

**American Express Saudi Arabia
(Saudi Closed Joint Stock Company)**

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

31 DECEMBER 2023

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

Financial Statements and Independent Auditor's Report
For the Year Ended 31 December 2023

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of American Express Saudi Arabia

Opinion

We have audited the financial statements of American Express Saudi Arabia ("the Company"), which comprise the statement of profit or loss for the year ended 31 December 2023, the statement of financial position as at 31 December 2023, the statements of other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial performance of the Company for the year ended 31 December 2023, its financial position as at 31 December 2023 and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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 the International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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 the Code's 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, the Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	31 December 2023 SR '000	31 December 2022 SR '000
OPERATING INCOME			
<i>Revenue from merchants</i>			
Merchant transaction fees, net	6	229,852	181,432
<i>Revenue from card members</i>			
Foreign exchange income		120,055	72,490
Special commission income on Tawarruq		80,298	68,182
Card membership fees, net		65,172	59,827
Other income, net		12,036	11,791
TOTAL OPERATING INCOME		507,413	393,722
EXPENSES			
General and administration expenses	7	(238,043)	(233,972)
Selling and marketing expenses	8	(114,161)	(80,867)
Special commission expense		(26,644)	(12,279)
Rebates		(18,152)	(13,143)
Impairment charge for card members' receivable, net of recoveries	10 (a)	(8,077)	(669)
PROFIT BEFORE ZAKAT AND INCOME TAX		102,336	52,792
Zakat	14 (a)	(8,850)	(7,333)
Income tax, net of deferred tax	14 (a)	(5,329)	(2,791)
NET PROFIT FOR THE YEAR		88,157	42,668

The accompanying notes 1 to 29 form part of these financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	31 December 2023 SR '000	31 December 2022 SR '000
NET PROFIT FOR THE YEAR		88,157	42,668
OTHER COMPREHENSIVE LOSS			
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement losses on defined benefit plans	19 (c)	(3,806)	(1,044)
Total other comprehensive loss		(3,806)	(1,044)
TOTAL COMPREHENSIVE INCOME		84,351	41,624

The accompanying notes 1 to 29 form part of these financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	31 December 2023 SR '000	31 December 2022 SR '000
ASSETS			
Cash and cash equivalents	9	45,215	79,409
Card members' receivable, net	10	1,085,815	901,719
Amounts due from a related party	23 (d)	95	208
Prepaid expenses and other assets	28	17,350	17,750
Deferred card acquisition costs		6,432	4,856
Deferred tax asset	14 (c)	4,433	3,882
Property and equipment, net	11	47,250	51,966
Intangible assets, net	12	31,860	30,815
Right of use assets, net	27	42,798	49,597
TOTAL ASSETS		1,281,248	1,140,202
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Amounts due to a related party	23 (d)	30,971	16,033
Accounts payable and accruals	13	227,606	180,497
Lease liabilities	27	43,021	49,343
Zakat and income tax payable	14 (b)	12,322	10,398
Short-term borrowings	15	322,125	342,000
Card members' margins	16	33,963	36,708
Membership rewards	17	53,909	41,826
Deferred card membership fees	18	29,812	27,375
Employees' terminal benefits	19 (a)	52,581	45,435
TOTAL LIABILITIES		806,310	749,615
SHAREHOLDERS' EQUITY			
Share capital	20	100,000	100,000
Statutory reserve	21	40,943	40,943
Retained earnings		333,995	249,644
TOTAL SHAREHOLDERS' EQUITY		474,938	390,587
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,281,248	1,140,202

The accompanying notes 1 to 29 form part of these financial statements

American Express Saudi Arabia
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

<i>31 December 2023</i>	<i>Share capital</i> <i>SR '000</i>	<i>Statutory reserve</i> <i>SR '000</i>	<i>Retained earnings</i> <i>SR '000</i>	<i>Total</i> <i>SR '000</i>
Balance at 1 January 2023	100,000	40,943	249,644	390,587
Net profit for the year	-	-	88,157	88,157
Other comprehensive loss ((note 19 (c)))	-	-	(3,806)	(3,806)
Total comprehensive income	-	-	84,351	84,351
<i>Balance at 31 December 2023 (note 20)</i>	<i>100,000</i>	<i>40,943</i>	<i>333,995</i>	<i>474,938</i>

<i>31 December 2022</i>	<i>Share capital</i> <i>SR '000</i>	<i>Statutory reserve</i> <i>SR '000</i>	<i>Retained earnings</i> <i>SR '000</i>	<i>Total</i> <i>SR '000</i>
Balance at 1 January 2022	100,000	40,943	208,020	348,963
Net profit for the year	-	-	42,668	42,668
Other comprehensive loss ((note 19 (c)))	-	-	(1,044)	(1,044)
Total comprehensive income	-	-	41,624	41,624
<i>Balance at 31 December 2022 (note 20)</i>	<i>100,000</i>	<i>40,943</i>	<i>249,644</i>	<i>390,587</i>

The accompanying notes 1 to 29 form part of these financial statements

American Express Saudi Arabia
(Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

		31 December 2023	31 December 2022
	Notes	SR '000	SR '000
OPERATING ACTIVITIES			
Profit before zakat and income tax		102,336	52,792
<i>Adjustments for:</i>			
Depreciation and impairment on property and equipment	11	13,032	10,202
Amortisation and impairment of intangible assets	12	9,973	8,231
Depreciation on right of use assets	27	7,980	8,414
Unwinding of special commission interest of lease liabilities	27	679	742
Impairment of card members' receivables, net of recoveries	10 (a)	8,077	669
Provision for card membership fees	10 (b)	4,936	3,915
Provision for employees' terminal benefits	19 (b)	6,255	5,262
Gain on sale of property and equipment		(66)	(26)
Loss on sale of intangibles		707	-
<i>Operating cash flows before working capital changes</i>		153,909	90,201
<i>Changes in operating assets and liabilities:</i>			
Card members' receivables		(197,109)	(144,019)
Prepaid expenses and other assets		400	926
Deferred card acquisition costs		(1,576)	(805)
Accounts payable and accruals		47,109	50,910
Due to related parties, net		15,051	(4,401)
Card members' margins		(2,745)	(4,670)
Membership rewards		12,083	5,170
Deferred card membership fees		2,437	2,860
<i>Net cash from (used in) operations</i>		29,559	(3,828)
Zakat and income tax paid	14 (b)	(12,806)	(7,070)
Employees' terminal benefits paid	19 (c)	(2,915)	(6,345)
<i>Net cash from (used in) operating activities</i>		13,838	(17,243)
INVESTING ACTIVITIES			
Proceeds from sale of property and equipment		116	100
Purchase of property and equipment	11	(8,366)	(21,718)
Purchase of intangible assets	12	(11,725)	(12,795)
<i>Net cash used in investing activities</i>		(19,975)	(34,413)
FINANCING ACTIVITIES			
Proceeds from short term borrowing facilities		4,021,440	1,860,000
Repayment of short term borrowing facilities		(4,041,315)	(1,942,875)
Settlement of lease liabilities	27	(8,182)	(9,047)
<i>Net cash used in financing activities</i>		(28,057)	(91,922)
DECREASE IN CASH AND CASH EQUIVALENTS		(34,194)	(143,578)
Cash and cash equivalents at beginning of the year		79,409	222,987
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	9	45,215	79,409
<i>Supplemental non-cash information</i>			
Right of use assets	27	1,181	7,360
Lease liabilities	27	1,181	7,360

The accompanying notes 1 to 29 form part of these financial statements

American Express Saudi Arabia (Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

1 ACTIVITIES

American Express Saudi Arabia (the “Company” or “AESA”) is a Saudi Arabian Closed Joint Stock Company incorporated in the Kingdom of Saudi Arabia (‘KSA’). The Company operates under commercial registration No. 1010183222 issued in Riyadh on 27 Shawwal 1423H (corresponding to 31 December 2002); and reissued on 28 Muhurram 1437H (corresponding to 10 November 2015), Service License No. 110/1 dated 13 Muhurram 1423H (corresponding to 12 April 2002) issued by the Saudi Arabian General Investment Authority (“SAGIA”) now known as Ministry of Investment and License No. 40/ASH/201512 dated 28 Safar 1437H (corresponding to 10 December 2015) issued by the Saudi Central Bank (“SAMA”). The registered head office of the Company is P. O. Box 6624, Riyadh 11452, Kingdom of Saudi Arabia. The Company has the following branches:

<i>Branch Commercial Registration Number</i>	<i>Date of registration</i>	<i>Location</i>
2051041721	2 Safar 1431H	Khobar
4030189461	11 Jumada Awal 1430H	Jeddah
JLT-69544	23 December 2013	Dubai, United Arab Emirates

The Company is licensed by American Express Travel Related Services (“AETRS”) to operate card and merchant establishment business in KSA.

2 BASIS OF PREPARATION

The accompanying financial statements of the Company as at and for the year ended 31 December 2023 have been prepared in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IASB”) as endorsed in KSA (“IFRS”), other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and with the provisions of the Regulations for Companies in KSA and the By-laws of the Company.

These financial statements have been presented in Saudi Riyals, as it is the functional currency of the Company and are rounded off to the nearest thousand. Assets and liabilities in the statement of financial position are presented in the order of liquidity.

3 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates and judgments are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Membership rewards

The Company estimates ultimate redemption rates (“URR”) and weighted average cost (“WAC”) to accrue for costs in respect of outstanding membership rewards (“MR”) at the reporting date. These are adjusted periodically to reflect the actual redemptions experienced till the reporting date.

Impairment of card members’ receivables

The measurement of impairment losses under IFRS 9 - Financial Instruments in respect of card members’ receivables requires management to exercise 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 weightages, to derive the economic inputs into the ECL models.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

3 SIGNIFICANT ACCOUNTING ESTIMATES (continued)

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, respectively. 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 amortisation charge are adjusted where management believes the useful lives differ from previous estimates.

Determining the lease term of contracts with renewal and termination options – Company as a lessee

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 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 customisation to the leased asset).

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, 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, these financial statements continue to be prepared on a going concern basis.

Taxes

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

American Express Saudi Arabia
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

4 MATERIAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2022, unless otherwise stated. The following is a summary of the material accounting policies followed by the Company:

Accounting convention

These financial statements are prepared under the historical cost convention unless otherwise stated.

Card members' receivable

Card members' receivables are originated by the Company and are initially measured at fair value – which is the cash consideration to originate the receivable including transaction costs. Following initial recognition, the receivables are stated at amortised cost.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Card member margins

Card member margins represent amounts received from card members. The Company is entitled to set-off card member margins against amounts due from card members, but does not intend to do so unless in the event of default.

Provision for card membership fees

Provision for card membership fees represents the Company's best estimate of future card member cancellations and non-renewals. This reserve is established due to the Company's longstanding policy to refund the entire annual membership fee if card members cancel their relationship with the Company within a specified period on a case by case basis. These reserves are recognised in earnings ratably over the contractual life of the arrangement. The provision provides for both renewal cancellations as well as new card member cancellations. The provision is based on historical membership fee reversals arising due to card member cancellations and considers the number of months a full refund is available to card members.

Dividends

Final dividends are recognized as a liability at the time of their approval by the shareholders' General Assembly. Interim dividends are recorded as and when approved by the Board of Directors.

Loans and borrowings

Special commission expense bearing loans and borrowings are measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Capital work in progress (Capwip) is not depreciated. The cost less estimated residual value of other 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.

Expenditures for repair and maintenance are charged to the statement of profit or loss. Betterments that increase the value or materially extend the life of the related assets are capitalised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (continued)

Leases

- *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.

- *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. 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. 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.

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.

Zakat, income tax and deferred tax

Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (continued)

Zakat, income tax and deferred tax (continued)

Income tax

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

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made. The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses, if any.

Deferred tax

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

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

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

Employees' terminal benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Arabian 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 adjustment to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to comprehensive income in subsequent periods.

Past service cost are recognised in the statement of profit or loss at 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 the statement of profit or loss:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administrative expenses)
- Net special commission expense or income (under borrowing facility cost and charges).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (IFRS 9)

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, Fair Value Through Other Comprehensive Income (FVOCI) or Fair Value Through Profit or Loss (FVTPL). Financial assets held by the Company, classified under 'Amortised Cost' are card members' receivable, cash equivalents and amounts due from a related party. There are no other financial assets held by the Company as at the reporting date or at the date of the comparable period.

Financial asset held 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') (the Company charges a service and administrative fee based on contractual terms); on the principal amount outstanding.

Business model assessment

The Company carries out an assessment of the objective of a business model in which financial asset is held at a portfolio level as this best reflects the way the business is managed and information is provided to management. The information considered includes:

- a) the policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual fee revenue or realizing cash flows through the sale of the assets, if any;
- b) how the performance of the portfolio is evaluated and reported to the Company's management;
- c) 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.

SPPI Test

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Fixed fee' is deemed consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the financial 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.

Impairment of financial assets

The Company recognizes provision allowances for Expected Credit Losses ('ECL') on card members' receivables, cash equivalents and amounts due from related parties, if any.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (IFRS 9) (continued)

Derecognition of financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes 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. 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 that the Company could be required to repay.

Stage classification

The primary step in measuring ECL is performing 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 and categorizing into following three stages in accordance with IFRS 9:

Stage 1 – Performing assets:

Financial assets that have not significantly deteriorated in credit quality since origination and which fall in delinquency bucket 0 or 1 are classified as Stage 1 - performing assets. The impairment allowance is recorded based on 12 months ECL.

Stage 2 – Underperforming assets:

Financial assets that have significantly deteriorated in credit quality since origination and which fall in delinquency bucket 2 or 3 would be classified as Stage 2 – underperforming assets. This credit quality assessment is made by considering a number of qualitative and quantitative factors. The impairment allowance is recorded based on lifetime ECL.

Stage 3 – Impaired assets:

For financial assets that are impaired and which fall in delinquency bucket 4, 5 or 6; impairment allowance is recorded based on lifetime ECL.

ECL computation

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

- Probability of default (PD) – which is an estimate of the likelihood of default over a given time horizon;
- Loss given default (LGD) – which is an estimate of the loss amount arising in the case where a default occurs at a given time and
- Exposure at default (EAD) – which is an estimate of the exposure amount at a future default date.

The above parameters are derived from internally developed estimation techniques, other historical data and are adjusted for forward looking information.

The Company's product offering includes a variety of corporate and retail credit cards facilities, in which the Company has the right to cancel and/or reduce the facilities with immediate effect. The Company does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Company's expectations of the customer behaviour, its likelihood of default and the Company's future risk mitigation procedures, which include reducing or cancelling the card limits.

American Express Saudi Arabia (Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Forward looking information

ECL Computation also considers three macro-economic scenarios (base case, upward trend and downward trend). Based on consideration of a variety of actual external and economic forecast information published by governmental bodies, monetary authorities and supranational organisations such as the International Monetary Fund, 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 (upward trend and downward trend). The Company then uses these forecasts to adjust its estimates of PDs. The Company relies on the following economic variables as inputs to formulate forward looking scenarios:

- (a) Gross Domestic Product (GDP)
- (b) Oil Price Change
- (c) Bank Credit to Private Sector (Loans, Advances & Overdrafts Private Sector)
- (d) Inflation
- (e) Saudi Interbank Offered Rate (SAIBOR)

Predicted relationships between these key economic indicators and default rates on various portfolios of financial assets have been developed based on analysis of historical data.

Card members' receivable are written off when management deems amounts to be uncollectible, which is generally determined by the number of days past due and is no later than 180 days. Recoveries are recognised on a cash basis.

Foreign currencies

The financial statements are presented in Saudi Riyal, which is the Company's functional and presentation currency. Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of profit or loss.

Revenue recognition

The Company is in the business of issuing credit and charge cards and acquiring merchant establishment business in the Kingdom of Saudi Arabia. Revenue is measured based on consideration specified in a contract with a customer (referred to also as a card member) and excludes amounts collected on behalf of third parties.

Rendering of services

The Company's contracts with card members include numerous performance obligations that are satisfied over a period of time and with merchants at a point in time (note 6).

(i) Variable consideration

Card members when dealing with Company approved merchants have a right of return. Further, certain merchants are also provided with volume rebates on exceeding certain quantitative thresholds.

Under IFRS 15, rights of return and volume rebates give rise to a variable consideration.

- *Rights of return*

The Company uses the expected value method to estimate the goods that will be returned (and its fee that may be refunded). The Company applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. Revenue does not include estimated amount of merchant transaction fees that is liable to be refunded on account of return of goods or service by the cardholder and is shown as 'refund liability', when materially significant.

- *Volume rebates to merchants*

The Company estimates volume rebates to merchants which it will settle, by applying the 'most likely amount method' for contracts with a single volume threshold and the 'expected value method' for contracts with more than one volume threshold. The Company recognises contract liabilities for expected future rebates. Revenue does not include the rebates that are estimated by the Company.

American Express Saudi Arabia (Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(ii) Acquisition of new contracts and costs to fulfill contracts

The Company incurs discrete departmental costs to secure new card members. Incremental costs to acquire new card members (acquisition of contracts) and issuance costs including cost of plastic (costs to fulfill contracts) are deferred (reported in assets under *deferred card acquisition costs*) and amortised over the expected life of the cards.

(iii) Membership rewards loyalty programme (MRLP)

Membership rewards result in an obligation on the Company to incur costs immediately. The Company recognises a provision towards MR liability based on the best estimate of the cost to fulfil the obligation and are reported as separate costs. The Company's MRLP allows cardmembers to earn points that can be redeemed for a broad range of travel rewards, retail merchandise and gifts. The Company estimates the fair value of points 'awarded and deferred' by applying a marked up average cost per point on statistically derived expected redemptions. MRLP under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The cumulative liability for unredeemed points is adjusted over time based on actual experience and current trends with respect to redemption.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognised.

Merchant transaction fees

Merchant transaction fees is the revenue earned by the Company which arises as a result of usage of the American Express cards issued by the Company as well as by issuers outside the Kingdom of Saudi Arabia (swipe of the cards at merchant's establishments approved by the Company). Merchant transaction fees is recognised upon capture of record of charges submitted by service / merchant establishments to the Company.

Foreign exchange income

Foreign exchange income represents income earned on foreign exchange rate differences upon converting cardmember expenditures in a currency other than the billing currency.

Card fees

Annual card fees billed to card members on admission to membership and on each anniversary of their admission are deferred, along with the fee reversal provision, and taken to the statement of profit or loss over the period that the fees entitle the card members to use their cards.

Tawarruq fees

Tawarruq is an arrangement whereby the Company settles outstanding receivables from its card holders through a series of commodity trade transactions. The Company purchases commodities and sells these commodities to card holders at a marked up price or profit on deferred payment basis. The card holders, through an appointed Tawarruq agent sell their owned commodities to a third party brokerage on spot payment basis, using the proceeds to pay back outstanding balance owed to the Company.

The selling price offered to the card holder by the Company comprises the original cost of commodities which equates the statement balance of the card holder plus an agreed profit margin for the Company. The difference between the gross amounts due from card holders under the Tawarruq sale contract, and the original price at which the Company purchased the commodities being traded is recorded as earned Tawarruq profit payable by card holders before the next cycle date.

Expenses

Selling and distribution expenses are those that specifically relate to marketing department. All other expenses are allocated on a consistent basis to sales and marketing and general and administration expenses in accordance with allocation factors determined as appropriate by the Company.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

5. SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NEW STANDARDS

Significant standards issued but not yet effective

The standards applied in these financial statements are those in issue as at the reporting date and are effective for annual periods beginning on or after 1 January 2023.

Following new standards and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:

- Amendment to IFRS 16 – Leases on sale and leaseback
- Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements
- Amendment to IAS 1 – Non-current liabilities with covenants
- Amendments to IFRS 10 and IAS 28

The Company has not early adopted any standards, interpretations or amendments before their effective date.

New standards, interpretations and amendments adopted by the Company

Following standard, interpretation or amendments are effective from the current year and are adopted by the Company. However, these did not have any impact on the financial statements of the year.

- Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction
- A number of narrow-scope amendments to IAS 1, IAS 8

6. MERCHANT TRANSACTION FEES, NET

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
Transaction fees on 'out of Kingdom' spend (note 23 (a))	158,665	122,065
Transaction fees on 'in Kingdom' spend	86,184	67,734
Airline transaction fees (note 23 (a))	3,901	4,798
	248,750	194,597
Foreign card member transaction fees settled (note 23 (a))	(18,898)	(13,165)
	229,852	181,432

American Express Saudi Arabia
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

7 GENERAL AND ADMINISTRATION EXPENSES

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<u>SR'000</u>	<u>SR'000</u>
Employee related expenses	121,044	118,368
Data processing expenses	38,597	38,505
Contractual services	11,836	12,647
Depreciation and impairment on property and equipment (note 11)	13,032	10,202
Amortisation and impairment of intangible assets (note 12)	9,973	8,231
Depreciation on right of use assets (note 27)	7,980	8,414
Telecommunication expenses	7,071	6,683
Professional charges	6,801	6,181
Utilities and premises related expenses	3,464	7,176
Others	18,245	17,565
	<u>238,043</u>	<u>233,972</u>

8 SELLING AND MARKETING EXPENSES

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<u>SR'000</u>	<u>SR'000</u>
Membership rewards (note 17)	38,291	22,281
Marketing and promotion expenses	32,544	22,936
Employee related expenses	17,174	16,794
Co-branded rewards	15,878	7,620
Contractual services	6,043	6,457
Card member benefits	2,679	2,515
Utilities and premises related expenses	708	1,466
Telecommunication expenses	844	798
	<u>114,161</u>	<u>80,867</u>

9 CASH AND CASH EQUIVALENTS

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<u>SR'000</u>	<u>SR'000</u>
Bank balances	45,172	79,368
Cash in hand	43	41
	<u>45,215</u>	<u>79,409</u>

All bank balances (current accounts) are assessed to have low credit risk as they are held with reputable and high credit rated domestic banking institutions and there has been no history of default with any of these financial institutions. Accordingly, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

10 CARD MEMBERS' RECEIVABLE, NET

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
Card members' receivable	1,098,955	911,322
Less: Impairment in card members' receivable (see note (a) below)	(12,862)	(9,199)
Less: Provision for card membership fees (see note (b) below)	(278)	(404)
	<u>1,085,815</u>	<u>901,719</u>

AESA's card products are Shariah approved. Accordingly, card members' receivable are unconventional in nature.

The ageing of card members' receivables is as follows:

	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			<i>Past due and impaired</i>
	<i>SR' 000</i>	<i>SR' 000</i>	<i>1 - 30 days</i>	<i>31 - 60 days</i>	<i>61 - 90 days</i>	<i>SR' 000</i>
<i>31 December 2023</i>	<u>1,098,955</u>	<u>1,043,805</u>	<u>36,087</u>	<u>8,836</u>	<u>6,602</u>	<u>3,625</u>
<i>31 December 2022</i>	<u>911,322</u>	<u>846,378</u>	<u>47,240</u>	<u>12,814</u>	<u>2,838</u>	<u>2,052</u>

a) *Movement in impairment in respect of card members' receivables is as follows:*

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
At beginning of the year	9,199	7,685
Charge for the year	20,219	11,435
Written off during the year	(16,556)	(9,921)
At end of the year	<u>12,862</u>	<u>9,199</u>

The impairment charge to the statement of profit or loss amounting to SR 8.08 million is net of recoveries during the year of SR 12.14 million (31 December 2022: charge of SR 0.67 million net of recoveries of SR 10.77 million).

b) *Movement in card membership fees provision is as follows:*

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
At beginning of the year	404	316
Charge for the year	4,936	3,915
Written off during the year	(5,062)	(3,827)
At end of the year	<u>278</u>	<u>404</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

10 CARD MEMBERS' RECEIVABLE, NET (*continued*)

c) *An analysis of change in loss allowance and gross carrying amounts for 31 December 2023 and 2022 are set out below:*

31 December 2023	Impairment loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(12 month	(Lifetime ECL	(Lifetime		(12 month	(Lifetime ECL	(Lifetime	
	ECL)	not credit	ECL credit		ECL)	not credit	ECL credit	
	Impaired)	impaired)		Impaired)	impaired)			
	SR'000				SR'000			
Balance at 1 January 2023	4,757	2,121	2,321	9,199	885,747	18,920	6,655	911,322
Transfer to 12-month ECL	1,133	(603)	(530)	-	9,007	(6,307)	(2,700)	-
Transfer to lifetime ECL not credit impaired	(68)	199	(131)	-	(10,450)	10,739	(289)	-
Transfer to lifetime ECL credit impaired	(38)	(133)	171	-	(6,637)	(839)	7,476	-
Net impairment / newly originated	947	3,074	16,198	20,219	198,785	5,208	27,875	231,868
Write offs / settlements	(274)	(1,185)	(15,097)	(16,556)	(10,991)	(5,451)	(27,793)	(44,235)
Balance at 31 December 2023	6,457	3,473	2,932	12,862	1,065,461	22,270	11,224	1,098,955
31 December 2022	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(12 month	(Lifetime ECL	(Lifetime		(12 month	(Lifetime ECL	(Lifetime	
	ECL)	not credit	ECL credit		ECL)	not credit	ECL credit	
		Impaired)	impaired)		Impaired)	impaired)		
	SR'000				SR'000			
Balance at 1 January 2022	3,662	1,384	2,639	7,685	753,001	10,895	6,389	770,285
Transfer to 12-month ECL	889	(528)	(361)	-	6,961	(6,159)	(802)	-
Transfer to lifetime ECL not credit impaired	(52)	173	(121)	-	(10,819)	11,082	(263)	-
Transfer to lifetime ECL credit impaired	(33)	(131)	164	-	(6,161)	(586)	6,747	-
Net impairment / newly originated	478	1,734	9,223	11,435	166,691	6,413	(857)	172,247
Write offs / settlements	(187)	(511)	(9,223)	(9,921)	(23,926)	(2,725)	(4,559)	(31,210)
Balance at 31 December 2022	4,757	2,121	2,321	9,199	885,747	18,920	6,655	911,322

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

11 PROPERTY AND EQUIPMENT, NET

The estimated useful lives of assets for calculation of depreciation are as follows:

Building and improvements: 5 to 20 years; Computer equipment: 3 to 5 years; Furniture, fixtures and office equipment: 3 to 5 years; Motor vehicles: 4 years

	<i>Building and improvements</i>	<i>Computer equipment</i>	<i>Furniture, fixtures and office equipment</i>	<i>Motor vehicles</i>	<i>Capital work-in progress</i>	<i>Total 2023</i>	<i>Total 2022</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<i>Cost:</i>							
At beginning of the year	38,655	4,364	24,224	767	10,476	78,486	67,809
Additions during the year	-	-	-	-	8,366	8,366	21,718
Transfers during the year	2,757	365	15,314	-	(18,436)	-	-
Disposals during the year	(1,084)	(98)	(1,418)	-	-	(2,600)	(11,041)
At end of the year	<u>40,328</u>	<u>4,631</u>	<u>38,120</u>	<u>767</u>	<u>406</u>	<u>84,252</u>	<u>78,486</u>
<i>Accumulated depreciation:</i>							
At beginning of the year	9,726	3,759	12,329	706	-	26,520	27,285
Charge for the year (note 7)	6,747	386	5,839	60	-	13,032	10,202
Disposals during the year	(1,061)	(98)	(1,391)	-	-	(2,550)	(10,967)
At end of the year	<u>15,412</u>	<u>4,047</u>	<u>16,777</u>	<u>766</u>	<u>-</u>	<u>37,002</u>	<u>26,520</u>
<i>Net book values:</i>							
<i>At 31 December 2023</i>	<u>24,916</u>	<u>584</u>	<u>21,343</u>	<u>1</u>	<u>406</u>	<u>47,250</u>	
At 31 December 2022	<u>28,929</u>	<u>605</u>	<u>11,895</u>	<u>61</u>	<u>10,476</u>		<u>51,966</u>

Capital work-in progress as at 31 December 2023 and 2022 represents cost incurred for new premises, improvements, telephone, switchboard, office and computer equipment and furniture and fixtures.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

12 INTANGIBLE ASSETS, NET

The estimated useful lives of assets for calculation of software amortisation is 3 - 5 years.

	<i>Software</i>	<i>Capital</i>	<i>Total</i>	<i>Total</i>
	<i>SR'000</i>	<i>work in progress</i>	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<i>Cost:</i>				
At beginning of the year	46,081	3,367	49,448	72,493
Additions during the year	-	11,725	11,725	12,795
Transfers during the year	11,923	(11,923)	-	-
Disposals during the year	(3,670)	-	(3,670)	(35,840)
At end of the year	54,334	3,169	57,503	49,448
<i>Accumulated amortisation:</i>				
At beginning of the year	18,633	-	18,633	46,242
Charge for the year (note 7)	9,973	-	9,973	8,231
Disposals during the year	(2,963)	-	(2,963)	(35,840)
At end of the year	25,643	-	25,643	18,633
<i>Net book values:</i>				
As at 31 December 2023	28,691	3,169	31,860	
<i>As at 31 December 2022</i>	<i>27,448</i>	<i>3,367</i>		<i>30,815</i>

Capital work-in progress as at 31 December 2023 and 2022 represents cost incurred mainly for development of core system, new applications and software technical platforms.

13 ACCOUNTS PAYABLE AND ACCRUALS

	<i>31 December</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
Accrued expenses	101,604	84,957
Advance from card members	64,187	45,343
Payable to merchants	30,669	17,234
Employees' accrued compensation	27,448	29,182
Other payable	3,698	3,781
	227,606	180,497

14 ZAKAT AND INCOME TAX PAYABLE

The Company is owned by Saudi and Non-Saudi shareholders, and hence is subject to zakat (on Saudi shareholder's share) and income tax (on Non-Saudi shareholder's share). The gross income tax and zakat charge, for the year ended 31 December 2023 amounting to SR 6.02 million and SR 8.85 million (see note (a)) (31 December 2022: SR 2.79 million and SR 7.33 million) respectively, have been calculated on the basis of the Income Tax Law and the Zakat Regulations in the Kingdom of Saudi Arabia.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

14 ZAKAT AND INCOME TAX PAYABLE (continued)

a) Charge for the year (statement of profit or loss)

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Zakat charge for the year (note (b))</i>	8,850	7,333
<i>Income tax charge for the year *</i>	5,880	3,203
<i>Deferred tax origination of temporary differences (note (c))</i>	(551)	(412)
<i>Income tax charge, net of deferred tax</i>	5,329	2,791

* *Income tax charge for 31 December 2023 is net of prior year adjustment of SR 0.14 million (31 December 2022 : SR nil), gross charge being SR 6.02 million.*

The provision for Zakat calculated on the Saudi shareholder's share of zakat base for the years ended 31 December 2023 and 2022 are as set out below:

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
• <i>Calculation of zakat base</i>		
<i>Sources of fund</i>	510,683	432,851
Total assets	1,281,248	1,140,202
Less: non-zakatable assets	(132,773)	(141,116)
<i>Zakatable assets</i>	1,148,475	999,086
Percentage (%) of zakatable assets to total assets	89.64%	87.62%
Zakat base (sources of fund * (zakatable assets / total assets))	457,762	379,279
<i>Zakat base attributable to KSA shareholders @75% (A)</i>	343,321	284,459
	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
• <i>Calculation of minimum and maximum zakat base</i>		
Profit before tax and zakat	102,336	52,792
Attributable to KSA shareholders	76,752	39,594
Minimum zakat base (B)	307,008	158,376
Maximum zakat base (C)	614,016	316,752
• <i>Basis of zakat - lower of (C) and (A)</i>	343,321	284,459
<i>Zakat charge</i>	8,850	7,333

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

14 ZAKAT AND INCOME TAX PAYABLE (continued)

b) Movement in provision for zakat and income tax is set out below:

<i>For the year ended 31 December 2023</i>	<i>Zakat</i>	<i>Income tax</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Balance payable at beginning of the year	7,333	3,065	10,398
Charge for the year (note a)	8,850	5,880	14,730
Payments made during the year	(7,333)	(5,473)	(12,806)
Balance payable at end of the year	8,850	3,472	12,322

<i>For the year ended 31 December 2022</i>	<i>Zakat</i>	<i>Income tax</i>	<i>Total</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
Balance payable (receivable) at beginning of the year	5,234	1,698	6,932
Provision during the year (note a)	7,333	3,203	10,536
Application of income tax overpayment	(5,234)	(1,836)	(7,070)
Balance payable at end of the year	7,333	3,065	10,398

c) Deferred tax asset

The deferred tax asset as at 31 December 2023 amounting to SR 4.43 million includes deferred tax credit amounting to SR 0.55 million (31 December 2022: SR 3.88 million including deferred tax credit of SR 0.41 million). The deferred tax relates to timing differences due to differential treatment in computation of the book profit and taxable profit in respect of depreciation of property and equipment, amortisation of intangible assets and disallowance of provision for employees' terminal benefits, provision for fraud loss, provision for card members' receivables, provision for card fees and others. The tax impact is calculated based on the income tax rate of 20%.

Movement in deferred tax asset is set out below:

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR '000</i>	<i>SR '000</i>
Opening deferred tax asset	3,882	3,470
Origination of temporary differences	551	412
Balance at end of the year	4,433	3,882

d) Reconciliation of tax expense and the accounting profit multiplied by the applicable tax rate:

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
Accounting profit before zakat and income tax	102,336	52,792
Accounting profit related to non-Saudi shareholders @ 25%	25,584	13,198
At statutory income tax rate of 20%	5,117	2,640
Tax effect of other items	899	624
Effective income tax @ 23.51% (2022: 24.73%)	6,016	3,264

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

14 ZAKAT AND INCOME TAX PAYABLE (continued)

e) Status of assessments

The Company has filed zakat and income tax returns (the 'Returns') for all years up till 31 December 2022 with the ZATCA. The ZATCA has provided zakat certificate, which is valid up till 30 April 2024. The ZATCA has finalized the Company's position up till the year ended 31 December 2011.

During 2022, the Company received assessment for the year 2016 with additional zakat due aggregating SR 3.79 million. The Company submitted an appeal against the zakat assessment with the General Secretariat of Tax Committee ("GSTC") Level 1 which was rejected. The appeal hearing is yet to take place at GSTC Level 2.

During January 2023, the ZATCA issued assessment for the year 2017 with an additional zakat due aggregating SR 0.98 million. The Company's appeal against the zakat assessment with GSTC Level 1 is yet to take place.

During September 2023, the Company submitted an application to the Alternative Dispute Resolution Committee (ADRC) for both the above assessments years. The matters under appeal are currently under reconsideration and assessment of the ADRC. Assessments for the years ended from 31 December 2018 to 31 December 2022 have not yet been raised by the ZATCA.

15 SHORT TERM BORROWINGS

Short term borrowings represent the following conventional loan / facilities obtained by the Company:

- a) Credit facility from American Express Overseas Credit Corporation ("AEOCC") NV ("AEOCC NV") aggregating USD 200 million (equivalent to SR 750 million) (31 December 2022: USD 200 million equivalent to SR 750.00 million) to finance the working capital requirements of the Company. As of 31 December 2023, the outstanding balance under this facility was USD 12.70 million equivalent to SR 47.63 million (31 December 2022: USD 91.20 million equivalent to SR 342 million). The facility will be due for renewal during August 2024.
- b) Short term facilities from domestic banks aggregating USD 100.00 million (equivalent to SR 375 million) (31 December 2022: USD 130 million equivalent to SR 487.50 million) to finance the working capital requirements of the Company. These loans are secured by promissory notes signed by the Company. As of 31 December 2023, the outstanding balance under these facilities was SR 274.50 million (31 December 2022: nil). The facilities will be due for renewal in 2024.

16 CARD MEMBERS' MARGINS

'Revolve cards' and 'charge cards' issued by the Company are repayable on demand and generally unsecured. In certain instances, where a prospective customer does not meet certain predefined credit criteria, the Company requires a margin or a cash-collateral. Based on the terms of agreement with such customers, the Company is entitled to offset the margin money or cash collateral received against amounts due from such card members. The collateral margin held as at 31 December 2023 was SR 33.96 million (31 December 2022 : SR 36.71 million).

17 MEMBERSHIP REWARDS

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
At beginning of the year	41,826	36,656
Accumulated during the year (note 8)	38,291	22,281
Utilised during the year	(26,208)	(17,111)
At end of the year	53,909	41,826

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

18 DEFERRED CARD MEMBERSHIP FEES

This represents the unamortised portion of annually charged new and renewal card fees.

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
At beginning of the year	27,375	24,515
Billed to card members during the year	68,481	65,008
Recognised during the year	(66,044)	(62,148)
	<hr/>	<hr/>
At end of the year	29,812	27,375
	<hr/> <hr/>	<hr/> <hr/>

19 EMPLOYEES' TERMINAL BENEFITS

The following tables summarise the components of end of service benefits ('EoSb') recognised in the statements of profit or loss, other comprehensive income and financial position:

a) Amount recognised in the statement of financial position:

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>(SR '000)</i>	<i>(SR '000)</i>
Present value of defined benefit obligation	52,581	45,435
	<hr/> <hr/>	<hr/> <hr/>

b) EoSb expense (recognised in statement of profit or loss):

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>(SR '000)</i>	<i>(SR '000)</i>
Current service cost (note 19 (c))	4,202	4,326
Special commission cost (note 19 (c))	2,053	936
	<hr/>	<hr/>
EoSb expense	6,255	5,262
	<hr/> <hr/>	<hr/> <hr/>

c) Movement in the present value of defined benefit obligation:

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>(SR '000)</i>	<i>(SR '000)</i>
Present value of defined benefit obligation at beginning of the year	45,435	45,474
Charge recognised in the statement of profit or loss:		
Current service cost (note 19 (b))	4,202	4,326
Special commission cost (note 19 (b))	2,053	936
Actuarial loss recognised in the statement of other comprehensive income	3,806	1,044
Benefits paid	(2,915)	(6,345)
	<hr/>	<hr/>
Present value of defined benefit obligation at end of the year	52,581	45,435
	<hr/> <hr/>	<hr/> <hr/>

American Express Saudi Arabia
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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

19 EMPLOYEES' TERMINAL BENEFITS (continued)

d) Principal actuarial assumptions:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Discount rate	4.60%	4.10%
Salary increase rate	4.60%	4.10%

Discount rate

IAS 19 requires the discount rate to be set based on the yield on high quality corporate bonds or government bonds of duration and currency consistent with the liabilities. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and expected term of the post-employment benefit obligation.

Since there is no deep market for high quality corporate bonds in the Kingdom of Saudi Arabia, market yield of United States Dollar (USD) denominated Saudi Arabian Sovereign Bonds, traded in international market, for the purpose of determining an appropriate discount rate was considered.

The average duration of the post-employment benefit obligation arrived at was 6.50 years (31 December 2022: 6.06 years). For the purpose of valuation, a discount rate of 4.60% (31 December 2022 : 4.10%) per annum compounded was used. The assumptions have been determined based on the market conditions at each valuation date.

Salary increase rate

The assumption for future salary increases has been determined by the Company based on its long term expectations, reflecting both inflationary and promotional increases.

Mortality rate

Mortality rates are based on actuarial assumptions in accordance with published statistics and experience in the region.

e) Sensitivity analysis

The table below shows the change in end of service liability based on a reasonable possible change in the base assumption value for discount and salary increment rates:

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	<u>Change in basis points</u>	<u>Increase (decrease) in EoSB liability</u>	<u>Change in basis points</u>	<u>Increase (decrease) in EoSB liability</u>
		SR'000		SR'000
Discount rate	+5	(2,865)	+5	(2,202)
	-5	3,222	-5	2,365
Salary increase rate	+5	3,185	+ 5	2,349
	-5	(2,897)	- 5	(2,216)
Mortality rate	+5	(3)	+ 5	(6)
	-5	4	- 5	11

20 SHARE CAPITAL

As at 31 December 2023, the Company's authorised, issued and paid-up share capital was SR 100 million (2022: SR 100 million) consisting of 10 million shares of SR 10 each (31 December 2022: 10 million shares of SR 10 each).

21 STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company must set aside 10% of its income after zakat and income tax in each year to statutory reserve (not available for distribution) until it has built up a reserve equal to 30% of the share capital. This having been achieved, the Company has decided to discontinue such transfers.

22 DIVIDEND

For the years 2023 and 2022, the Board of Directors has not recommended a dividend payout to the shareholders.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

23 RELATED PARTY TRANSACTIONS AND BALANCES

a) Significant transactions arising from transactions with related parties are as follows:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>	
		<i>31 December 2023</i>	<i>31 December 2022</i>
		<i>SR'000</i>	<i>SR'000</i>
<i>Shareholder</i>			
The Saudi Investment Bank ("SAIB")	- Data support and other services	3,102	3,658
	- Service and annual card fees	(551)	(1,034)
	- Share of co-brand fee	235	97
<i>Affiliate</i>			
AETRS	- Merchant and airline transaction fees earned (note 6)	(162,566)	(126,863)
	- Foreign card member transaction fees (note 6)	18,898	13,165
	- Support and other services	702	685
	- Royalty expense	411	449
AEOCC NV	- Special commission expense (note 15 (a))	16,132	11,537
	- Short term loans received	2,067,750	1,860,000
	- Short term loans settled	(2,362,125)	(1,942,875)

In addition to the above, most of the routine banking transactions of the Company are carried out with SAIB. Bank balances as at 31 December 2023 with SAIB amounted to SR 44.06 million and are included under cash and cash equivalents (31 December 2022 : SR 65.37 million).

Transactions with related parties are on terms and conditions, as approved by the Board of Directors of the Company.

b) Key management personnel are those having authority and responsibility for planning, directing, and controlling AESA's activities either directly or indirectly. The compensation summary of key management personnel is set out below:

	<i>31 December 2023</i>	<i>31 December 2022</i>
	<i>SR '000</i>	<i>SR '000</i>
Short term benefits	14,442	17,235
Termination and other long term benefits	4,539	4,125
	<u>18,981</u>	<u>21,360</u>

c) Card members' receivable include outstanding balances of key management personnel, arising out of credit card related transactions, as at 31 December 2023 of SR 1.47 million (31 December 2022 : SR 0.98 million).

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- d) In addition to the balances disclosed elsewhere in these financial statements, the following receivable / (payable) balances arose as a result of transactions with related parties:

<i>Related party</i>	<i>Name of the related party</i>	<i>31 December 2023 SR '000</i>	<i>31 December 2022 SR '000</i>
<i>Due from / (to):</i>			
Shareholder	SAIB	95	208
Affiliates	AETRS	(30,971)	(16,033)

24 COMMITMENTS AND CONTINGENCES

Capital commitments

Commitments in respect of capital expenditure outstanding as at 31 December 2023 amounted to SR 11.03 million (31 December 2022 : SR 9.55 million).

Undrawn commitments

The undrawn credit commitments in respect of revolve credit cards issued by the Company as at 31 December 2023 amounted to SR 857.44 million (31 December 2022 : SR 805.06 million).

Letter of guarantee

Letter of guarantee amounting to SR 7.50 million has been issued by the Company to AETRS in the normal course of business in respect of performance obligation of the Company's merchant as at 31 December 2023 (unaudited) (31 December 2022 : SR nil) (audited).

25 FINANCIAL INSTRUMENTS AND 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.

Financial instruments comprise financial asset and financial liabilities.

Financial assets consist of bank balances and receivables. Financial liabilities consist of borrowings, payables, cardmembers' margins and membership rewards.

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

25 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

	31 December 2023		31 December 2022	
	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>
	SR '000	SR '000	SR '000	SR '000
<i>Financial assets</i>				
Cash and cash equivalents	45,215	45,215	79,409	79,409
Card members' receivable, net	1,085,815	1,085,815	901,719	901,719
Amounts due from a related party	95	95	208	208
Other assets	6,531	6,531	6,311	6,311
	1,137,656	1,137,656	987,647	987,647
<i>Financial liabilities</i>				
Accounts payable and accruals	227,606	227,606	180,497	180,497
Amounts due to a related party	30,971	30,971	16,033	16,033
Card members' margins	33,963	33,963	36,708	36,708
Short term borrowing facilities	322,125	322,125	342,000	342,000
Membership rewards	53,909	53,909	41,826	41,826
	668,574	668,574	617,064	617,064

For assets and liabilities that are recognised 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. During the year, there were no transfers between the levels.

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.

Due to the short term nature of the financial assets and liabilities; the fair values of the financial assets and liabilities are not materially different from their carrying values. These would qualify for level 3 disclosure under IFRS except for cash and cash equivalents which are classified under level 1. There have been no transfers to and from Level 3 during the year.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments carried on the statement of financial position comprise cash and cash equivalents, card members' receivable, due from a related party and other receivables, card members' margins, membership rewards, employees' terminal benefits, short term borrowings, lease liabilities, accounts payable, due to a related party, accruals and other liabilities.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk management is carried out under policies approved by the management. The management identifies and evaluates overall risk management covering specific areas, such as foreign exchange risk, special commission rate risk, credit risk, and investment of excess liquidity, if any.

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Credit exposures arise principally in respect of lending activities that lead to card members' receivables. There is also credit risk in off balance sheet financial instruments, such as undrawn commitments.

The Company assesses the probability of default of its customers using their internal payment and spend history, application and behaviour scores, credit bureau information (including bureau scores) and other external data sources.

The Company attempts to control credit risk by approving creditworthy applicants, monitoring credit exposures, limiting transactions with specific counterparties, performing periodic credit bureau inquiries for all customers, preventing card usage when customers go significantly over their credit limit or become delinquent and by regular follow up for collection of overdue receivables.

Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. The Company's credit risk is restricted to the Kingdom of Saudi Arabia as it provides services only to residents in Saudi Arabia.

Due to the nature of its business, significant concentration of credit risk exists as card members' receivables are from individuals or companies. The Company obtains security in the form of cash margin deposits or bank guarantees when appropriate but most of its credit exposures granted are unsecured.

The Company regularly reviews its risk management policies and systems to reflect changes in the portfolio, markets, products and emerging best practices.

The carrying amount of financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the reporting date was on account of:

	31 December 2023	31 December 2022
	SR'000	SR'000
Card members' receivable (note 10)	1,098,955	911,322
Bank balances (note 9)	45,172	79,368
Amounts due from a related party (note 23 (d))	95	208
Other assets	6,531	6,311
	1,150,753	997,209

Individual card members' receivables of SR 681.33 million (31 December 2022 : SR 559.98 million), corporate card members' receivables of SR 403.98 million (31 December 2022 : SR 351.34 million) and other assets are unrated financial assets.

Bank balances included in cash and cash equivalents and due from related parties are with a counterparties that have investment grade credit ratings. Investment grade refers to the quality of the counterparty's credit. In order to be considered investment grade, the counterparty must be rated at 'BBB' or higher by Standard and Poor's or Moody's.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through optimization of its capital structure. The Company manages its capital structure in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made to the capital structure in the years 2023 and 2022.

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA.

Special commission rate risk

Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to special commission rate adjustment within a specified year. The most important source of such special commission rate risk is the Company's short term borrowing facilities, where fluctuations in special commission rates, if any, are reflected in the results of operations. Card member receivables are not subject to special commission rate risk as the Company's products as Tawarruq fee percentage charged by the Company is fixed in nature.

Except card members' receivables, lease liabilities and short term borrowings there are no financial assets or liabilities that are exposed to special commission rates.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Company's statement of profit or loss for an annual period. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2023 and 2022. All the exposures are monitored and analysed in major currency concentrations (exposure is either in Saudi Riyals or United States Dollars) and relevant sensitivities are disclosed in Saudi Riyals.

	31 December 2023		31 December 2022	
	<i>Change in basis points</i>	<i>Impact on net income SR'000</i>	<i>Change in basis points</i>	<i>Impact on net income SR'000</i>
Saudi Riyal	+25	(805)	+25	(855)
Saudi Riyal	-25	805	-25	855

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net financing requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of financing to dry up immediately. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

a) Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2023 and 2022 based on contractual undiscounted repayment obligations. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

	<i>Fixed maturity</i>			<i>Total</i>
	<i>No fixed maturity</i>	<i>Within 3 months</i>	<i>3 months and above</i>	
<i>31 December 2023</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Lease liabilities	-	6,235	38,733	44,968
Accounts payable and other liabilities	-	219,524	8,082	227,606
Amounts due to a related party	-	30,971	-	30,971
Card members' margins	33,963	-	-	33,963
Short term borrowing facilities	-	322,962	-	322,962
Membership rewards	53,909	-	-	53,909
Total	87,872	579,692	46,815	714,379

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

a) *Analysis of financial liabilities by remaining contractual maturities (continued)*

	<i>Fixed maturity</i>			<i>Total</i>
	<i>No fixed maturity</i>	<i>Within 3 months</i>	<i>3 months and above</i>	
<i>31 December 2022</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Lease liabilities	-	6,407	48,110	54,517
Accounts payable and other liabilities	-	173,683	6,814	180,497
Amounts due to a related party	-	16,033	-	16,033
Card members' margins	36,708	-	-	36,708
Short term borrowing facilities	-	343,750	-	343,750
Membership rewards	41,826	-	-	41,826
Total	78,534	539,873	54,924	673,331

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

b) 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:

		<i>Fixed maturity</i>			
	<i>On demand</i>	<i>Within 3 months</i>	<i>3 to 12 months</i>	<i>1 year & above</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
31 December 2023					
Assets					
Cash and cash equivalents	45,215	-	-	-	45,215
Card members' receivable, net	-	1,085,815	-	-	1,085,815
Amounts due from a related party	-	95	-	-	95
Other assets	-	5,147	1,103	281	6,531
Financial assets	45,215	1,091,057	1,103	281	1,137,656
Liabilities					
Lease liabilities	-	6,207	1,370	35,444	43,021
Accounts payable and other liabilities	-	219,524	8,082	-	227,606
Amounts due to a related party	-	30,971	-	-	30,971
Card members' margins	33,963	-	-	-	33,963
Short term borrowing facilities	-	322,125	-	-	322,125
Membership rewards	53,909	-	-	-	53,909
Financial liabilities	87,872	578,827	9,452	35,444	711,595
Net financial assets (liabilities)	(42,657)	512,230	(8,349)	(35,163)	426,061

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

b) *Analysis of financial assets and liabilities according to when they are expected to be recovered or settled (continued)*

		<i>Fixed maturity</i>			
	<i>On demand</i>	<i>Within 3 months</i>	<i>3 to 12 months</i>	<i>1 year & above</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<i>31 December 2022</i>					
<i>Assets</i>					
Cash and cash equivalents	79,409	-	-	-	79,709
Card members' receivable, net	-	901,719	-	-	901,719
Amounts due from a related party	-	208	-	-	208
Other assets	-	4,660	1,311	340	6,311
	<u>79,409</u>	<u>906,587</u>	<u>1,311</u>	<u>340</u>	<u>987,947</u>
<i>Financial assets</i>					
<i>Liabilities</i>					
Lease liabilities	-	(6,055)	(852)	(42,436)	(49,343)
Accounts payable and other liabilities	-	(173,683)	(6,814)	-	(180,497)
Amounts due to a related party	-	(16,033)	-	-	(16,033)
Card members' margins	(36,708)	-	-	-	(36,708)
Short term borrowing facilities	-	(342,000)	-	-	(342,000)
Membership rewards	(41,826)	-	-	-	(41,826)
	<u>(78,534)</u>	<u>(537,771)</u>	<u>(7,666)</u>	<u>(42,436)</u>	<u>(666,407)</u>
<i>Financial liabilities</i>					
<i>Net financial assets (liabilities)</i>	<u>875</u>	<u>368,816</u>	<u>(6,355)</u>	<u>(42,096)</u>	<u>321,540</u>

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. Since Saudi Riyals is on a fixed parity to the US Dollar, management believes that the Company is not subject to any significant currency risk.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

At 31 December 2023

27 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Amounts recognised in the statements of financial position and profit or loss:

31 December 2023	<i>Commercial buildings</i>	<i>Residential villas</i>	<i>Office equipment</i>	<i>Total</i>	<i>Lease liabilities</i>
	SR'000	SR'000	SR'000	SR'000	SR'000
As at 1 January 2023	47,978	907	712	49,597	49,343
Additions	-	1,144	37	1,181	1,181
Depreciation expense (note 7)	(6,822)	(903)	(255)	(7,980)	-
Special commission expense	-	-	-	-	679
Payments	-	-	-	-	(8,182)
As at 31 December 2023	41,156	1,148	494	42,798	43,021
31 December 2022	<i>Commercial buildings</i>	<i>Residential villas</i>	<i>Office equipment</i>	<i>Total</i>	<i>Lease liabilities</i>
	SR'000	SR'000	SR'000	SR'000	SR'000
As at 1 January 2022	49,348	1,303	-	50,651	50,288
Additions	5,809	591	960	7,360	7,360
Depreciation expense (note 7)	(7,179)	(987)	(248)	(8,414)	-
Special commission expense	-	-	-	-	742
Payments	-	-	-	-	(9,047)
As at 31 December 2022	47,978	907	712	49,597	49,343

The Company's leases typically run for a period between 2 years to 10 years with an option to renew including negotiation of lease settlements. These negotiations align with market rates.

28 SAMA PROGRAMS AND INITIATIVES THAT WERE LAUNCHED

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the SME sector through empowering and facilitating the financing community. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the Point of sale ("POS") and e-commerce service fee support program, SAMA bore the fees for two services on the stores and private sector establishments for a period of 6 months starting 14 March 2020 with the purpose of the program being to support the participants in the payments ecosystem in the Kingdom of Saudi Arabia, as well as ensuring the continuity of growth and continuous expansion in providing payment services safely and effectively to consumers under the current conditions. The total fees for 6 months starting from 14 March 2020 to 14 September 2020 borne by SAMA was SR 20.08 million out of which SR 16.67 million was receivable from SAMA as at 31 December 2020 and was included in and presented under "prepaid expenses and other assets". Subsequently out of SR 16.67 million, during 2021, the Company received SR 14.86 million and the balance of SR 1.81 million is expected to be received during 2024.

29 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 24 Rajab 1445H (corresponding to 5 February 2024).