AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL TAYSEER ARABIAN COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Al Tayseer Arabian Company (Closed Joint Stock Company) (the "Company") as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Company, which comprise of the following:

- The statement of financial position as at 31 December 2022;
- The statements of profit or loss and other comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

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 code of professional conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The financial statements of the Company for the year ended 31 December 2021 were audited by an other auditor who expressed a qualified opinion on the retrospective application of change in accounting policy for determination of Expected Credit Losses in respect of lease receivables from simplified to general approach on those financial statements on 3 Sha'ban 1443H (corresponding to 6 March 2022).

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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and Regulations for Companies and 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 i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL TAYSEER ARABIAN COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Al-Bassam & Co.

Ahmed Abdul Majeed Mohandis
Certified Public Accountant
License No. 477
Khobar: 13 Sha'ban 1444H
Corresponding to: 5 March 2023

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R. 1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	**31 December 2022 SR**	31 December 2021 SR
ASSETS			
Non-current assets			
Property and equipment	5	**6,789,891**	6,474,658
Right-of-use assets	6	**4,746,996**	5,392,808
Intangible assets	7	**3,511,904**	4,291,310
Long term deposit		**-**	18,750,449
Net investment in finance lease	8	**539,083,672**	375,460,885
Net investment in murabaha finance	8	**369,246,370**	148,272,323
Investments	9	**892,850**	21,307,640
Total non-current assets		**924,271,683**	579,950,073
Current assets			
Current maturity of net investment in finance lease	8	**406,540,389**	357,096,576
Current maturity of net investment in murabaha finance	8	**189,947,079**	79,179,322
Prepayments and other receivables	10	**38,743,857**	21,380,807
Investment at amortized cost	11	**20,000,000**	-
Cash and cash equivalents	11	**72,114,719**	39,260,553
Assets repossessed held for sale	12	**1,387,680**	-
Total current assets		**728,733,724**	496,917,258
Total assets		**1,653,005,407**	1,076,867,331
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**400,000,000**	300,000,000
Statutory reserve	14	**12,468,976**	11,705,676
Retained earnings		**27,134,129**	22,554,212
Total equity		**439,603,105**	334,259,888
LIABILITIES			
Non-current liabilities			
Long-term financial facilities	15	**494,041,199**	182,356,996
Lease liabilities	16	**1,937,390**	3,363,889
Employees' end of service benefits	17	**7,158,057**	4,952,735
Total non-current liabilities		**503,136,646**	190,673,620
Current liabilities			
Current maturity of financial facilities	15	**363,438,123**	223,800,945
Short-term financial facilities	15	**24,684,104**	24,899,151
Current maturity of lease liabilities	16	**2,806,393**	1,916,006
Accounts payable		**131,480,392**	98,257,198
Accrued expenses and other liabilities	18	**83,193,290**	24,263,094
Due to related parties	19	**102,731,526**	164,630,828
Provision for zakat	20	**1,931,828**	14,166,601
Total current liabilities		**710,265,656**	551,933,823
Total liabilities		**1,213,402,302**	742,607,443
TOTAL EQUITY AND LIABILITIES		**1,653,005,407**	1,076,867,331
CONTINGENCIES AND COMMITMENTS	21	**-**	-

These financial statements were approved by the Board of Directors and have been signed on their behalf by:

Ibrahim Al Jomaih	Zaid Abdullah Al-Yaeesh	Moayed A. Shakhoor
Chairman	Chief Executive Officer	Financial and Planning Manager

The accompanying notes 1 through 31 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022** **SR**	2021 SR
Income			
Finance lease and murabaha finance income, net	22	**180,564,740**	116,427,643
Expenses			
Insurance and other costs		**(27,011,830)**	(21,648,020)
Salaries and employee related expenses		**(31,975,424)**	(22,891,005)
Provision for expected credit losses	8.4	**(65,105,710)**	(13,000,681)
Finance costs	23	**(31,845,421)**	(13,583,993)
Depreciation and amortization	5,6,7	**(5,414,678)**	(4,037,888)
Commissions and sales promotion		**(7,168,388)**	(3,334,379)
Other general and administrative expenses	24	**(35,327,708)**	(14,252,233)
Operating (loss) / profit		**(23,284,419)**	23,679,444
Other income, net	25	**25,070,023**	26,837,963
Profit before zakat		**1,785,604**	50,517,407
Zakat reversal	20	**5,847,396**	3,599,556
Profit for the period		**7,633,000**	54,116,963
Other comprehensive loss			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial loss on employees' end of service benefits	17.1	**(2,289,783)**	(81,050)
Total other comprehensive loss for the year		**(2,289,783)**	(81,050)
Total comprehensive income for the year		**5,343,217**	54,035,913
Earnings per share - basic and diluted	26	**0.24**	1.56

These financial statements were approved by the Board of Directors and have been signed on their behalf by:

Ibrahim Al Jomaih	Zaid Abdullah Al-Yaeesh	Moayed A. Shakhoor
Chairman	Chief Executive Officer	Financial and Planning Manager

The accompanying notes 1 through 31 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**Share Capital SR**	**Statutory Reserve SR**	**Retained Earnings SR**	**Total SR**
Balance as at 1 January 2021		400,000,000	6,293,980	(126,070,005)	280,223,975
Reduction in share capital	13	(100,000,000)	-	100,000,000	-
Profit for the year		-	-	54,116,963	54,116,963
Transfer to statutory reserve		-	5,411,696	(5,411,696)	-
Other comprehensive loss		-	-	(81,050)	(81,050)
Balance as at 31 December 2021		300,000,000	11,705,676	22,554,212	334,259,888
Balance as at 1 January 2022		**300,000,000**	**11,705,676**	**22,554,212**	**334,259,888**
Increase in share capital	13	**100,000,000**	**-**	**-**	**100,000,000**
Profit for the year		**-**	**-**	**7,633,000**	**7,633,000**
Transfer to statutory reserve		**-**	**763,300**	**(763,300)**	**-**
Other comprehensive loss		**-**	**-**	**(2,289,783)**	**(2,289,783)**
Balance as at 31 December 2022		**400,000,000**	**12,468,976**	**27,134,129**	**439,603,105**

These financial statements were approved by the Board of Directors and have been signed on their behalf by:

Ibrahim Al Jomaih	Zaid Abdullah Al-Yaeesh	Moayed A. Shakhoor
Chairman	Chief Executive Officer	Financial and Planning Manager

The accompanying notes 1 to 31 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 SR	2021 SR
OPERATING ACTIVITIES			
Profit before zakat		**1,785,604**	50,517,407
Adjustments for:			
Loss / (gain) on disposal of property and equipment and right of use assets	5	**51,746**	(222,990)
Depreciation and amortization	5,6,7	**5,414,678**	4,037,888
Provision for expected credit losses	8.4	**65,105,710**	13,000,681
Gain on investment, net	9	**(38,643)**	(352,539)
Allowance for impairment of advances to suppliers and other receivables	10	**5,801,984**	-
Employees' end of service benefits	17	**1,010,147**	1,020,825
Loss on modification of financing contracts	22	**-**	5,490,731
Finance cost	23	**31,845,421**	13,583,993
Amortization of government grant	25	**(10,478,807)**	(1,656,629)
		100,497,840	85,419,367
Increase in operating assets:			
Net investment in finance lease	8	**(609,914,114)**	(353,291,964)
Prepayments and other receivables	10	**(23,165,034)**	(7,019,441)
Assets repossessed held for sale	12	**(1,387,680)**	-
Increase in operating liabilities:			
Accrued expenses and other liabilities	18	**34,668,291**	31,260,152
Due to related parties	19	**38,100,698**	8,840,824
Account payables		**33,223,194**	82,158,538
Cash flow used in operating activities		**(427,976,805)**	(152,632,524)
Finance costs paid		**(18,879,140)**	(1,969,265)
Employees' end of service benefits paid	17	**(1,094,608)**	(1,352,825)
Zakat paid	20	**(6,387,377)**	(1,612,291)
Net cash used in operating activities		**(454,337,930)**	(157,566,905)
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(2,129,686)**	(2,287,978)
Purchase of intangible assets	7	**-**	(207,900)
Investment in funds	9	**(10,000,000)**	(50,082,000)
Proceeds from redemption of investments in funds	9	**30,453,433**	40,065,880
Proceeds from redemption of long term deposit		**18,750,449**	-
Net cash generated from / (used in) investing activities		**37,074,196**	(12,511,998)
FINANCING ACTIVITIES			
Proceeds from financial facilities	15	**726,773,617**	282,901,529
Repayments of financial facilities	15	**(253,716,033)**	(147,062,499)
Repayment of lease liabilities	16	**(2,939,684)**	(1,810,942)
Net cash generated from financing activities		**470,117,900**	134,028,088
NET CHANGE IN CASH AND CASH EQUIVALENTS		**52,854,166**	(36,050,815)
Cash and cash equivalents at the beginning of the year	11	**39,260,553**	75,311,368
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	**92,114,719**	39,260,553
Non-cash transactions	28		

These financial statements were approved by the Board of Directors and have been signed on their behalf by:

Ibrahim Al Jomaih	Zaid Abdullah Al-Yaeesh	Moayed A. Shakhoor
Chairman	Chief Executive Officer	Financial and Planning Manager

The accompanying notes 1 to 31 form an integral part of these financial statements.

1. LEGAL STATUS

Al Tayseer Arabian Company ("the Company") is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2051060381 (unified number 7012309998) issued in Riyadh on 11 Jumad ul Thani 1436 H (31 March 2015).

The principal activity of the Company is providing various types of automotive finance services to the retail and corporate sector in the Kingdom of Saudi Arabia under the license number 37/Ash/201508 dated 15 Dhu al-Qidah 1437H (corresponding to 18/08/2016) granted by Saudi Central Bank (SAMA). The Company is ultimately owned and controlled by Al Jomaih Holding Company ("AJHC", the "Holding Company").

These financial statements include the activities of following branch:

Commercial Registration	**Branch**
2051055139	Branch of Al Tayseer Arabian Company – Khobar, Rakah District
1131313667	Branch of Al Tayseer Arabian Company – Buraidah, Al Basar District
1010323416	Branch of Al Tayseer Arabian Company – Riyadh, Al Mannar District

The Company's Head Office is located at the following address;
Al Tayseer Arabian Company
P.O. Box 224, King Abdullah Street, 31411
Khobar, Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis of measurement

The financial information has been prepared under the historical cost method, unless it is allowed by the IFRS to be measured at other valuation method as illustrated in significant accounting policies notes.

Functional and presentational currency

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Riyal, unless otherwise mentioned.

Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS that are endorsed in Saudi Arabia and other standards and pronouncements issued by SOCPA requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. BASIS OF PREPARATION (Continued)

Judgement

Measurement of expected credit loss allowance
The measurement of expected credit loss allowance for the financial assets measured at amortized cost and fair value through other comprehensive income (FVOCI) is the area that requires the use of models and significant assumptions about future economic conditions and credit behavior (such as the likelihood of customer defaulting and resulting losses). Explanation of inputs, assumptions, and estimation techniques used in measuring expected credit loss (ECL) is further detailed in notes, which also sets out the key sensitivities of the ECL to change these elements.

A number of significant judgements are also required in applying accounting requirements for measuring the ECL, such as:

- Determining the criteria for a significant increase in credit risk
- Choosing appropriate models and assumptions for measurement of ECL
- Establishing the number and relative weighting of forward-looking scenarios for each type of industrial sector and associated ECL
- Establishing a group of similar financial assets for the purpose of measuring ECL.

Business model assessment
Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

Impairment of net investment in finance lease and murabaha lease
The Expected Credit Loss ("ECL") model contains a three-stage approach that is based on the change in the credit quality of financial assets since initial recognition. The ECL model is forward-looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Stage 1: 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months and Loss Given Default (LGD) and profit is calculated on a gross basis;

2. BASIS OF PREPARATION (Continued)

Judgement (Continued)

Impairment of net investment in finance lease and murabaha lease (Continued)
Stage 2: Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD and Exposure at Default (EAD) and profit is calculated on a gross basis. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1;

Stage 3: Under Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit-impaired and an amount equal to the lifetime ECL will be recorded for the financial assets and profit is calculated on a net basis.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Estimates

Actuarial valuation of employee benefits liabilities
The cost of the end-of-service ("employee benefits") under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and rate of employee turnover. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

Discount rate of lease payments
The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgements and estimates to determine the IBR at the commencement of its lease contracts.

Determination of discount rate for present value calculations
Discount rates, used for present value calculation for the Company's financial assets and liabilities, represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

Zakat
Zakat has been computed based on the Company's understanding and interpretation of the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia. The ZATCA continues to issue circulars to clarify certain zakat and tax regulations, which are usually enforced on all open years. The zakat liability as computed by the Company could be different from zakat as assessed by the ZATCA for years for which assessments have not yet been raised by the ZATCA.

Useful life of property and equipment, intangible assets and right-of-use assets
The Company's management determines the estimated useful lives of its property and equipment, intangible assets and right-of-use assets before calculating depreciation / amortization. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual values and useful lives annually and future depreciation / amortization charges would be adjusted where the management believes the useful lives differ from previous estimates.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

3.1 New standards, amendments to standards and interpretations

Amendments

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's financial statements, except for where referenced below.

New amendments to standards issued and applied effective in year 2022

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

3.2 New standards, amendments and revised IFRS issued but not yet effective

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (Continued)

3.2 New standards, amendments and revised IFRS issued but not yet effective (Continued)

Amendments to standard	**Description**	**Effective for annual years beginning on or after**	**Summary of the amendment**
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Asset repossessed held for sale

The Company in the ordinary course of its business, acquires certain vehicles and other assets against settlement of financing contracts. Such assets are considered as assets held for sale and are initially recorded at the lower of the net realizable value of related financing contract or the current fair value of the related assets, less any cost to sell.

Subsequent to the initial recognition, these assets owned are periodically revalued and are carried at lower of their carrying values or the related net realizable value. Realized gain or losses on disposal and unrealized losses on evaluation are credited or charged to the income / loss of the year, if any.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, if any, and at banks including investments with original maturity of less than three months from the contract date.

4.3 Financial Instruments:

4.3.1 Financial assets:

4.3.1.1 Classification of financial assets

On initial recognition, a financial asset is classified and measured at: amortized cost (AC), FVOCI or FVTPL. However, the Company as of the reporting date only holds financial asset carried at AC other than investment which is carried at FVOCI.

4.3.1.1. A Financial Asset at amortized 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 profit on the principal amount outstanding.

4.3.1.1. B Financial Assets at FVOCI

Debt Instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and it is not designated as at FVTPL

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principle and the interest on the principle amount outstanding.

Equity Instruments

On the initial recognition, for an equity investment that is not held for trading, the Company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis.

4.3.1.1.C Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Financial Instruments (Continued)

4.3.2 Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Company’s management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company’s stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company’s original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

4.3.2.1 Assessments whether contractual cash flows are solely payments of principal and profit

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

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

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Financial Instruments (Continued)

4.3.2 Business model assessment (Continued)

De-recognition of Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the de-recognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

4.3.3 Impairment
The Company recognizes loss allowances for ECL on the net investment in finance lease and murabaha lease.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Other financial instruments on which credit risk has not increased significantly since their initial recognition.
- 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company categories' the financial assets in following 3 stages for the purpose of impairment:

Stage 1: Includes financial assets with no significant increase in credit risk since initial recognition, accordingly, impairment is recorded on the basis of 12-month expected credit losses and interest is calculated on gross basis;

Stage 2: Includes financial assets with significant increase in credit risk since initial recognition, therefore, impairment is recorded on life time expected credit losses and interest is calculated on gross basis; and

Stage 3: Includes financial assets which are credit impaired, therefore, impairment is recorded on life time expected credit losses and interest is calculated on net basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Financial Instruments (Continued)

4.3.3 Impairment (Continued)

ECL is a probability-weighted estimate of expected credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

4.3.3.1 Credit-impaired financial asset

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- Breach of contract such as a default or past due event;
- The restructuring of a financial assets or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a financial asset that is overdue for 90 days or more is considered impaired.

4.3.3.2 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL, for financial assets measured at amortized cost, are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

4.3.3.3 Write-off

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to statement of profit or loss and OCI.

4.3.3.4 Regular way contracts

All regular way purchase and sales of financial assets are recognized and derecognized on the trade date i.e. the date on which the Company commits to purchase or sell the assets. Regular way purchase or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Financial Instruments (Continued)

4.3.4 Financial liabilities

4.3.4.1 Classification of financial liabilities
The company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are integral part of the EIR.

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

These amounts represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

4.3.4.2 Initial measurement
At initial recognition, the Company recognizes the financial liability at its fair value.

4.3.4.3 Subsequent measurement
After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

4.3.4.4 De-recognition of financial liabilities
Financial liabilities are derecognized when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment.

4.3.4.5 Modification
For financial liabilities, if an exchange or change in the terms of a debt instrument does not qualify for de-recognition it is accounted for as a modification of the financial liability. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

4.3.4.6 Offsetting financial assets and liabilities
Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4.3.4.7 Effective interest method
The effective interest method is a method of calculating the amortized cost of financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized and the asset so replaced is retired from use. All other repairs and maintenance expenditure are charged to the profit and loss account during the period in which they are incurred.

Depreciation is charged using the straight-line method over its estimated useful life as mentioned below, after taking into account residual value. Depreciation rates applied are as follows:

	Number of years
Leasehold improvements	10 – 33 or lower of lease period
Furniture, fixture and office equipment	4 - 5
Motor vehicles	4

Depreciation for leasehold improvements is calculated on the lower of the estimated useful life and the lease term.

Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of property and equipment, if any, are taken to the profit and loss account in the year in which they arise.

4.5 Intangible assets

Assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.
The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses if any. Amortization is charged from the month in which the asset is available for use. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset’s carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Gains and losses on disposals, if any, are taken to the profit and loss account in the year in which they arise. Amortization rates applied are as follows:

	Number of years
Computer software	4-10

4.6 Impairment of non-financial assets

At each statement of financial position date, the carrying amounts of tangible assets are reviewed regularly to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.6 Impairment of non-financial assets (Continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognized as an expense in the statement of profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets or cash-generating unit in prior period. The reversal of an impairment loss is recognized in the statement of profit or loss immediately.

4.7 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition long-term borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in statement of profit or loss as other income or finance costs.

Other finance cost are expensed in the year in which they are incurred in the statement of profit or loss.

4.8 Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at exchange rates prevailing at the date of transaction and the resulting gain / loss recognized in the statement of profit or loss. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the statement of financial position date. Gains and losses on translation are taken to statement of profit or loss currently except for difference arising on translation of equity accounted associates which are recognized directly in equity through other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

4.9 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Reporting Period' in the year in which they are approved / transfers are made.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Revenue recognition

Income from financing contracts is recognized in the statement of profit or loss using the effective yield method, using the applicable effective profit rate "EPR", on the outstanding balance over the term of the contract.

The calculation of EPR includes transaction costs, fees and commission income received that represent an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets

Administration fees charged in respect of processing and other services are recognized as income over the period of the financing agreements.

4.11 Right-of-use assets

The Company recognizes 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 premeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and restoration costs. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over underlying asset’s useful life. Right-of-use assets are subject to impairment.

4.12 Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, 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 recognized as expense in the year on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental rate is the rate that the individual lessee would pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is premeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease payments are allocated between principal and finance charges. The finance cost is charged to profit and loss over the lease period so as to produce constant periodic rate of interest on the remaining balance of the liability of each year.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of rented properties (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 office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.13 Employees benefits

4.13.1 Short term obligation

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the statement of financial position.

4.13.2 Employees' end-of-service benefits (EOSB)

The liability or asset is recognized in the statement of financial position in respect of defined benefit obligation. EOSB plan is the present value of the defined benefit obligation at the end of the reporting year. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

Service costs includes current service cost and past service cost are recognized immediately in statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in statement of profit or loss as past service costs.

Finance cost

The net finance cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the year in which they occur, directly in other comprehensive income.

4.14 Provisions

Provisions are recognized when the company has:

- A present legal or constructive obligation as a result of a past event;
- It is probable that an outflow of economic resources will be required to settle the obligation in the future; and
- The amount can be reliably estimated.

If the effect of the time value of money are material, provisions are discounted using a current rate that reflects current market assessments of the time value of money and the risks specific to the liability.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Provisions (Continued)

Where there are a number of similar obligations, (e.g. similar contracts or other provisions) the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

4.15 General and administrative expenses

General and administrative expenses include costs not specifically part of selling and marketing expenses. Finance income / (cost) is presented as a separate line item in the statement of profit or loss and comprehensive income.

4.16 Selling and marketing expenses

Selling and marketing expenses principally comprise of costs incurred in the sale and marketing of the Company's products / services. All other expenses are classified as general and administrative expenses.

4.17 Contingent liabilities

The Company receives legal claims through its normal cycle. Management has to make estimates and judgments about the possibility to set aside a provision to meet claims. The end of the legal claims date and the amount to be paid is uncertain. The timing and costs of legal claims depends on the statutory procedures.

4.18 Government grant

The Company recognized a government grant related to income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognized and measured in accordance with IFRS 9- *Financial Instruments*. The benefit of the below market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognized in statement of profit or loss on a systematic basis over the period in which the Company recognized as expenses the related costs for which the grant is intended to compensate.

4.19 Zakat

The Company is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the statement of profit or loss. Zakat is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

5. PROPERTY AND EQUIPMENT

	Leasehold improvements SR	Furniture, fixtures and office equipment SR	Motor vehicles SR	Capital work in progress SR	Total SR
Cost					
As at 1 January 2022	4,008,119	10,291,349	646,510	-	14,945,978
Additions during the year	**42,564**	**1,217,438**	**184,400**	**685,284**	**2,129,686**
Disposal / write off during the year	**(58,190)**	**-**	**(1,379)**	**-**	**(59,569)**
As at 31 December 2022	**3,992,493**	**11,508,787**	**829,531**	**685,284**	**17,016,095**
Accumulated Depreciation					
As at 1 January 2022	699,755	7,185,461	586,104	-	8,471,320
Charge for the year	**230,279**	**1,470,011**	**62,417**	**-**	**1,762,707**
Disposal / write off during the year	**(7,823)**	**-**	**-**	**-**	**(7,823)**
As at 31 December 2022	**922,211**	**8,655,472**	**648,521**	**-**	**10,226,204**
Net Book Value					
As at 31 December 2022	**3,070,282**	**2,853,315**	**181,010**	**685,284**	**6,789,891**

	Leasehold improvements SR	Furniture, fixtures and office equipment SR	Motor vehicles SR	Capital work in progress SR	Total SR
Cost					
As at 1 January 2021	2,348,490	9,194,250	646,510	468,750	12,658,000
Additions during the year	1,190,879	1,097,099	-	-	2,287,978
Transfer during the year	468,750	-	-	(468,750)	-
As at 31 December 2021	4,008,119	10,291,349	646,510	-	14,945,978
Accumulated Depreciation					
As at 1 January 2021	574,448	5,665,383	553,451	-	6,793,282
Charge for the year	125,307	1,520,078	32,653	-	1,678,038
As at 31 December 2021	699,755	7,185,461	586,104	-	8,471,320
Net Book Value					
As at 31 December 2021	3,308,364	3,105,888	60,406	-	6,474,658

5.1 Capital work in progress mainly represents assets relating to upgradation of Company's networking infrastructure.

5.2 Property and equipment includes assets having gross carrying amount of SR 6.80 million which are fully depreciated but are is still in use.

6. RIGHT-OF-USE ASSETS

The Company leases land and buildings. The leases typically run for a period of more than 1, with an option to renew the lease after expiry of the lease term with mutual agreement. Lease payments are renegotiated during renewal of the contract to reflect market rentals.

Right-of-use assets, depreciation charge and balance are as follows:

	2022	2021
	SR	SR
Balance at the beginning of the year	**5,392,808**	5,359,064
Additions during the year	**2,620,330**	4,195,752
Depreciation during the year	**(2,872,565)**	(1,612,956)
Derecognition	**(393,577)**	(2,549,052)
Balance at the end of the year	**4,746,996**	5,392,808

7. INTANGIBLE ASSETS

Intangible asset represents license for software.

	2022	2021
	SR	SR
Cost:		
Balance at the beginning of the year	**7,645,713**	7,437,813
Additions during the year	**-**	207,900
Balance at the end of the year	**7,645,713**	7,645,713
Accumulated amortization:		
Balance at the beginning of the year	**3,354,403**	2,607,509
Charge during the year	**779,406**	746,894
Balance at the end of the year	**4,133,809**	3,354,403
Carrying amount	**3,511,904**	4,291,310

8. NET INVESTMENT IN FINANCE LEASE AND MURABAHA LEASE

8.1 Investment in financing contracts comprised of investment in Ijara (finance) and Murabaha contracts as mentioned below:

	Finance lease		**Murabaha lease**		**Total**	
	31 December 2022 SR	31 December 2021 SR	**31 December 2022 SR**	31 December 2021 SR	**31 December 2022 SR**	31 December 2021 SR
Contracts receivables, gross	**1,262,746,359**	990,988,462	**786,420,146**	303,094,467	**2,049,166,505**	1,294,082,929
Unearned income	**(246,791,920)**	(191,070,950)	**(158,531,235)**	(53,917,144)	**(405,323,155)**	(244,988,094)
	1,015,954,439	799,917,512	**627,888,911**	249,177,323	**1,643,843,350**	1,049,094,835
Provision for expected credit losses	**(70,330,378)**	(67,360,051)	**(68,695,462)**	(21,725,678)	**(139,025,840)**	(89,085,729)
Contracts receivables, net	**945,624,061**	732,557,461	**559,193,449**	227,451,645	**1,504,817,510**	960,009,106
Current portion	**406,540,389**	357,096,576	**189,947,079**	79,179,322	**596,487,468**	436,275,898
Non-current portion	**539,083,672**	375,460,885	**369,246,370**	148,272,323	**908,330,042**	523,733,208
	945,624,061	732,557,461	**559,193,449**	227,451,645	**1,504,817,510**	960,009,106

8.2 Net investment in finance lease and murabaha lease includes balances of SR 7.94 million (31 December 2021: SR 30.98 million) from related parties.

8. NET INVESTMENT IN FINANCE LEASE AND MURABAHA LEASE (Continued)

8.3 The maturity of investment in financing contracts are as follow:

	31 December 2022 SR	31 December 2021 SR
Within 1 year	**840,042,766**	660,207,021
1 – 3 years	**1,151,521,061**	548,462,128
3 – 5 years	**57,602,678**	85,413,780
Gross investment in finance lease and murabaha lease	**2,049,166,505**	1,294,082,929
Less: unearned revenues	**(405,323,155)**	(244,988,094)
Net investment in finance lease and murabaha lease	**1,643,843,350**	1,049,094,835

8.4 Movement in provision for expected credit losses during the year is as follows:

	Note	**2022 SR**	2021 SR
Opening balance		**89,085,729**	76,316,186
Charge for the year		**65,105,710**	13,000,681
Write-off	8.7	**(15,165,599)**	(231,138)
Closing balance		**139,025,840**	89,085,729

8.5 The net investment in finance lease and murabaha lease are classified as follows:

	31 December 2022 SR	31 December 2021 SR
Secured	**1,286,494,960**	846,222,803
Unsecured	**357,348,390**	202,872,032
	1,643,843,350	1,049,094,835

8.6 The Company in ordinary course of its business, holds collateral in respect of the Ijara contracts (being the title of assets leased out) amounting to SR 924.47 million and loan guarantee programs (Kafalah) amounting to SR 307.12 million in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.

8.7 These write-offs have been approved by the Board of Directors. However, receivables that have been written off could still be subject to enforcement activities to comply with the Company's procedures for recovery of amounts due.

8.8 Lease receivables are held as collateral against borrowing from financial institutions (note 15).

9. INVESTMENTS

	31 December 2022 SR	31 December 2021 SR
Investment at fair value through other comprehensive income (FVOCI)	**892,850**	892,850
Investment at fair value through profit or loss (FVTPL)	**-**	20,414,790
	892,850	21,307,640

Movement in investments is as follows:

	Investment at FVOCI		**Investment at FVTPL**		**Total**	
	31 December 2022 SR	31 December 2021 SR	**31 December 2022 SR**	31 December 2021 SR	**31 December 2022 SR**	31 December 2021 SR
Balance as at 1 January	**892,850**	892,850	**20,414,790**	10,046,131	**21,307,640**	10,938,981
Additions during the year	**-**	-	**10,000,000**	50,082,000	**10,000,000**	50,082,000
Redemption during the year	**-**	-	**(30,453,433)**	(40,065,880)	**(30,453,433)**	(40,065,880)
Fair value gain, net	**-**	-	**38,643**	352,539	**38,643**	352,539
Balance as at 31 December	**892,850**	892,850	**-**	20,414,790	**892,850**	21,307,640

9. INVESTMENTS (Continued)

The Company holds 89,285 shares in Saudi Financial Lease Contract Registry Company, a Saudi Joint stock company ("the investee company") registered in the Kingdom of Saudi Arabia for lease contracts registration, which represents 2% of total share capital of Investee Company. The investment being strategic investment is classified as fair value through other comprehensive income (FVOCI). The management believes that the carrying value of the investment approximates to the fair value at 31 December 2022 and 2021.

10. PREPAYMENT AND OTHER RECEIVABLES

	Note	**31 December 2022 SR**	31 December 2021 SR
Deferred loss on kafalah contracts		**30,185,700**	7,224,547
Non-lease receivables from customers, net		**5,558,175**	6,359,119
Advance to suppliers		**2,981,763**	195,227
Insurance claim receivable		**1,869,569**	3,974,684
Prepaid insurance		**546,421**	1,549,596
Due from related parties	19	**177,360**	175,765
Other receivables		**3,899,644**	2,574,660
		45,218,632	22,053,598
Allowance for impairment	10.1	**(6,474,775)**	(672,791)
		38,743,857	21,380,807

10.1 Movement in allowance for impairment during the year is as follows:

	2022 SR	2021 SR
Opening balance	**672,791**	672,791
Charge for the year	**5,801,984**	-
Closing balance	**6,474,775**	672,791

11. CASH AND CASH EQUIVALENTS

For the purpose of statement of cash flows, cash and cash equivalents consist of the following:

	31 December 2022 SR	31 December 2021 SR
Bank balances	**72,109,719**	39,259,366
Cash in hand	**5,000**	1,187
	72,114,719	39,260,553
Time deposit – original maturity less than three months	**20,000,000**	-
	92,114,719	39,260,553

Deposits are placed with local banks with original maturity less than three months and earn financial income at rates ranging from 4.50% to 4.65%. Bank balances are placed with counterparties with sound credit ratings.

12. ASSETS REPOSSESSED HELD FOR SALE

During the year, the Company has acquired certain vehicles in satisfaction of claims in order to achieve an orderly realization of Ijara contract receivables to have a balance of SR 1.39 million at the end of year 31 December 2022 (31 December 2021: SR nil). The Company expects to dispose off these assets within one year.

13. SHARE CAPITAL

The Company's subscribed and paid up share capital of SR 400,000,000 (2021: SR 300,000,000) is divided into 40,000,000 (2021: 30,000,000) equity shares of SR 10 each fully subscribed and paid, and distributed among shareholders.

13. SHARE CAPITAL (Continued)

Shareholding structure of the Company as at 31 December 2022 and 2021 are as below:

Shareholder	Shareholding Percentage		Number of Shares	
	31 December 2022	31 December 2021	**31 December 2022**	31 December 2021
Al Jomaih Automotive Company	**98.5**	96	**39,400,000**	28,800,000
Al Jomaih Rent-a-Car Company	**1.5**	1	**600,000**	300,000
Al Jomaih Energy and Water Company	**-**	1	**-**	300,000
Mohammed Abdul Aziz Abdullah Al Jomaih	**-**	1	**-**	300,000
Hamad Abdul Aziz Abdullah Al Jomaih	**-**	1	**-**	300,000
	100	100	**40,000,000**	30,000,000

During the year, Shareholders had approved the increase of share capital by SR 100 million on the recommendation of the Board of Directors. The increase was made by capitalizing from payable balance of Al Jomaih Automotive Company (AAC) only. The increase has been approved by SAMA and other legal formalities including approval of the shareholders have been completed.

14. STATUTORY RESERVE

In accordance with Company’s by-laws, the Company establishes a statutory reserve by appropriation of 10% of net income until the reserve equaled 30% of the share capital. This statutory reserve is not available for dividend distribution.

15. FINANCIAL FACILITIES

	31 December 2022 SR	31 December 2021 SR
Long-term financial facilities	**857,479,322**	406,157,941
Short-term financial facilities	**24,684,104**	24,899,151
	882,163,426	431,057,092

The maturity profile of the financial facilities is as follows:

	31 December 2022 SR	31 December 2021 SR
Current portion	**363,438,123**	223,800,945
Non-current portion	**494,041,199**	182,356,996
	857,479,322	406,157,941

The financial facilities are classified as follows:

	31 December 2022 SR	31 December 2021 SR
Secured	**337,452,375**	188,454,518
Unsecured	**520,026,947**	217,703,423
	857,479,322	406,157,941

Commercial bank loans:

The Company is required to maintain certain covenants under the agreements. As at 31 December 2022, it is compliant with all loan covenants, except for the current ratio for which the Company has a waiver letter from the bank.

During the year, the Company has entered in Murabaha Financing Agreement with a local bank amounting to SR 100 million secured against lease receivables amounting to SR 141 million. The loan is repayable in 48 monthly equal installments. The loan is denominated in Saudi Riyals and bears mutually agreed profit rates. The loan is secured by a corporate guarantee from Al Jomaih Automotive Company (AAC) in addition to joint and several guarantees signed by shareholders of the Holding Company.

15. FINANCIAL FACILITIES (Continued)

Commercial bank loans: (Continued)
During the year, the Company has entered in Murabaha Financing Agreement with a local bank amounting to SR 125.4 million. The loan is repayable in 48 monthly equal installments. The loan is denominated in Saudi Riyals and bears mutually agreed profit rates. During the year, the Company has availed short term trade finance facility amounting to SR 24.68 million for working capital management from local bank at an interest rate prevailing in the market. The loans are secured against lease receivables amounting to SR 211 million.

During the year 2021, the Company has entered into Murabaha Financing Agreement with a local bank amounting to SR 100 million secured against lease receivables amounting to SR 125 million. The loan is repayable in 15 quarterly installments. The loan is denominated in Saudi Riyals and bears mutually agreed profit rates. The loan is secured by a corporate guarantee from Al Jomiah Automotive Company (AAC) in addition to joint and several guarantees signed by shareholders of the Holding Company. The aggregate maturity of the outstanding loan is spread through October 2025.

Government loans:

Social Development Bank:
During the year, the Company has obtained loans amounting to SR 110 million which are repayable in 36 monthly installments, with three months grace period. These loans are obtained under the terms and conditions similar to previous loans.

Saudi Central Bank:
In prior years, the Company received interest free loans of SR 83.62 million and SR 37.7 million from Saudi Central Bank (SAMA) in order to mitigate the expected financial and economic effects of the Corona Virus (COVID-19) in multiple trenches.

During the year, the Company has received additional interest free loans of SR 10.44 million and SR 6.21 million from SAMA under deferred payment program. The loans are repayable in a one-time payment in due in July 2023 and November 2023 respectively.

In prior years, the Company has participated in the loan guarantee program (Kafalah) and received an interest free loan of SR 90.35 million from (Saudi Central Bank) SAMA in multiple trenches and accounted related receivables as per the government grant accounting requirements. As per the loan guarantee program the Company has issued financing to the customers at below market rate and recorded deferred loss accordingly.

During the year, the Company received further interest free loans of SR 24.6 million, SR 68.52 million, SR 77.43 million and 154.85 million from Saudi Central Bank (SAMA) under loan guarantee program (Kafalah) and accounted related interest as per the government grant accounting requirements and amortized over systematic pattern. The loan is obtained under the terms and conditions similar to previous loans.

16. LEASE LIABILITIES

Movement on lease liabilities during the year is as follows:

	2022	2021
	SR	SR
Balance at the beginning of the year	**5,279,895**	5,480,740
Additions during the year	**2,620,330**	4,195,752
Payments during the year	**(2,939,684)**	(1,810,942)
Finance cost during the year	**176,819**	186,387
Derecognition	**(393,577)**	(2,772,042)
Balance at the end of the year	**4,743,783**	5,279,895

17. EMPLOYEES' END OF SERVICE BENEFITS

	31 December 2022 SR	31 December 2021 SR
Present value of end-of-service indemnities	**7,158,057**	4,952,735

The major financial assumptions used to calculate the end of service indemnities are as follows:

Principal actuarial assumptions	**31 December 2022**	31 December 2021
Long term salary increase rate	**4.65%**	2.20%
Discount rate	**4.65%**	2.20%
Mortality rate	**WHO SA19-75%**	WHO SA19-75%
Rate of employee turnover	**Heavy**	Heavy
Weighted Average life (in years)	**5.30**	6.46

17.1 The movement in employees' post-employment benefits recognized in the statement of financial position is follows:

	2022 SR	2021 SR
Net liability at the beginning of the year	**4,952,735**	5,203,685
Finance cost	**111,658**	84,562
Current service cost	**898,489**	936,263
Expense charged during the year	**1,010,147**	1,020,825
Actuarial loss recognized in other comprehensive income	**2,289,783**	81,050
Benefits paid during the year	**(1,094,608)**	(1,352,825)
Net liability at the end of the year	**7,158,057**	4,952,735

17.2 The sensitivity of the end of service indemnities to changes in the weighted principal assumptions is:

	31 December 2022		31 December 2021	
Discount rate	**Percentage**	**Amount SR**	Percentage	Amount SR
- Increase	**+0.5%**	**6,973,070**	+0.5%	4,797,413
- Decrease	**-0.5%**	**7,352,777**	-0.5%	5,117,827
Salary growth rate				
- Increase	**+0.5%**	**7,303,698**	+0.5%	5,116,998
- Decrease	**-0.5%**	**7,018,184**	-0.5%	4,796,672

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the end-of-service indemnities recognized within the statement of financial position.

17. EMPLOYEES' END OF SERVICE BENEFITS (Continued)

17.3 Maturity profile of the end-of-service indemnities

	31 December 2022 SR	31 December 2021 SR
Year 1	**1,016,542**	652,086
Year 2	**1,507,331**	917,488
Year 3	**1,188,106**	639,476
Year 4	**1,254,793**	638,663
Year 5	**1,078,358**	700,050
Year 6 onwards	**7,234,077**	3,931,200

The end of service benefits for the key management for the year ended 31 December 2022 was SR 0.83 million (2021: SR 0.66 million)

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	**31 December 2022 SR**	31 December 2021 SR
Accrued purchases and others		**48,159,708**	11,219,755
Deferred government grant	15	**31,824,896**	7,562,991
Advances from customers		**2,176,564**	4,410,538
Salaries and benefits		**1,032,122**	1,069,810
		83,193,290	24,263,094

19. RELATED PARTY BALANCES AND TRANSACTIONS

In the normal course of business, the Company buys and pays for the cars purchased from a related Company on a commercial basis, prices and terms of payment approved by the management. The Company transacts with the following related parties during the year:

Name	**Relationship**
Al Jomaih Holding Company	Ultimate Holding Company
Al Jomaih Automotive Company	Shareholder
Al Jomaih Rent-A-Car	Shareholder
Al Jomaih Equipment Company Limited	Affiliate
Al Jomaih Tyres Company	Affiliate
Al Jomaih Automotive ACDelco	Affiliate

Details of significant transactions with related parties during the year and related balances are as follows:

19. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Related party	Nature of transactions	2022 SR	2021 SR
Al Jomaih Automotive Company (AAC)	Purchase of vehicles for lease	**72,043,988**	69,042,524
	Shared service cost	**2,502,365**	2,293,206
	Finance cost charged	**6,245,959**	3,297,592
	Expense recharged	**1,208,290**	-
Al Jomaih Holding Company (AJHC)	Expense recharged	**7,582,646**	3,236,714
Al Jomaih Rent-A-Car (AJRC)	Finance lease and murabaha finance income	**1,092,033**	2,993,357
Key management personnel	Short term salaries and benefits	**10,181,419**	6,425,099
	Long term salaries and benefits	**168,226**	139,841
Board of Directors	Remuneration of committee members	**995,972**	99,000

Balance due from related parties is as follows:

Related party	Nature of Balance	31 December 2022 SR	31 December 2021 SR
Al Jomaih Rent-A-Car Company (AJRC)*	Accounts receivable	**7,939,454**	30,983,771
Al Jomaih Equipment Company Limited	Accounts receivable	**174,310**	172,715
Al Jomaih Tyres Company (AJTC)	Accounts receivable	**3,050**	3,050
		8,116,814	31,159,536

*Balance due from AJRC as at 31 December 2022 amounting to SR 1.03 million and SR 6.91 million has been classified under net investments in finance lease and murabaha finance respectively, (2021: SR 18.2 million and SR 12.9 million, respectively).

The remaining balance due from related parties is classified under prepayments and other receivables.

Balance due to related parties are as follows:

Related party	Nature of Balance	31 December 2022 SR	31 December 2021 SR
Al Jomaih Automotive Company (AAC)**	Accounts payable	**86,150,740**	158,070,921
Al Jomaih Holding Company (AJHC)	Accounts payable	**13,257,593**	3,236,714
Al Jomaih Automotive ACDelco	Accounts payable	**3,323,193**	3,323,193
		102,731,526	164,630,828

** During the year, SR 100 million has been transferred to share capital as described in note 13.

Amounts due to AAC are set off on daily basis based on the collections made by the AAC on behalf of the Company. These amounts bear finance cost at prevailing variable market rates.

20. ZAKAT PROVISION

20.1 The movement in zakat provision for the year is as follows:

	31 December 2022 SR	31 December 2021 SR
Balance at the beginning of the year	**14,166,601**	19,378,448
Reversed during the year, net	**(5,847,396)**	(3,599,556)
Payment during the year	**(6,387,377)**	(1,612,291)
Balance at the end of the year	**1,931,828**	14,166,601

20.2 Component of zakat expense for the year is as follows:

	31 December 2022 SR	31 December 2021 SR
Current year	**368,218**	6,400,444
Prior year	**(6,215,614)**	(10,000,000)
	(5,847,396)	(3,599,556)

20.3 Zakat is calculated based on the higher of zakat base or the adjusted profit for the year.

	31 December 2022 SR
Total assets	**1,653,005,407**
Less: Non-zakatable assets	
Net investment in finance lease and murabaha lease	908,330,042
Right of use assets	4,746,996
Property and equipment	6,789,891
Intangible assets	3,511,904
Investment in equity instruments carried at fair value through OCI	892,850
	924,271,683
Total zakatable assets	**728,733,724**
Long term financing sources	
Equity	439,603,105
Financing from financial institutions	494,041,199
Lease liabilities	1,937,390
Employee's terminal benefits- non-current portion	7,158,057
	942,739,751
Zakat base (financing sources * zakatable assets / total assets)	**415,610,407**
Net income	**1,785,604**
Minimum zakat base (Net income * 4)	7,142,416
Maximum zakat base (Net income * 8)	14,284,832
Actual Zakat base within range therefore, consider actual zakat base	**14,284,832**
Zakat due @ 2.5% * 365/354	**368,218**
Additional provision for prior years	**1,563,610**
Total	**1,931,828**

20. ZAKAT PROVISION (Continued)

20.4 Zakat and income tax returns for the Company have been filed for the year 2021 and the zakat certificate has been received. The Company has received and cleared final assessments until 2017. The ZATCA has not issued any assessment for years 2018 to 2021.

21. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

22. FINANCE LEASE AND MURABAHA FINANCE INCOME, NET

	Note	**2022** **SR**	2021 SR
Finance lease contracts income	8	**127,053,555**	102,741,017
Murabaha contracts income	8	**53,511,185**	19,177,357
Loss on modification of financing contracts		**-**	(5,490,731)
		180,564,740	116,427,643

23. FINANCE COSTS

	Note	**2022** **SR**	2021 SR
Finance cost on borrowings		**24,309,933**	9,055,509
Finance cost charge on related party balances	19	**6,245,959**	3,297,592
Bank charges		**1,112,710**	1,044,505
Finance cost charge on lease liabilities		**176,819**	186,387
		31,845,421	13,583,993

24. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**2022** **SR**	2021 SR
Amortization of deferred kafalah losses	10	**10,891,274**	635,117
Allowance for impairment of advances to suppliers and other receivables	10	**5,801,984**	-
Communication		**3,150,796**	1,843,157
Administrative expenses charged by a shareholder	19	**2,502,365**	2,293,207
Death and total disability expense		**2,273,400**	1,374,130
Professional services		**1,359,081**	821,619
GPS tracking		**1,197,255**	623,370
Governmental fees		**1,161,380**	1,164,130
Legal expenses		**1,143,397**	128,676
Board meeting expenses	19	**995,972**	99,000
Maintenance and cleaning		**728,680**	1,023,605
Subscriptions		**594,598**	925,088
Fines and penalties		**500,000**	10,000
Other expenses		**3,027,526**	3,311,134
		35,327,708	14,252,233

24.1 During the current year, the Company was penalized as a result of violation of the SAMA rules and regulations set forth for leasing and financing companies.

25. OTHER INCOME, NET

	Note	**2022** **SR**	2021 SR
Government grant income	15	**10,478,807**	1,656,629
Recovery from written off receivables		**7,787,722**	10,205,420
Other		**6,803,494**	14,975,914
		25,070,023	26,837,963

26. EARNINGS PER SHARE - basic and diluted

Basic earnings per share from net income for the year is calculated by dividing net income for the year by the weighted average number of shares for the year. There were no dilution effects during the year.

	31 December 2022 SR	31 December 2021 SR
Net profit for the year attributed to shareholders	**7,633,000**	54,116,963
Weighted average number of shares	**31,424,658**	34,767,123
Earnings per share	**0.24**	1.56

27. RISK MANAGEMENT

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks, which mainly include market risk, credit risk and liquidity risk.

27.1 Financial instruments by category

	31 December 2022 SR	31 December 2021 SR
Financial assets at amortized cost:		
Net investment in finance lease	**945,624,061**	732,557,461
Net investment in murabaha finance	**559,193,449**	227,451,645
Cash and cash equivalents	**72,114,719**	39,260,553
Investment at amortized cost	**20,000,000**	-
Long term deposit	**-**	18,750,449
Other receivables	**2,336,737**	4,961,193
	1,599,268,966	1,022,981,301

	31 December 2022 SR	31 December 2021 SR
Financial assets at fair value through OCI:		
Investment in equity instruments carried at fair value through OCI	**892,850**	892,850

	31 December 2022 SR	31 December 2021 SR
Financial liabilities at amortized cost:		
Borrowings	**882,163,426**	431,057,092
Lease liabilities	**4,743,783**	5,279,895
Accounts payable	**131,480,392**	98,257,198
Other liabilities	**38,874,652**	8,791,952
Due to related parties	**102,731,526**	164,630,828
	1,159,993,779	708,016,965

27. RISK MANAGEMENT (Continued)

27.2 Risk management structure

Board of Directors

The Board of Directors is responsible for establishing the Company's policies, including risk management framework, and to review the performance of the Company to ensure compliance with these policies.

Credit and risk management committee

The credit and risk management committee is appointed by the Board of Directors. The credit and risk management committee assists the Board in reviewing overall risks, which the Company might face, evaluate and review operational and non-operational risks and decide on mitigating factors related therewith.

Audit committee

The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof and the soundness of the internal controls of the Company.

Internal audit

All key operational, financial and risk management processes are audited by the Internal Audit. Internal audit examines the adequacy of the relevant policies and procedures. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

27.3 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, profit rate risk and other price risk.

27.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial assets may fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyals. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not hedge its foreign currency exposure.

27.3.2 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company's exposure to the risk of changes in market profit rates relates primarily to the Company's long-term debt obligations with floating profit rates. With all variables held constant due to change in its interest bearing financial liabilities by 25 basis points, profit for the year would increase/decrease by SR 0.66 million (2021: SR 0.41).

The Company manages the profit rate risk by increasing the net profit rates on its investment in financing contracts in order to be mitigating the fluctuations in profit rates.

27.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments, which are subject to other price risk.

27.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management analyze the credit risk in the following assets:

27. RISK MANAGEMENT (Continued)

27.4 Credit risk (Continued)

	31 December 2022 SR	31 December 2021 SR
Net investment in finance lease	**945,624,061**	732,557,461
Net investment in murabaha finance	**559,193,449**	227,451,645
Cash and cash equivalents	**72,114,719**	39,260,553
Investment at amortized cost	**20,000,000**	-
Long term deposit	**-**	18,750,449
Other receivables	**2,336,737**	4,961,193
	1,599,268,966	1,022,981,301

Bank credit rating

The credit quality of the Company's bank balances is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. The bank balances along with credit ratings are tabulated below:

	31 December 2022 SR	31 December 2021 SR
A1	**2,970,659**	3,174,940
A2	**7,487**	1,554,151
A3	**2,482,536**	1,392,074
Baa1	**86,649,037**	33,138,201
	92,109,719	39,259,366

27.4.1 Net investment in finance lease and murabaha lease

The investment in financing contracts generally expose to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The Company also follows a credit classification mechanism, primarily driven by day's delinquency as a tool to manage the quality of credit risk of the financing contracts portfolio. The aging analysis of net investment in finance lease and murabaha lease is as under:

	31 December 2022 SR	31 December 2021 SR
Not due	**1,490,459,365**	889,903,814
Past due 1-30 days	**185,556**	26,068
Past due 31-90 days	**54,170,716**	50,877,007
Default		
Past due 91-180 days	**18,985,883**	18,630,375
Past due 181-365 days	**15,601,278**	21,966,494
Past due over 1 year	**64,440,552**	67,691,077
	1,643,843,350	1,049,094,835
Less: Impairment for financing contracts	**(139,025,840)**	(89,085,729)
Net of Impairment	**1,504,817,510**	960,009,106
Total portfolio coverage ratio	**8.46%**	8.49%

The installments that are not past due are related to customers whose history of repayment has been considered in the calculation of impairment for their financing contracts. As at the statement of financial position date, the Company has adequate collaterals and promissory notes from lessee customer to cover the overall credit risk exposure after the impairment provision.

27. RISK MANAGEMENT (Continued)

27.4 Credit risk (Continued)

27.4.1 Net investment in finance lease and murabaha lease (Continued)

The movement in provision for impairment for investment in financing contracts is as follows:

	Stage 1 SR	**Stage 2** SR	**Stage 3** SR	**Total** SR
1 January, 2022	**49,864,516**	**3,343,699**	**35,877,514**	**89,085,729**
Transfer from stage 1	**(9,463,381)**	**457,683**	**9,005,698**	**-**
Transfer from stage 2	**91,900**	**(2,252,942)**	**2,161,042**	**-**
Transfer from stage 3	**98,272**	**70,641**	**(168,913)**	**-**
Financial assets – settled/written off during the year	**(3,853,390)**	**(37,251)**	**(591,263)**	**(4,481,904)**
Financial assets – originated during the year	**63,631,945**	**2,131,487**	**3,407,451**	**69,170,883**
Net re-measurement of loss allowance	**(15,944,932)**	**183,196**	**1,012,868**	**(14,748,868)**
	34,560,414	**552,814**	**14,826,883**	**49,940,111**
31 December 2022	**84,424,930**	**3,896,513**	**50,704,397**	**139,025,840**

	Stage 1 SR	Stage 2 SR	Stage 3 SR	Total SR
1 January, 2021	39,289,540	1,432,081	35,594,565	76,316,186
Transfer from stage 1	(223,642)	95,585	128,057	-
Transfer from stage 2	417,178	(531,127)	113,949	-
Transfer from stage 3	3,083,189	717,911	(3,801,100)	-
Financial assets – settled/written off during the year	(3,247,710)	(335,217)	(1,643,266)	(5,226,193)
Financial assets – originated during the year	34,552,376	2,755,885	4,698,284	42,006,545
Net re-measurement of loss allowance	(24,006,415)	(791,419)	787,025	(24,010,809)
	10,574,976	1,911,618	282,949	12,769,543
31 December 2021	49,864,516	3,343,699	35,877,514	89,085,729

27.4.2 The following table sets out information about the credit quality of financing contracts measured at amortized cost as at 31 December 2022. Investment in financing contracts and the corresponding ECL allowance as at 31 December 2022 and 31 December 2021 classified as follows:

	31 December 2022			
	Stage 1 Neither pass due nor impaired SR	**Stage 2** Past due but no credit impaired SR	**Stage 3** Credit impaired SR	**Total** SR
Net carrying amount before ECL	**1,490,644,921**	**54,170,716**	**99,027,713**	**1,643,843,350**
ECL	**84,424,930**	**3,896,513**	**50,704,397**	**139,025,840**
ECL to net carrying amount before ECL	**5.66%**	**7.19%**	**51.20%**	**8.46%**

27. RISK MANAGEMENT (Continued)

27.4 Credit risk (Continued)

	31 December 2021			
	Stage 1 Neither pass due nor impaired SR	Stage 2 Past due but no credit impaired SR	Stage 3 Credit impaired SR	Total SR
Net carrying amount before ECL	889,929,882	50,877,007	108,287,946	1,049,094,835
ECL	49,864,516	3,343,699	35,877,514	89,085,729
ECL to net carrying amount before ECL	5.60%	6.57%	33.13%	8.49%

Concentration of credit risk

Concentrations of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through diversification of investment in financing contracts to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. The main stream of concentration risk analysis by individual and corporate class of business which is given below:

	31 December 2022		31 December 2021	
	Amount SR	**Percentage (%)**	Amount SR	Percentage (%)
Individuals	**508,280,372**	**31%**	408,416,934	39%
Corporate	**1,135,562,978**	**69%**	640,677,901	61%
	1,643,843,350	**100%**	1,049,094,835	100%

There is no significant collateral other than the vehicles for ljara contracts.

27.4.3 Other receivables

Other receivables are neither significant nor exposed to significant credit risk.

27.4.4 ECL Model

27.4.4.1 Amounts arising from ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

27.4.4.2 Generating the term structure of PD

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

27. RISK MANAGEMENT (Continued)

27.4 Credit risk (Continued)

27.4.4 ECL Model (Continued)

27.4.4.3 Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modeling.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

27.4.4.4 Modified Financial Assets

The contractual terms of a financing and advances may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing and advances whose terms have been modified may be derecognized and the renegotiated financing and advances recognized as a new financing and advances at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company renegotiates finance lease receivables to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's policy, Finance lease receivables forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of leasing and instalments covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

27.4.4.5 Definition of 'Default'

The Company considers a financial asset or the receivables of investment in financing contracts to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The borrower is past due more than 90 days as applicable to related segment on any material credit obligation to the Company. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default. The Company considers indicators that are:

27. RISK MANAGEMENT (Continued)

27.4 Credit risk (Continued)

27.4.4 ECL Model (Continued)

27.4.4.5 Definition of 'Default' (Continued)

- Qualitative- e.g. breaches of covenant;
- Quantitative- e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

27.4.4.6 Incorporation of forward looking information

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2022 included mainly GDP growth and unemployment.

27.4.4.7 Measurement of ECL

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

i. probability of default (PD);
ii. loss given default (LGD);
iii. exposure at default (EAD).

These parameters are generally derived from internally developed roll rate and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

27.5 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below summarizes the Company's financial liabilities only into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table includes the contractual undiscounted cash flows.

27. RISK MANAGEMENT (Continued)

27.5 Liquidity Risk (Continued)

	31 December 2022				
	Carrying Amount SR	**Contractual Cash flows SR**	**Upto 3 months SR**	**More than 3 months and upto one year SR**	**More than one year SR**
Other liabilities	**38,874,652**	**38,874,652**	**38,874,652**	**-**	**-**
Accounts payable	**131,480,392**	**131,480,392**	**131,480,392**	**-**	**-**
Due to related parties	**102,731,526**	**102,731,526**	**102,731,526**	**-**	**-**
Borrowings and lease liabilities	**886,907,209**	**959,284,350**	**114,620,276**	**288,436,069**	**556,228,005**
	1,159,993,779	**1,232,370,920**	**387,706,846**	**288,436,069**	**556,228,005**

	31 December 2021				
	Carrying Amount SR	Contractual Cash flows SR	Upto 3 months SR	More than 3 months and upto one year SR	More than one year SR
Other liabilities	8,791,952	8,791,952	8,791,952	-	-
Accounts payable	98,257,198	98,257,198	98,257,198	-	-
Due to related parties	164,630,828	164,630,828	164,630,828	-	-
Borrowings and lease liabilities	436,336,987	468,902,361	56,648,541	161,006,525	251,247,295
	708,016,965	740,582,339	328,328,519	161,006,525	251,247,295

Analysis of financial assets and liabilities based on maturities

The table below show analysis of financial assets and financial liabilities according to when they are expected to be recovered or settled:

	31 December 2022				
	Carrying Values SR	**Contractual cash-flows SR**	**Upto three months SR**	**More than three months and upto one year SR**	**More than one year SR**
Cash and cash equivalents	**92,114,719**	**92,114,719**	**92,114,719**	-	**-**
Other receivables	**2,336,737**	**2,336,737**	**2,336,737**	-	**-**
Investment in equity instruments carried at fair value through OCI	**892,850**	**892,850**	-	**-**	**892,850**
Long term deposit	**-**	**-**	-	**-**	**-**
Net investment in finance lease and murabaha lease*	**1,504,817,510**	**2,049,166,506**	**282,938,656**	**557,104,111**	**1,209,123,739**
Financial assets	**1,600,161,816**	**2,144,510,812**	**377,390,112**	**557,104,111**	**1,210,016,589**
Other liabilities	**38,874,652**	**38,874,652**	**38,874,652**	**-**	**-**
Accounts payable	**131,480,392**	**131,480,392**	**131,480,392**	**-**	**-**
Due to related parties	**102,731,526**	**102,731,526**	**102,731,526**	**-**	**-**
Borrowings and lease liabilities	**886,907,209**	**959,284,350**	**114,620,276**	**288,436,069**	**556,228,005**
Financial liabilities	**1,159,993,779**	**1,232,370,920**	**387,706,846**	**288,436,069**	**556,228,005**
Maturity Gap		**912,139,892**	**(10,316,734)**	**268,668,042**	**653,788,584**
Cumulative Maturity Gap			**(10,316,734)**	**258,351,308**	**912,139,892**

27. RISK MANAGEMENT (Continued)

27.5 Liquidity Risk (Continued)

	31 December 2021				
	Carrying Values	Contractual cash-flows SR	Upto three months SR	More than three months and upto one year SR	More than one year SR
Cash and cash equivalents	39,260,553	39,260,553	39,260,553	-	-
Other receivables	4,961,193	4,961,193	4,961,193	-	-
Investment in equity instruments carried at fair value through OCI	892,850	892,850	-	-	892,850
Long term deposit	18,750,449	18,750,449	-	-	18,750,449
Net investment in finance lease and murabaha lease*	960,009,106	1,294,082,929	165,051,755	495,155,266	633,875,908
Financial assets	1,023,874,151	1,357,947,974	209,273,501	495,155,266	653,519,207
Other liabilities	8,791,952	8,791,952	8,791,952	-	-
Accounts payable	98,257,198	98,257,198	98,257,198	-	-
Due to related parties	164,630,828	164,630,828	164,630,828	-	-
Borrowings and lease liabilities	436,336,987	468,902,361	56,648,541	161,006,525	251,247,295
Financial liabilities	708,016,965	740,582,339	328,328,519	161,006,525	251,247,295
Maturity Gap		617,365,635	(119,055,018)	334,148,741	402,271,912
Cumulative Maturity Gap			(119,055,018)	215,093,723	617,365,635

*Net investments in finance lease and murabaha lease are exclusive of allowance for credit losses and it considers all due balances but not paid as due in the period up to three months. This may be materially impacting the maturity gap.

27.6 Fair values of financial assets and liabilities

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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s financial assets consist of cash and bank balances, investment, net investment in finance lease and murabaha lease, and other receivables, its financial liabilities consist of trade payables, financial facilities, due to related party and other liabilities.

The Company’s management determines the policies and procedures for both recurring fair value measurement and nonrecurring measurement.

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

27. RISK MANAGEMENT (Continued)

27.6 Fair values of financial assets and liabilities (Continued)

2022	**Level 1 SR**	**Level 2 SR**	**Level 3 SR**	**Total SR**
Financial asset				
FVOCI designated				
Investment in equity instruments carried at FVOCI	**-**	**-**	**892,850**	**892,850**

2021	Level 1 SR	Level 2 SR	Level 3 SR	Total SR
Financial asset				
FVOCI designated				
Investment in equity instruments carried at FVOCI	-	-	892,850	892,850

27.7 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the 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 in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA. SAMA requires all the Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

	31 December 2022	31 December 2021
Aggregate financing to capital ratio (Net investment in finance lease and murabaha lease divided by total equity)	**3.42**	2.87

28. NON-CASH TRANSACTIONS COMPARATIVE FIGURES

	2022 SR	2021 SR
Additions of lease liabilities and right-of-use assets	**2,620,330**	4,195,752
Derecognition of lease liabilities and right-of-use assets	**(393,577)**	(2,772,042)
Government grant	**34,740,712**	1,656,629
Issuance of share capital by transferring of related party balance	**100,000,000**	-
Net investment in finance lease and murabaha lease written off	**(15,165,599)**	(231,138)

29. COMPARATIVE FIGURES

Certain comparative figures for the year 2021 have been reclassified, to confirm with the presentation in the current year.

30. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the year end that would have a material impact on the financial position of the Company as reflected in these financial statements.

31. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 13 Sha'ban 1444H corresponding to 5 March 2023G by the Board of Directors of the Company.