Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2023

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 referred to as "Group") as at 31 March 2023, and the related interim condensed consolidated statement of comprehensive income, changes in shareholders' equity and cash flows for the three-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: 14 Shawwal 1444H
(4 May 2023)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2023

	Notes	***2023 (Unaudited) SR***	*2022 (Unaudited) SR*
Special commission income	3	**44,210,715**	38,390,462
Special commission expense		**(9,984,199)**	(5,622,271)
NET SPECIAL COMMISSION INCOME		**34,226,516**	32,768,191
Other operating income			
Other income, net	4	**8,851,284**	6,005,931
TOTAL OPERATING INCOME		**43,077,800**	38,774,122
Operating expenses			
General and administration expenses	5	**(20,298,162)**	(12,086,807)
Impairment losses on Islamic financing receivables	6	**(3,001,006)**	(9,343,243)
INCOME BEFORE ZAKAT		**19,778,632**	17,344,072
Zakat	8	**(4,573,037)**	(3,560,769)
NET INCOME FOR THE PERIOD		**15,205,595**	13,783,303
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**15,205,595**	13,783,303
Attributable to:			
Equity holders of the Parent		**16,223,424**	13,783,303
Non-controlling interest		**(1,017,829)**	-
		15,205,595	13,783,303
Basic and diluted earnings per share			
Earnings per share from net income attributable to equity holders of the Parent		**0.32**	0.44

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2023

	Notes	***31 March 2023 (Unaudited) SR***	*31 December 2022 (Audited) SR*
ASSETS			
Cash and cash equivalents		**64,248,060**	69,639,011
Restricted cash deposits		**16,000,000**	16,000,000
Prepayments and other assets		**42,841,476**	36,571,091
Investment at fair value through OCI		**892,850**	892,850
Islamic financing receivables	6	**1,044,633,243**	981,883,052
Repossessed asset held for sale	6	**48,038,440**	53,629,422
Right-of-use assets		**7,678,184**	7,225,463
Fair value of derivatives	9	**4,773,487**	5,500,462
Intangible assets		**46,807,478**	45,379,200
Property and equipment		**6,853,541**	7,066,652
TOTAL ASSETS		**1,282,766,759**	1,223,787,203
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable, accruals and others	7	**18,064,901**	16,887,940
Provision for zakat	8	**14,051,546**	9,635,804
Borrowings	9	**653,427,740**	615,724,994
Lease liabilities		**6,724,714**	6,649,315
Employees' defined benefit liabilities		**5,802,829**	5,399,716
TOTAL LIABILITIES		**698,071,730**	654,297,769
EQUITY			
Share capital	10	**500,000,000**	500,000,000
Statutory reserve		**22,085,321**	22,085,321
Treasury shares	10	**(16,062,300)**	(16,062,300)
Retained earnings		**68,993,402**	52,769,978
Equity attributable to equity holders of Parent		**575,016,423**	558,792,999
Non-controlling interests		**9,678,606**	10,696,435
TOTAL EQUITY		**584,695,029**	569,489,434
TOTAL LIABILITIES AND EQUITY		**1,282,766,759**	1,223,787,203

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the three-month period ended 31 March 2023

	Attributable to equity holders of the parent							
	Share capital SR	*Statutory reserve SR*	*Treasury shares SR*	*Proposed increase in share capital SR*	*Retained earnings SR*	*Total SR*	*Non-controlling Interests SR*	*Total SR*
For the three-month period ended 31 March 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	-	-	-	28,021,950	(28,021,950)	-	-	-
Increase in share capital through cash injection	-	-	-	160,623,050	-	160,623,050	-	160,623,050
Net income for the period	-	-	-	-	13,783,303	13,783,303	-	13,783,303
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	13,783,303	13,783,303	-	13,783,303
Balance at 31 March 2022 (unaudited)	311,355,000	17,250,061	-	188,645,000	23,035,942	540,286,003	-	540,286,003
For the three-month period ended 31 March 2023								
Balance at 1 January 2023	**500,000,000**	**22,085,321**	**(16,062,300)**	-	**52,769,978**	**558,792,999**	**10,696,435**	**569,489,434**
Net income for the period	**-**	**-**	**-**	**-**	**16,223,424**	**16,223,424**	**(1,017,829)**	**15,205,595**
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	**16,223,424**	**16,223,424**	**(1,017,829)**	**15,205,595**
Balance at 31 March 2023 (unaudited)	**500,000,000**	**22,085,321**	**(16,062,300)**	**-**	**68,993,402**	**575,016,423**	**9,678,606**	**584,695,029**

The accompanying notes 1 to 17 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three-month period ended 31 March 2023

	Notes	***2023 (Unaudited) SR***	*2022 (Unaudited) SR*
OPERATING ACTIVITIES			
Income before zakat		**19,778,632**	17,344,072
Adjustments for:			
Impairment losses on Islamic financing receivables	6	**3,001,006**	9,343,243
Depreciation and amortisation		**930,806**	542,478
Depreciation of right-of-use assets		**737,268**	430,581
Finance charge on lease		**50,270**	50,270
Provision for employees' terminal benefits		**420,927**	266,968
Fair value of derivative		**726,977**	-
Operating cash flows before working capital changes		**25,645,886**	27,977,612
Working capital adjustments:			
Islamic financing receivables		**(62,750,191)**	(46,237,246)
Prepayments and other assets		**(6,270,385)**	(28,452,155)
Repossessed asset held for sale		**5,590,982**	(16,495,260)
Accounts payable, accruals and others		**1,176,961**	50,539,443
Net cash used in operations		**(36,606,747)**	(12,667,606)
Zakat paid	8	**(157,295)**	-
Employees' terminal benefits paid		**(17,814)**	-
Net cash used in operating activities		**(36,781,856)**	(12,667,606)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(459,029)**	(547,286)
Purchase of intangible assets		**(1,571,001)**	(33,750)
Net cash used in investing activities		**(2,030,030)**	(581,036)
FINANCING ACTIVITIES			
Proceeds from borrowings		**125,000,000**	146,062,300
Repayment of borrowings		**(90,977,110)**	(75,764,182)
Proceeds from increase of capital, net of treasury shares		**-**	160,623,050
Lease liabilities paid		**(601,955)**	(764,500)
Net cash from financing activities		**33,420,935**	230,156,668
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**(5,390,951)**	216,908,026
Cash and cash equivalents at the beginning of the period		**69,639,011**	42,807,690
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**64,248,060**	259,715,716
OTHER SUPPLEMENTARY INFORMATION			
Proposed increase in share capital		**-**	28,021,950

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
5855359542	Khamis mushait	27 Sha'aban 1443H
4032258441	Taif	27 Sha'aban 1443H

The Company is engaged in Finance lease, financing facilities to medium and small enterprises and 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 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 interim condensed consolidated financial statements of the Group as at and for the three-month period ended 31 March 2023 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 2022.

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.

2 BASIS OF PREPARATION (continued)

a. Statement of compliance (continued)

These interim condensed consolidated financial statements have been presented in Saudi Riyals, as it is the functional currency of the Group.

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 2022.

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.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts 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. IFRS 17 is based on a 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

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 had no impact on the Group's interim condensed consolidated financial statements, but may affect the accounting policy disclosures in the Group's annual consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

3 SPECIAL COMMISSION INCOME

Special commission income comprises of income from the following financing products:

	For the three-month period ended 31 March	
	2023 (Unaudited) SR	*2022 (Unaudited) SR*
Tawarruq	**41,805,215**	36,564,179
Ijara	**2,405,500**	1,826,283
	44,210,715	38,390,462

All the special commission income are from financing products which are Shariah compliant.

4 OTHER INCOME

	For the three-month period ended 31 March	
	2023 (Unaudited) SR	*2022 (Unaudited) SR*
Recovery of Islamic financing receivables written off	**5,423,203**	4,518,420
Gain on sale of repossessed assets	**1,452,623**	-
Realized gain on interest rate swap	**1,148,028**	-
Income from early settlement fees	**999,540**	1,344,893
Income from short term deposits	**482,874**	34,524
Unrealized loss on fair value of derivatives	**(726,977)**	-
Others	**71,993**	108,094
	8,851,284	6,005,931

5 GENERAL AND ADMINISTRATION EXPENSES

	For the three-month period ended 31 March	
	2023 (Unaudited) SR	*2022 (Unaudited) SR*
Salaries and employee related costs	**12,419,596**	7,896,630
Depreciation and amortisation	**2,250,517**	973,059
Professional fee	**1,271,862**	721,179
Non-claimable VAT	**1,197,437**	-
Insurance charges	**863,928**	519,449
Repair and maintenance	**303,044**	268,201
Bank charges	**279,110**	266,399
Utilities expense	**212,419**	162,110
Other expenses	**1,500,249**	1,279,780
	20,298,162	12,086,807

6 ISLAMIC FINANCING RECEIVABLES, NET

	Tawarruq receivables		*Ijara receivables*		*Total*	
	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*	***31 March 2023 (Unaudited) SR***	*31 December 2022 (Audited) SR*	***31 March 2023 (Unaudited) SR***	*31 December 2022 (Audited) SR*
Gross Islamic financing receivables	**1,356,091,643**	1,298,611,632	**72,392,086**	56,692,413	**1,428,483,729**	1,355,304,045
Less: Unrealised profit	**(320,038,099)**	(307,372,607)	**(17,232,840)**	(13,234,028)	**(337,270,939)**	(320,606,635)
	1,036,053,544	991,239,025	**55,159,246**	43,458,385	**1,091,212,790**	1,034,697,410
Less: Allowance for impairment losses	**(42,537,144)**	(49,836,385)	**(4,042,403)**	(2,977,973)	**(46,579,547)**	(52,814,358)
Islamic financing receivables, net	**993,516,400**	941,402,640	**51,116,843**	40,480,412	**1,044,633,243**	981,883,052

All the financing facilities provided by the Group are Shariah compliant, accordingly they are unconventional in nature.

Analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type is presented below:

31 March 2023 (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	**597,630,157**	**264,391,404**	**174,031,983**	**1,036,053,544**	**2,284,985**	**6,585,278**	**33,666,881**	**42,537,144**	**0.4%**	**2.5%**	**19.3%**	**4.1%**
Ijara	**17,620,459**	**31,749,094**	**5,789,693**	**55,159,246**	**14,862**	**921,981**	**3,105,560**	**4,042,403**	**0.1%**	**2.9%**	**53.6%**	**7.3%**
Total	**615,250,616**	**296,140,498**	**179,821,676**	**1,091,212,790**	**2,299,847**	**7,507,259**	**36,772,441**	**46,579,547**	**0.4%**	**2.5%**	**20.4%**	**4.3%**

31 December 2022 (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	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%

6 ISLAMIC FINANCING RECEIVABLES, NET (continued)

Analysis of credit quality of Islamic financing receivables is as follows:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Neither past due nor impaired	**710,478,746**	685,057,056
Past due but not impaired	**288,419,469**	256,663,708
Past due and impaired	**92,314,575**	92,976,646
	1,091,212,790	1,034,697,410

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:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Performing	**998,898,215**	941,720,764
Non-performing	**92,314,575**	92,976,646
	1,091,212,790	1,034,697,410

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Current	**451,250,614**	413,291,105
Non-current	**639,962,176**	621,406,305
	1,091,212,790	1,034,697,410

Movement in the allowance for impairment losses were as follows:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*	*31 March 2022 (Unaudited) SR*
At beginning of the period / year	**52,814,358**	43,584,489	43,584,489
Charge for the period / year	**3,001,006**	46,449,918	9,343,243
Written-off during the period / year	**(9,235,817)**	(37,220,049)	(8,143,244)
At end of the period / year	**46,579,547**	52,814,358	44,784,488

6 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.

31 March 2023 (Unaudited)	*Stage 1* *12 month ECL* *SR*	*Stage 2* *Lifetime ECL not credit impaired* *SR*	*Stage 3* *Lifetime ECL credit impaired* *SR*	*Total* *SR*
Balance at 1 January 2023	**10,008,141**	**7,453,771**	**35,352,446**	**52,814,358**
Transfer from stage 2 & 3 to stage 1	**528,830**	**(510,353)**	**(18,477)**	**-**
Transfer from stage 1 & 3 to stage 2	**(243,303)**	**2,453,752**	**(2,210,449)**	**-**
Transfer from stage 1 & 2 to stage 3	**(4,567,087)**	**(3,979)**	**4,571,066**	**-**
Charge for the year	**(3,426,734)**	**(1,885,932)**	**8,313,672**	**3,001,006**
Write-offs	**-**	**-**	**(9,235,817)**	**(9,235,817)**
Balance as at 31 March 2023	**2,299,847**	**7,507,259**	**36,772,441**	**46,579,547**

31 December 2022 (Audited)	*Stage 1* *12 month ECL* *SR*	*Stage 2* *Lifetime ECL not credit impaired* *SR*	*Stage 3* *Lifetime ECL credit impaired* *SR*	*Total* *SR*
Balance at 1 January 2022	1,078,378	26,409,508	16,096,603	43,584,489
Transfer from stage 2 & 3 to stage 1	346,937	(142,330)	(204,607)	-
Transfer from stage 1 & 3 to stage 2	(11,941,654)	18,095,573	(6,153,919)	-
Transfer from stage 1 & 2 to stage 3	(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

The following table shows reconciliations from the opening to the closing balance of the gross outstanding for financings to customers at amortized cost.

31 March 2023 (Unaudited)	*Stage 1* ***12 month ECL*** ***SR***	*Stage 2* ***Lifetime ECL not credit impaired*** ***SR***	*Stage 3* ***Lifetime ECL credit impaired*** ***SR***	***Total*** ***SR***
Balance at 1 January 2023	**823,466,593**	**311,447,212**	**220,390,240**	**1,355,304,045**
Transfer from stage 1 to stage 2 & 3	**(129,546,941)**	**125,288,908**	**4,258,033**	**-**
Transfer from stage 1 & 3 to stage 2	**54,002**	**(43,244,899)**	**43,190,897**	**-**
Transfer from stage 2 to 3	**-**	**51,325**	**(51,325)**	**-**
Net movement	**122,288,722**	**(14,283,068)**	**(23,349,126)**	**84,656,528**
Write-offs	**-**	**-**	**(11,476,844)**	**(11,476,844)**
Balance as at 31 March 2023	**816,262,376**	**379,259,478**	**232,961,875**	**1,428,483,729**

6 ISLAMIC FINANCING RECEIVABLES, NET (continued)

31 December 2022 (Audited)	*Stage 1* *12 month ECL* *SR*	*Stage 2* *Lifetime ECL not credit impaired* *SR*	*Stage 3* *Lifetime ECL credit impaired* *SR*	*Total* *SR*
Balance at 1 January 2023	921,518,593	221,051,167	133,084,645	1,275,654,405
Transfer from stage 2 & 3 to stage 1	(157,748,357)	105,827,680	51,920,677	-
Transfer from stage 2 & 3 to stage 1	(173,731,066)	117,351,839	56,379,227	-
Transfer from stage 3 to stage to stage 1 & 3	(82,085,178)	(92,105,405)	174,190,583	-
Net movement	315,512,601	(40,678,069)	(136,316,165)	138,518,367
Write-offs	-	-	(58,868,727)	(58,868,727)
Balance as at 31 March 2023	823,466,593	311,447,212	220,390,240	1,355,304,045

REPOSSESSED ASSET HELD FOR SALE

During prior years and current period, the Group acquired 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 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Balance at the beginning of the period/year	**53,629,422**	49,421,675
Addition during the period/year	**-**	25,411,296
Sale during the period/year	**(5,590,982)**	(21,203,549)
Balance at the end of the period/year	**48,038,440**	53,629,422

7 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Accounts payable	**8,228,070**	4,431,175
Accrued special commission expenses	**4,166,034**	2,945,556
Accrued expenses	**1,897,906**	7,134,201
Others	**3,772,891**	2,377,008
	18,064,901	16,887,940

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.

8 ZAKAT

Charge for the period / year

The movement in the zakat provision for the period / year was as follows:

	For the three-month period ended 31 March 2023 (Unaudited) SR	*For the year ended 31 December 2022 (Audited) SR*	*For the three-month period ended 31 March 2022 (Unaudited) SR*
At beginning of the period / year	**9,635,804**	7,000,512	7,000,512
Charge for the period / year	**4,573,037**	9,514,233	3,560,769
Paid during the period / year	**(157,295)**	(6,878,941)	-
At end of the period / year	**14,051,546**	9,635,804	10,561,281

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 the ZATCA.

Digital Payments Company for Financial Technology

The Company has filed its zakat returns with the ZATCA for all previous years up to 2022, which is yet to be reviewed by ZATCA.

9 BORROWINGS

The table below shows the details of the borrowings obtained by the Group:

		31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
A	Bank borrowings	**488,166,692**	404,752,078
B	Sukuk payable	**-**	8,787,285
C	Borrowings from government entities	**165,261,048**	202,185,631
		653,427,740	615,724,994
	Current portion	**304,814,249**	304,884,141
	Non-current portion	**348,613,491**	310,840,853
		653,427,740	615,724,994

9 BORROWINGS (continued)

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:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Islamic financing (notes i and ii below)	**489,331,015**	405,396,651
Less: unamortised upfront charges	**(1,164,323)**	(644,573)
	488,166,692	404,752,078
Current portion	**195,809,809**	166,794,585
Non-current portion	**292,356,883**	237,957,493
	488,166,692	404,752,078

Islamic financing shown above includes:

i) The balance of sixteen (31 December 2022: fifteen) revolving Islamic facilities for a total amount of SR 458.57 million (31 December 2022: SR 368.5 million) as of 31 March 2023 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.

ii) The balance of two (31 December 2022: Two) other Islamic facilities for a total amount of SR 29.6 million (31 December 2022: SR 36.3 million) as of 31 March 2023 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.

iii) During the period, the Group obtained new borrowings amounting to SR 125 million (31 December 2022: 276.1 million) from a local bank, the loan carries commission average rate of 5.03% and is to be repayable by February 2027. The facilities are secured by assignment of receivables. In line with the requirements of one of the funding facility granted by the bank, the Company is required to set aside SR 16 million as at 31 March 2023 which is disclosed as restricted deposited in the statement of financial position.

B) The table below shows the details of the sukuk payable issued by the Group:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Islamic financing through Sukuk	-	8,900,000
Less: unamortised upfront charges	-	(112,715)
	-	8,787,285
Current portion	-	8,787,285

In February 2018, the Group issued Sukuk with an aggregate principal of SR 178 million. The Sukuk carried 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.

9 BORROWINGS (continued)

In December 2019, the Group issued a new Sukuk with an aggregate principal of SR 80 million. The Sukuk carried a fixed rate of interest at 6% per annum due for settlement on a quarterly basis. The Sukuk's principal was due to be repaid in quarterly instalments commencing from March 2020, with the final installment repaid during December 2022.

Both the Sukuks were 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:

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Current portion	**109,004,438**	129,302,272
Non-current portion	**56,256,610**	72,883,359
	165,261,048	202,185,631

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.

During 2020, 2021, the Group participated in funding for lending program by SAMA and received funding in 21 instalments total of SR 279 million funding from SAMA which is interest free funding with varying maturities, starting from March 2023 to February 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 local banks. Notional amount of SR 193.6 million (31 December 2022: SR 211 million). 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 March 2023, the fair value of the derivative instrument at FVTPL amounted to SR 4.8 million (31 December 2022: SR 5.2 million).

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.

10 SHARE CAPITAL

Share capital is divided into 50 million shares (2022: 50 million shares) of SR 10 each.

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Saudi shareholders	**483,937,700**	483,937,700
Treasury shares	**16,062,300**	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 the coming periods.

11 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. Related party 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:

		For the three-month period ended 31 March	
Related parties	***Nature of transactions***	***2023 (Unaudited) SR***	*2022 (Unaudited)* SR
Shareholders	Initial Public Offering ("IPO") costs incurred on behalf of shareholders (*)	**9,283,633**	-
Key management personnel	Compensation – salaries and other incentive	**3,465,000**	1,635,100
	Board remuneration	**1,010,000**	-
	Loans provided using Islamic financing	**7,520,000**	9,580,000
	Provision for employees' defined benefit liabilities	**1,294,281**	737,075

(*) This amount represents the IPO cost which is agreed to be reimbursed by the shareholders once the IPO is completed.

Below are the balances receivables from key management personnel as at period/year end:

Related parties	***Nature of transactions***	***31 March 2023 (Unaudited) SR***	*31 December 2022 (Audited) SR*
Key management personnel	Islamic financing receivables	**4,862,844**	5,205,993

12 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 Fair Value Through Other Comprehensive Income ("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.

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Financial assets		
Cash and cash equivalents	**64,248,060**	69,639,011
Restricted cash deposits	**16,000,000**	16,000,000
Other assets (excluding special commission receivable)	**8,879,526**	8,369,582
Financial liabilities		
Accounts payables, accruals and other liabilities (excluding accrued special commission expense)	**13,898,867**	9,701,802

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.

Fair value of Islamic financing receivables

	31 March 2023		*31 December 2022*	
	(Unaudited) Carrying value SR	***(Unaudited) Fair value SR***	*(Audited) Carrying Value SR*	*(Audited) Fair value SR*
Financial assets				
Islamic financing receivables	**1,044,633,243**	**1,102,525,848**	981,883,052	1,030,054,524

12 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

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 14.51% (2022: 14.86%), and the average effective rate for this same portfolio was 13.57% (2022: 13.97%), resulting in a lift factor of 0.94x (2022: 0.75x).

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 14.04% to 15.9% (2022: 14.35% to 15.8%).

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 instruments as of reporting date. The table below shows the fair value of bank borrowings as at 31 March 2023 and 31 December 2022, respectively:

	31 March 2023 (Unaudited)		*31 December 2022 (Audited)*	
	Carrying value SR	***Fair value SR***	*Carrying Value SR*	*Fair value SR*
Financial liabilities				
Bank borrowings	**488,166,692**	**503,822,964**	404,752,078	424,272,284
Sukuk payable	**-**	**-**	8,787,285	8,987,476
Borrowings from a government entity	**165,261,048**	**197,256,979**	202,185,631	208,632,199

Fair Value of Investment at FVOCI
Management believes that the fair value of investment at FVOCI approximates its carrying value.

13 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 minimize 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.

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Cash and cash equivalents	**64,248,060**	69,639,011
Islamic financing receivables	**1,044,633,243**	981,883,052
Other assets	**8,879,526**	8,369,582
Restricted cash deposits	**16,000,000**	16,000,000
	1,133,760,829	1,075,891,645

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.

	31 March 2023 (Unaudited)	
	Change in basis points	***Increase (decrease) in net income SR***
Saudi Riyals	**+50**	**377,920**
Saudi Riyals	**-50**	**(377,920)**

13 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	31 March 2022 (Unaudited)	
	Change in basis points	*Increase (decrease) in net income SR*
Saudi Riyals	+50	409,550
Saudi Riyals	-50	(409,550)

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***
31 March 2023 (Unaudited)				
Accounts payable, accruals and other liabilities	**14,013,292**	**21,952**	**-**	**14,035,244**
Borrowings*	**92,750,318**	**216,093,588**	**348,613,491**	**657,457,397**
	106,763,610	**216,115,540**	**348,613,491**	**671,492,641**

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*Total SR*
31 December 2022 (Audited)				
Accounts payable, accruals and other liabilities	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

* 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.

14 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.

	31 March 2023 (Unaudited) SR	*31 December 2022 (Audited) SR*
Accounts payable, accruals and others	**18,064,901**	16,887,940
Provision for zakat	**14,051,546**	9,635,804
Borrowings	**653,427,740**	615,724,994
Lease liabilities	**6,724,714**	6,649,315
Employees' defined benefit liabilities	**5,802,829**	5,399,716
Less: Bank balances and cash	**(64,248,060)**	(69,639,011)
Net debt	**633,823,670**	584,658,758
Equity	**584,695,029**	569,489,437
Capital and net debt	**1,218,518,699**	1,154,148,195
Gearing ratio	**52%**	51%

15 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.

15 SEGMENT INFORMATION (continued)

The Group's total assets and liabilities at 31 March 2023 and 31 December 2022 and its total operating income, expenses and net income for the three month period ended 31 March 2023 and 31 March 2022 are as follows:

	Retail SR	*SME`s SR*	*Head office SR*	*Digital payments SR*	*Total SR*
Statement of comprehensive income					
31 March 2023 (unaudited)					
Income	**32,488,972**	**18,144,487**	**2,174,094**	**254,446**	**53,061,999**
Expense	**(15,982,664)**	**(13,529,145)**	**-**	**(5,343,589)**	**(34,855,398)**
Allowance for expected credit losses	**(6,200,014)**	**3,199,008**	-	-	**(3,001,006)**
Segment profit/ (loss)	**10,306,294**	**7,814,350**	**2,174,094**	**(5,089,143)**	**15,205,595**
31 March 2022 (unaudited)					
Income	27,529,567	16,724,209	142,617	-	44,396,393
Expense	(11,079,422)	(10,190,425)	-	-	(21,269,847)
Allowance for expected credit losses	(7,840,277)	(1,502,966)	-	-	(9,343,243)
Segment profit	8,609,868	5,030,818	142,617	-	13,783,303

Statement of financial position	*Retail SR*	*SME`s SR*	*Head office SR*	*The Digital Payment Co SR*	*Total SR*
31 March 2023 (unaudited)					
Total assets	**574,787,577**	**469,845,666**	**210,249,178**	**27,884,338**	**1,282,766,759**
Total liabilities	**353,875,847**	**299,551,893**	**36,605,630**	**8,038,360**	**698,071,730**
31 Dec 2022 (Audited)					
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

16 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 three-months period ended 31 March 2023.

17 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors on 12 Shawwal 1444H (corresponding to 2 May 2023).