SR	***2019 Fair value SR***	*2018 Carrying value SR*	*2018 Fair value SR*
Financial liabilities				
Bank borrowings	**240,024,652**	**246,462,977**	119,609,681	119,990,619
Sukuk payable	**190,276,124**	**190,276,122**	146,362,078	146,362,078
Loans from a government entity	**36,688,047**	**36,688,048**	49,710,393	49,710,393

Fair Value of Investment at FVOCI

Management believes that the fair value of investment at FVOCI approximates its carrying value.

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25 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including special commission rate risk and foreign currency risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by management. The most important types of risk are summarized below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the table below.

	2019 ***SR***	*2018* *SR*
Cash and cash equivalents	**156,581,005**	84,144,671
Restricted cash deposit	**1,873,624**	1,873,624
Islamic financing receivables, net	**590,418,446**	487,858,326
Other assets	**8,796,868**	954,695
	757,669,943	574,831,316

Credit quality analysis
The following table sets out information about the credit quality of Islamic financing receivables measured at amortised cost:

	2019 ***SR***	*2018* *SR*
Neither past due nor impaired	**362,012,420**	381,652,942
Past due but not impaired:		
From 1 day to 30 days	**127,049,150**	37,875,419
From 31 day to 90 days	**42,001,562**	47,339,927
From 91 day to 180 days	**33,930,329**	10,345,986
From 181 day to 360 days	**25,424,985**	10,644,052
Past due and impaired	**22,793,032**	13,194,852
	613,211,478	501,053,178

a) Gross carrying value of Islamic financing receivable before ECL

	12 month ECL *SR*	*Life time ECL not credit impaired* *SR*	*Lifetime ECL credit impaired* *SR*	*Total* *SR*
31 December 2018	420,344,454	60,113,543	20,595,181	501,053,178
31 December 2019	**489,061,569**	**52,103,674**	**72,046,235**	**613,211,478**

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

25 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)
Credit quality analysis (continued)
b) Allowance for ECL

	12 month ECL SR	*Life time ECL not credit impaired SR*	*Lifetime ECL credit impaired SR*	*Total SR*
31 December 2018	816,093	4,833,156	7,545,603	13,194,852
31 December 2019	**6,422,506**	**2,270,006**	**14,100,520**	**22,793,032**

Amounts arising from ECL – Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

Credit risk grades
The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

a) Generating the term structure of PD
Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors include GDP growth, benchmark interest rates, unemployment etc.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

b) Determining whether credit risk has increased significantly
The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Company's staging criteria.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

25 FINANCIAL RISK MANAGEMENT (continued)

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

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower

c) Modified financial assets
The contractual terms of financing receivables may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing receivable whose terms have been modified may be derecognised and the renegotiated amount recognised as a new financing receivable at fair value in accordance with the Company's accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company may renegotiate financing receivables to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's policy, Financing receivables' forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending other terms of financing.

d) Definition of 'Default'
A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any credit obligations to the Company including principal instalments and interest payments.
- The Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

e) Incorporation of forward looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom of Saudi Arabia and selected private sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

25 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)
Credit risk grades (continued)
f) Measurement of ECL
The key inputs into the measurement of ECL are the term structure of the variables set out below. These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on models and assessed using tools tailored to various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the recoveries and costs incurred in the process to arrive at the estimates.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

The Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options), depending on exposure's rating classification over which it is exposed to credit risk.

g) Governance and controls
In addition to the existing risk management framework, the Company has established a Management Committee for oversight of IFRS 9 impairment process that includes representation from Finance, as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that bank facilities are available.

Analysis of financial liabilities by remaining contractual maturities
The table below summarizes the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date.

	Within 3 months	*3 to 12 months*	*1 to 5 years*	*Total SR*
31 December 2019				
Accounts payable, accruals and others*	5,104,730	755,513	515,824	**6,376,067**
Borrowings*	66,081,047	195,791,390	205,116,386	**466,988,823**
	71,185,777	**196,546,903**	**205,632,210**	**473,364,890**
31 December 2018				
Accounts payable, accruals and others*	5,260,667	1,503,178	-	6,763,845
Borrowings*	26,059,329	116,596,264	217,510,399	360,165,992
	31,319,996	118,099,442	217,510,399	366,929,837

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

25 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

* Accrued special commission expense as at the reporting date has been included as part of Borrowings for the purpose of above disclosure.

Analysis of financial assets and liabilities according to when they are expected to be recovered or settled

The table shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	Within 3 months SR	***3 to 12 months SR***	***1 to 5 years SR***	***No fixed maturity SR***	***Total SR***
31 December 2019					
Cash and cash equivalents	156,581,005	-	-	-	**156,581,005**
Restricted cash deposit	1,873,624	-	-	-	**1,873,624**
Investment at fair value through OCI	-	-	-	892,850	**892,850**
Islamic financing receivables	64,806,170	174,643,297	350,968,979	-	**590,418,446**
Other assets	1,311,607	916,994	6,568,267	-	**8,796,868**
Financial assets	**224,572,406**	**175,560,291**	**357,537,246**	**892,850**	**758,562,793**
Accounts payable, accruals and others	5,104,730	755,513	515,824	-	**6,376,067**
Borrowings	66,081,047	195,791,390	205,116,386	-	**466,988,823**
Financial liabilities	**71,185,777**	**196,546,903**	**205,632,210**	-	**473,364,890**
Maturity gap	**153,386,629**	**(20,986,612)**	**151,905,036**	**892,850**	**285,197,903**
Cumulative maturity gap	**153,386,629**	**132,400,017**	**284,305,053**	**285,197,903**	

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*No fixed maturity SR*	*Total SR*
31 December 2018					
Cash and cash equivalents	84,191,164	-	-	-	84,191,164
Restricted cash deposit	-	-	1,873,624	-	1,873,624
Investment at fair value through OCI	-	-	-	892,850	892,850
Islamic financing receivables	58,059,139	144,029,699	285,769,488	-	487,858,326
Other assets	954,695	-	-	-	954,695
Financial assets	143,204,998	144,029,699	287,643,112	892,850	575,770,659
Accounts payable, accruals and others	6,006,985	1,503,178	-	-	7,510,163
Borrowings	21,422,898	104,413,846	189,845,408	-	315,682,152
Financial liabilities	27,429,883	105,917,024	189,845,408	-	323,192,315
Maturity gap	115,775,115	38,112,675	97,797,704	892,850	252,578,344
Cumulative maturity gap	115,775,115	153,887,790	251,685,494	252,578,344	

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

25 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk
Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Company is subject to special commission rate risk on its special commission bearing assets and liabilities, including Islamic financing receivables and borrowings.

All of the Company's special commission bearing assets, sukuk payable and loans from a government entity carry special commission at fixed rates and therefore, management believes that the Company is not exposed to any special commission rate risk in respect of these assets.

All other borrowings of the Company carry special commission at variable rates. The Company uses derivative financial instruments (special commission rate swap) to hedge the Company's exposure to the fluctuations in special commission rates in respect of some of these borrowings and therefore management believes that the Company is not exposed to special commission rate risk in respect of such borrowings.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Company's profit or loss relating to the floating rate borrowings for which the Company does not use derivatives for hedging. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net commission income for one year, based on such floating rate borrowings held as at the reporting date.

	2019	
	Change in basis points	***Impact on net income SR***
Saudi Riyals	+50	**(478,565)**
Saudi Riyals	-50	**478,565**

	2018	
	Change in basis points	*Impact on net income SR*
Saudi Riyals	+50	(514,634)
Saudi Riyals	-50	514,634

The Company is exposed to risks associated with the fluctuations in the levels of market special commission rates. The table below summarizes the Company's exposure to special commission rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Company is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that reprice or mature in a given period. The Company manages this risk by matching the repricing of assets and liabilities through risk management strategies.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

25 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	2019				
	Within 3 months SR	*3 -12 months SR*	*1 to 5 years SR*	*Non commission bearing SR*	*Total SR*
Assets					
Cash and cash equivalents	39,997,590	-	-	116,583,415	**156,581,005**
Restricted cash deposits	-	-	-	1,873,624	**1,873,624**
Prepayments and other assets	525,750	1,577,250	5,670,000	2,176,969	**9,949,969**
Investment at FVOCI	-	-	-	892,850	**892,850**
Islamic financing receivables	64,806,170	174,643,297	350,968,979	-	**590,418,446**
Repossessed asset held for sale	-	-	-	4,208,962	**4,208,962**
Right to use assets	-	-	-	5,549,087	**5,549,087**
Property and equipment	-	-	-	4,889,813	**4,889,813**
Intangible assets	-	-	-	4,199,607	**4,199,607**
Total assets	**105,329,510**	**176,220,547**	**356,638,979**	**140,374,327**	**778,563,363**
Liabilities					
Accounts payable, accruals and others	-	-	-	9,557,332	**9,557,332**
Provision for zakat	-	-	-	3,137,744	**3,137,744**
Lease liabilities	-	-	-	5,182,133	**5,182,133**
Borrowings	66,081,047	195,791,390	205,116,386	-	**466,988,823**
Employees' terminal benefits	-	-	-	2,381,291	**2,381,291**
Total liabilities	**66,081,047**	**195,791,390**	**205,116,386**	**20,258,500**	**487,247,323**
Total special commission rate sensitivity gap	**39,248,463**	**(19,570,843)**	**151,522,593**	**120,115,827**	**291,316,040**
Cumulative special commission rate sensitivity gap	**39,248,463**	**19,677,620**	**171,200,213**	**291,316,040**	

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

25 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	2018				
	Within 3 months SR	*3 -12 months SR*	*1 to 5 years SR*	*Non commission bearing SR*	*Total SR*
Assets					
Cash and cash equivalents	20,000,000	-	-	64,191,164	84,191,164
Restricted cash deposits	-	-	-	1,873,624	1,873,624
Prepayments and other assets	-	-	-	6,183,805	6,183,805
Investment at FVOCI	-	-	-	892,850	892,850
Islamic financing receivables	58,059,139	144,029,699	285,769,488	-	487,858,326
Property and equipment	-	-	-	5,181,877	5,181,877
Intangible assets	-	-	-	3,754,025	3,754,025
Total assets	78,059,139	144,029,699	285,769,488	82,077,345	589,935,671
Liabilities					
Accounts payable, accruals and others	-	-	-	10,559,762	10,559,762
Borrowings	21,422,898	104,413,846	189,845,408	-	315,682,152
Employees' terminal benefits	-	-	-	1,492,876	1,492,876
Total liabilities	21,422,898	104,413,846	189,845,408	12,052,638	327,734,790
Total special commission rate sensitivity gap	56,636,241	39,615,853	95,924,080	70,024,707	262,200,881
Cumulative special commission rate sensitivity gap	56,636,241	96,252,094	192,176,174	262,200,881	

Foreign currency risk
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business as it does not have any significant financial assets and liabilities denominated in foreign currency.

26 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The Company has adopted IFRS 16 from its mandatory adoption date of 1 January 2019 using the modified retrospective approach as permitted under the specific transition provision in the standard. As a result, comparative of the year ended 31 December 2018 are not restated.

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

26 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

a) Impact on the statement of financial position as at 1 January 2019:

	SR
Assets	
Right-of-use assets	**6,733,695**
Prepayments	**(558,836)**
	6,174,859
Liability	
Lease obligations	**(6,174,859)**
Net impact as at 1 January 2019	-

The Company has not used the practical expedients of applying IFRS 16 to only those contracts that were previously identified as leases under IAS 17 and IFRIC 4. In adopting IFRS 16, the Company has applied the following practical expedients:

- the use of a single discount rate to a portfolio leases with reasonably similar characteristics;
- accounting for operating leases in accordance with IAS 17 as short-term leases with remaining lease term of less than 12 months as at 1 January 2019;
- exclusion of initial direct costs for the measurement of right-of-use assets at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the election, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

On adoption of IFRS 16, the Company has recognised lease liability and associated right-of-use assets in relation to contract that has been concluded as lease under the principles of IFRS 16. The liability was measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019. The associated right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of prepayments relating to that lease recognised in the statement of financial position for the year ended 31 December 2018. The weighted average lessee's incremental borrowing rate applied to the lease liability as at 1 January 2019 was 5.9%.

b) Reconciliation of lease obligations

	SR
Off-balance sheet lease obligations as of 31 December 2018	**3,624,400**
Contracts reassessed with optional extension periods not recognised as at 31 December 2018	4,746,477
Adjustments for prepaid rent as at 31 December 2018	(558,836)
Operating lease obligations as of 1 January 2019 (Gross without discounting)	**7,812,041**
Operating lease obligations as of 1 January 2019 (net, discounted at 5.9%)	**6,174,859**

Morabaha Marina Financing Company
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NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2019

27 RESTATEMENTS

Pursuant to the change in accounting policy as set out in note 3.1:

Zakat charge for the period which was debited to the statement of changes in shareholders' equity has now been charged to the statement of comprehensive income for the current year as well as for the comparative year.

Consequently, the net profit and total comprehensive income for the comparative year presented have been restated after considering the above impact.

The change in the accounting policy for zakat and income tax has the following impacts on the line items of profit or loss, other comprehensive income:

Financial statement impacted	*Account*	*Before the restatement for the year ended 31 December 2018 SR*	*Effect of Restatement SR*	*As restated as at and for the year ended 31 December 2018 SR*
Statement of comprehensive income	Zakat expenses	-	2,909,891	2,909,891
Statement of comprehensive income	Reversal of excess zakat paid	-	(6,315,025)	(6,315,025)

There is no impact arising on the retained earnings from the revised treatment of zakat, as these are now charged through statement of comprehensive income instead of earlier treatment of direct charge to the retained earnings.

28 EVENTS AFTER THE REPORTING PERIOD

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

29 COMPARATIVE INFORMATION

Other than the amounts restated as disclosed in note 27, certain of the prior year amounts have been reclassified to conform with the current year presentation.

30 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 20 February 2020 (corresponding to 26 Jumad Thani 1441H).