AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL TAYSEER ARABIAN COMPANY (CLOSED JOINT STOCK COMPANY)

KHOBAR, KINGDOM OF SAUDI ARABIA

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 (the "Company") as at 31 December 2023, 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 2023;
- 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, comprising material accounting policies and other explanatory information.

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.

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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF AL TAYSEER ARABIAN COMPANY (CLOSED JOINT STOCK COMPANY)

KHOBAR, KINGDOM OF SAUDI ARABIA

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 assess 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.

PKF
Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY) (3/3)

KHOBAR, KINGDOM OF SAUDI ARABIA
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

For Al-Bassam & Co.

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

Ahmed Abdul Majeed Mohandis
Certified Public Accountant
License No. 477
Khobar: 16 Sha'ban 1445H
Corresponding to: 26 February 2024

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AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2023	2022
	Note	**SR**	SR
ASSETS			
Non-current assets			
Property and equipment	5	**5,469,610**	6,789,891
Right-of-use assets	6	**1,934,131**	4,746,996
Intangible assets	7	**5,382,952**	3,511,904
Net investment in Islamic financing	8	**1,196,956,165**	922,516,739
Investments	9	**892,850**	892,850
Total non-current assets		**1,210,635,708**	938,458,380
Current assets			
Current portion of net investment in Islamic financing	8	**747,053,187**	612,486,471
Prepayments and other receivables	10	**33,264,252**	8,558,157
Repossessed assets held for sale	11	**587,165**	1,387,680
Cash and cash equivalents	12	**446,949,087**	92,114,719
Total current assets		**1,227,853,691**	714,547,027
TOTAL ASSETS		**2,438,489,399**	1,653,005,407
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**400,000,000**	400,000,000
Statutory reserve	14	**20,386,705**	12,468,976
Retained earnings		**99,177,222**	27,134,129
TOTAL EQUITY		**519,563,927**	439,603,105
LIABILITIES			
Non-current liabilities			
Non-current portion of borrowings	15	**559,981,222**	494,041,199
Lease liabilities	16	**159,810**	1,937,390
Deferred government grant	15	**16,862,360**	13,562,965
Employees' benefits obligation	17	**7,428,580**	7,158,057
Total non-current liabilities		**584,431,972**	516,699,611
Current liabilities			
Current portion of borrowings	15	**950,625,835**	363,438,123
Short-term borrowings	15	**-**	24,684,104
Current portion of lease liabilities	16	**1,560,246**	2,806,393
Accounts payable	18	**117,657,623**	131,480,392
Accrued expenses and other liabilities	19	**82,855,210**	51,368,394
Current portion of deferred government grant	15	**28,957,742**	18,261,931
Due to related parties	20	**136,878,011**	102,731,526
Zakat payable	21	**15,958,833**	1,931,828
Total current liabilities		**1,334,493,500**	696,702,691
TOTAL LIABILITIES		**1,918,925,472**	1,213,402,302
TOTAL EQUITY AND LIABILITIES		**2,438,489,399**	1,653,005,407

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	Abdullah Al-Hajri
Chairman	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 through 32 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

	Note	For the year ended 31 December 2023 SR	2022 SR
Income			
Income from net investment in Islamic financing, net	23	**258,812,908**	169,673,466
Expenses			
Insurance and other costs		**(35,349,337)**	(27,013,027)
Salaries and employees' related expenses		**(34,310,207)**	(31,878,224)
Allowance for expected credit losses	8.4	**(26,365,208)**	(65,105,710)
Finance costs and bank charges	24	**(44,304,042)**	(21,366,614)
Depreciation and amortization	5,6,7	**(5,554,146)**	(5,414,678)
Commissions and sales promotion		**(7,420,179)**	(7,168,388)
Other general and administrative expenses	25	**(26,780,520)**	(23,881,172)
Operating profit / (loss)		**78,729,269**	(12,154,347)
Other income, net	26	**14,843,247**	13,939,951
Profit before zakat		**93,572,516**	1,785,604
Zakat (expense) / reversal	21	**(14,395,223)**	5,847,396
Profit for the year		**79,177,293**	7,633,000
Other comprehensive income / (loss)			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain / (loss) on employees' benefits obligation	17	**783,529**	(2,289,783)
Total other comprehensive income / (loss) for the year		**783,529**	(2,289,783)
Total comprehensive income for the year		**79,960,822**	5,343,217
Earnings per share - basic and diluted	27	**1.98**	0.24

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	Abdullah Al-Hajri
Chairman	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 through 32 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital SR	Statutory Reserve SR	Retained Earnings SR	Total SR
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
Other comprehensive loss		-	-	(2,289,783)	(2,289,783)
Total comprehensive income		-	-	5,343,217	5,343,217
Transfer to statutory reserve		-	763,300	(763,300)	-
Balance as at 31 December 2022		400,000,000	12,468,976	27,134,129	439,603,105
Balance as at 1 January 2023		**400,000,000**	**12,468,976**	**27,134,129**	**439,603,105**
Profit for the year		**-**	**-**	**79,177,293**	**79,177,293**
Other comprehensive income		**-**	**-**	**783,529**	**783,529**
Total comprehensive income		**-**	**-**	**79,960,822**	**79,960,822**
Transfer to statutory reserve		**-**	**7,917,729**	**(7,917,729)**	**-**
Balance as at 31 December 2023		**400,000,000**	**20,386,705**	**99,177,222**	**519,563,927**

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

Ibrahim Al-Jomaih Chairman	Zaid Abdullah Al-Yaeesh Chief Executive Officer	Abdullah Al-Hajri Chief Financial Officer

The accompanying notes 1 to 32 form an integral part of these financial statements.

AL TAYSEER ARABIAN COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December 2023 SR	2022 SR
OPERATING ACTIVITIES			
Profit before zakat		**93,572,516**	1,785,604
Adjustments for:			
(Gain) / loss on disposal of property and equipment and on derecognition of right of use assets	5,6	**(26,904)**	51,746
Depreciation and amortization	5,6,7	**5,554,146**	5,414,678
Allowance for expected credit losses	8.4	**26,365,208**	65,105,710
Gain on investment, net	9	**-**	(38,643)
Allowance for impairment of advances to suppliers and other receivables	10	**1,500,000**	5,801,984
Employees' benefits obligation	17	**1,741,783**	1,010,147
Finance cost	24	**44,304,042**	21,366,614
Unwinding of interest on government loans	24	**34,730,818**	10,478,807
Amortization of deferred loss on Kafala		**27,928,899**	10,891,274
Government grant income realized	24	**(34,730,818)**	(10,478,807)
		200,939,690	111,389,114
Changes in working capital:			
Net investment in Islamic financing	8	**(463,300,249)**	(620,805,388)
Prepayments and other receivables	10	**(26,206,095)**	(23,165,034)
Repossessed assets held for sale	11	**800,515**	(1,387,680)
Account payables	18	**(13,822,769)**	33,223,194
Accrued expenses and other liabilities	19	**31,486,816**	34,668,291
Due to related parties	20	**26,676,451**	38,100,698
Cash used in operating activities		**(243,425,641)**	(427,976,805)
Finance costs paid		**(35,659,401)**	(18,879,140)
Employees' benefits obligation paid	17	**(687,731)**	(1,094,608)
Zakat paid	21	**(368,218)**	(6,387,377)
Net cash used in operating activities		**(280,140,991)**	(454,337,930)
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(505,016)**	(2,129,686)
Purchase of intangible assets	7	**(2,721,617)**	-
Investment in funds	9	**-**	(10,000,000)
Proceeds from redemption of investments in funds	9	**-**	30,453,433
Proceeds from redemption of long-term deposit		**-**	18,750,449
Net cash (used in) / generated from investing activities		**(3,226,633)**	37,074,196
FINANCING ACTIVITIES			
Proceeds from borrowings	15	**1,105,607,018**	726,773,617
Repayments of borrowings	15	**(464,250,196)**	(253,716,033)
Repayment of lease liabilities	16	**(3,154,830)**	(2,939,684)
Net cash generated from financing activities		**638,201,992**	470,117,900
NET INCREASE IN CASH AND CASH EQUIVALENTS		**354,834,368**	52,854,166
Cash and cash equivalents at the beginning of the year	12	**92,114,719**	39,260,553
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**446,949,087**	92,114,719
Non-cash transactions	29		

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	Abdullah Al-Hajri
Chairman	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 32 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 number 2051060381 (unified number 7012309998) issued in Riyadh on 11 Jumad ul Thani 1436H (corresponding to 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 August 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 branches:

Commercial Registration	Branch
2051055139	Branch of Al Tayseer Arabian Company – Khobar
1131313667	Branch of Al Tayseer Arabian Company – Buraidah
1010323416	Branch of Al Tayseer Arabian Company – Riyadh
4030532819	Branch of Al Tayseer Arabian Company –Jeddah
5850146838	Branch of Al Tayseer Arabian Company – Abha
3550156321	Branch of Al Tayseer Arabian Company – Tabuk

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").

The Ministry of Commerce and Investment commenced the implementation of the new Companies Law effective from 19 January 2023 (effective date). This Law shall supersede the Companies Law promulgated by Royal Decree No. (M/3), dated 28 Muharram 1437H and the Law of Professional Companies promulgated by Royal Decree No. (M/17), dated 26 Muharram 1441H, and shall repeal any provisions conflicting therewith. Companies existing as at the effective date of the regulations shall make all necessary amendments to their By-laws to comply with the requirements of the provisions of the new companies' regulations within a period of two years of the effective date of the Companies' Law.

The Company is yet to make necessary amendments to the Company's By Laws and expects to complete within stipulated time as required by the new regulations.

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 material 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.

Material 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.

2. BASIS OF PREPARATION (Continued)

Material accounting estimates and judgments (Continued)
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.

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 years 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, 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 Islamic financing
The 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 increase 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 Islamic financing (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
As at year end, current liabilities exceed current assets by SR 106.64 million mainly due to a loan received from its Holding Company amounting to SR 370 million for financial support. The Company is confident to rollover the loan upon expiry of the loan agreement. Also based on maturity gap analysis, the Company would have a surplus cash inflow of SR 268.31 million within next twelve months as per the maturity analysis (note 28.5). The Company's management has assessed 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 other 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 employees' benefits obligation
The cost of the end-of-service ("employees' 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 2023

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9 (Amendments to IFRS 4)	Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS 17	Insurance Contracts and its amendments	January 1, 2023	This is a 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) which was issued in 2005.
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 the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences
IAS 12	International tax reform (pillar two model rules)	January 1, 2023	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organization for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1	Classification of liabilities as current or non-current	January 1, 2024	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 liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	January 1, 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted
IAS 7 and IFRS 7	Supplier finance arrangements	January 1, 2024	These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.
IAS 21	Lack of Exchangeability	January 1, 2025	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

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 MATERIAL ACCOUNTING POLICIES

4.1 Repossessed assets 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 statement of profit or loss of the year, if any.

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 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 at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and the interest on the principal 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 MATERIAL 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 MATERIAL ACCOUNTING POLICIES (Continued)

4.3 Financial Instruments (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

Investments in Islamic financing (IIF) are exposed to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' credit worthiness, setting maximum limits for debt burden of the borrower, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

A significant number of the customers are Government sector employees. Customers are requested to provide standing instructions to credit the Company's account towards monthly installments. In addition, the customers may provide direct debit mandate as a stand by repayment mode. The Company generally receives repayments through variable channels such as SADAD, bank transfers and direct collections. The Company has an approved collection policy and procedure manual establishing a collection strategy to follow up with delinquent customers. The Company has strengthened its legal department in order to be actively involved in the collection process of delinquent customers.

<u>Staging categorization of financial assets</u>
The Company categorizes its investment in Islamic financing into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When lease receivables are first recognized, the Company recognizes an allowance based on 12 months ECLs. Stage 1 receivables also include facilities where the credit risk has improved and the receivable has been reclassified from Stage 2.

Stage 2: When a receivable has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECL. Stage 2 receivables also include facilities, where the credit risk has improved and the receivable has been reclassified from Stage 3.

Stage 3: Receivable considered credit-impaired. The Company records an allowance for the lifetime ECL.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.3 Financial Instruments (Continued)

4.3.3 Impairment (Continued)

POCI: Purchased or originated credit-impaired ("POCI") assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and income is subsequently recognized based on a credit-adjusted EPR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

The assessment of credit risk of IIF also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD. The key inputs into the measurement of ECL are the term structure of the following variables:
- probability of default ("PD");
- loss given default ("LGD");
- exposure at default ("EAD").

<u>Generating the term structure of PD</u>
Loss rates are computed through a "roll rate" approach, which analyzes the probability of a receivable moving through sequential stages throughout an economic cycle, while disregarding the immediate shifts in a customer's default status.

<u>Macro-forward PD</u>
The company employs a forward-looking Probability of Default (PD) estimate, which reflects present forecasts of future economic conditions. To establish these PDs, the company utilized macroeconomic indicators such as annual GDP growth rates and inflation.

<u>Definition of default</u>
The Company considers a financial asset to be in default when:
- the customer 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 customer is past due more than 90 days.

In assessing whether a customer is in default, the Company also considers indicators that are:
- qualitative - e.g. breaches of lease contract;
- quantitative - e.g. overdue status and non-payment; and
- based on data developed internally.

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

<u>Generating the term structure of EAD</u>
Subject to using a maximum of a 12-month PD for the receivables for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require installment.

Under granular approach, expected credit loss of a facility is computed by dividing the time to maturity of the contract into small time intervals. The risk parameters, PD, LGD and exposure is assumed constant for a single time interval.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.3 Financial Instruments (Continued)

4.3.3 Impairment (Continued)

Significant increase in credit risk (SICR)
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 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 expectations related to earlier settlement).

Determining whether credit risk has increased significantly
In determining whether credit risk has increased significantly since initial recognition, the Company uses its quantitative changes in PDs, delinquency status of accounts and, where possible, relevant historical experience. Considering the huge portfolio of individual customers, the management believes that past-due information is the most appropriate method to assess the SICR without the undue cost and efforts. Accordingly, based on installment collection history, the management believes that the instance of significant increase in credit risk arise only when the installment is past due by for more than 60 days and is classified as underperforming (i.e., in stage 2) and, if it is past due by more than 90 days, it is classified as non-performing (i.e. stage 3). The management activates the recovery team for the purposes of collection of outstanding balance as the receivable entered the non-performing stage.

The criteria for determining whether credit risk has increased significantly includes the 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, the remaining lifetime PO is determined to have increased significantly.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that 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.

Modified financial assets
The contractual terms of an investment in Islamic financing receivable are mainly modified at the request of the customer. An existing Islamic financing receivable whose terms have been modified may be derecognized and the renegotiated lease receivable recognized as a new investment in Islamic financing at fair value.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the receivable's credit risk has increased significantly reflects the comparison of:
• its remaining lifetime PD at the reporting date based on the modified terms; with
• the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Company renegotiates Islamic financing receivable with customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's forbearance policy, the receivable forbearance is granted on a selective basis if the customer is currently in default or if there is a high risk of default, there is evidence that the customer has made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms. The revised terms usually include extending the maturity and changing the timing of payments. The Company's credit and risk committee regularly review reports on forbearance activities.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.3 Financial Instruments (Continued)

4.3.3 Impairment (Continued)

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect outstanding balances and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the customer's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that exposure is credit-impaired / in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

<u>Measurement of ECL</u>
The Company measures an ECL at an account level considering the EAD, PD, LGD and discount rate.

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 carrying amount of the assets.

4.3.3.3 Write-off

Financings are written off (either partially or in full) when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery including;

- when the debtor has been placed under liquidation or has entered into bankruptcy proceedings;
- unsecured exposures are written-off within 360 days once they are classified as Stage 3 exposures; or
- secured exposures are written-off within 720 days once they are classified as Stage 3 exposures.

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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.3 Financial Instruments (Continued)

4.3.3 Impairment (Continued)

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.

4.3.4 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 considering 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 MATERIAL 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 or 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 considering residual value. Depreciation rates applied are as follows:

	Number of years
Leasehold improvements	5 – 20 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 or 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 or loss account in the year in which they arise. Amortization rates applied are as follows:

	Number of years
Computer software	4-10

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

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.

When the Company obtains government loan at below market interest rate, the loan's amortized cost is calculated using an effective interest rate based on market rates. The subsidy is recognized as government grant.

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 is expensed in the year in which they are incurred in the statement of profit or loss.

4.8 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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.9 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.

4.10 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.

4.11 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 when received.

4.12 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.

4.13 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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.13 Lease liabilities (Continued)

Lease payments are allocated between principal and finance charges. The finance cost is charged to profit or 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.

4.14 Employees' benefits

4.14.1 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 employees' benefits obligation within accruals in the statement of financial position.

4.14.2 Employees' benefits obligation

The liability or asset is recognized in the statement of financial position in respect of defined benefit obligation. Employees' benefits obligation 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 employees' benefits 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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

4.15 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.

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.

4.16 General and administrative expenses

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

4.17 Selling and marketing expenses

Selling and marketing expenses principally comprise of costs incurred in the sale and marketing of the Company's products / services.

4.18 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.

4.19 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

5.1 Capital work in progress mainly represents assets relating to upgradation of one of the Company's branch.

5.2 Property and equipment includes assets having cost amount of SR 9.2 million (2022: SR 6.8 million) which are fully depreciated but are still in use.

	Leasehold improvements SR	Furniture, fixtures and office equipment SR	Motor vehicles SR	Capital work in progress SR	Total SR
Cost					
As at 1 January 2023	3,992,493	11,508,787	829,531	685,284	17,016,095
Transfers	**321,543**	**363,741**	**-**	**(685,284)**	**-**
Additions during the year	**-**	**186,025**	**61,379**	**257,612**	**505,016**
Reclassification (note 7)	**-**	**(4,129,425)**	**-**	**-**	**(4,129,425)**
As at 31 December 2023	**4,314,036**	**7,929,128**	**890,910**	**257,612**	**13,391,686**
Accumulated Depreciation					
As at 1 January 2023	922,211	8,655,472	648,521	-	10,226,204
Charge for the year	**332,922**	**483,674**	**87,659**	**-**	**904,255**
Reclassification (note 7)	**-**	**(3,208,383)**	**-**	**-**	**(3,208,383)**
As at 31 December 2023	**1,255,133**	**5,930,763**	**736,180**	**-**	**7,922,076**
Net Book Value					
As at 31 December 2023	**3,058,903**	**1,998,365**	**154,730**	**257,612**	**5,469,610**

	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

6. RIGHT-OF-USE ASSETS

The Company has leases in respect of various office premises. The leases typically run for a period of more than 1 year, 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:

	2023	2022
	SR	SR
Balance at the beginning of the year	**4,746,996**	5,392,808
Additions during the year	**471,480**	2,620,330
Depreciation during the year	**(2,878,280)**	(2,872,565)
Derecognition	**(406,065)**	(393,577)
Balance at the end of the year	**1,934,131**	4,746,996

7. INTANGIBLE ASSETS

Software	**2023**	2022
	SR	SR
Cost:		
Balance at the beginning of the year	**7,645,713**	7,645,713
Additions during the year	**2,721,617**	-
Reclassification (note 5)	**4,129,425**	-
Balance at the end of the year	**14,496,755**	7,645,713
Accumulated amortization:		
Balance at the beginning of the year	**4,133,809**	3,354,403
Charge during the year	**1,771,611**	779,406
Reclassification (note 5)	**3,208,383**	-
Balance at the end of the year	**9,113,803**	4,133,809
Net Book Value	**5,382,952**	3,511,904

8. NET INVESTMENT IN ISLAMIC FINANCING

	As at 31 December 2023 SR	2022 SR
Ijara	**1,218,103,292**	954,013,312
Murabaha	**160,614,043**	184,018,945
Tawarruq	**565,292,017**	396,970,953
	1,944,009,352	1,535,003,210

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

	Ijara		Murabaha		Tawarruq		Total	
	As at 31 December							
	2023 SR	2022 SR	**2023 SR**	2022 SR	**2023 SR**	2022 SR	**2023 SR**	2022 SR
Gross investment in Islamic financing	**1,541,789,190**	1,262,746,359	**180,406,846**	208,151,699	**778,104,355**	578,268,447	**2,500,300,391**	2,049,166,505
Unearned / Deferred Islamic financing income	**(290,748,273)**	(246,791,920)	**(22,300,398)**	(26,304,314)	**(155,271,635)**	(132,226,921)	**(468,320,306)**	(405,323,155)
Deferred loss on Kafala	**14,776,289**	8,389,251	**5,180,718**	7,183,551	**12,063,491**	14,612,898	**32,020,498**	30,185,700
	1,265,817,206	1,024,343,690	**163,287,166**	189,030,936	**634,896,211**	460,654,424	**2,064,000,583**	1,674,029,050
Allowance for expected credit losses	**(47,713,914)**	(70,330,378)	**(2,673,123)**	(5,011,991)	**(69,604,194)**	(63,683,471)	**(119,991,231)**	(139,025,840)
Net investment in Islamic financing, net	**1,218,103,292**	954,013,312	**160,614,043**	184,018,945	**565,292,017**	396,970,953	**1,944,009,352**	1,535,003,210
Current portion	**493,590,998**	410,720,478	**87,416,096**	85,428,208	**166,046,093**	116,337,785	**747,053,187**	612,486,471
Non-current portion	**724,512,294**	543,292,834	**73,197,947**	98,590,737	**399,245,924**	280,633,168	**1,196,956,165**	922,516,739
	1,218,103,292	954,013,312	**160,614,043**	184,018,945	**565,292,017**	396,970,953	**1,944,009,352**	1,535,003,210

8.2 Net investment in Islamic financing (Murabaha) includes balances of SR 2.46 million (2022: SR 7.15 million) receivable from Al Jomaih Auto Rental Company. The original financing amounts of these contracts were SR 4.61 million for the period ranging from 3 to 4 years and were provided at market rates (note 20).

8. NET INVESTMENT IN ISLAMIC FINANCING (Continued)

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

	As at 31 December	
	2023	2022
	SR	SR
Year 1	**1,130,191,180**	840,042,766
Year 2	**860,118,412**	662,318,895
Year 3	**383,918,353**	387,497,420
Year 4	**103,591,313**	101,704,746
Year 5	**22,481,133**	57,602,678
Gross investment in Islamic financing	**2,500,300,391**	2,049,166,505
Less: unearned / deferred Islamic financing income	**(468,320,306)**	(405,323,155)
Add: deferred loss on Kafala	**32,020,498**	30,185,700
Investment in Islamic financing before allowance for expected credit losses	**2,064,000,583**	1,674,029,050

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

	Note	**2023**	2022
		SR	SR
Opening balance		**139,025,840**	89,085,729
Charge for the year		**26,365,208**	65,105,710
Write-off	8.5	**(45,399,817)**	(15,165,599)
Closing balance		**119,991,231**	139,025,840

8.5 These write-offs have been approved by the Board of Directors (the "Board"). 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.

8.6 Stage wise analysis of net investment in Islamic financing is as follows:

	As at 31 December							
	2023				2022			
	Investment in ijara SR	**Less: Allowance for ECL SR**	**Net investment in ijara SR**	**Expected loss rates**	Investment in ijara SR	Less: Allowance for ECL SR	Net Investment in ijara SR	Expected loss rates
Stage 1	**1,200,176,921**	**(21,248,467)**	**1,178,928,454**	**1.77%**	935,198,897	(30,242,990)	904,955,907	3.23%
Stage 2	**29,027,670**	**(1,343,723)**	**27,683,947**	**4.63%**	7,931,646	(764,274)	7,167,372	9.64%
Stage 3 – Default	**36,612,615**	**(25,121,724)**	**11,490,891**	**68.61%**	81,213,147	(39,323,114)	41,890,033	48.42%
Total	**1,265,817,206**	**(47,713,914)**	**1,218,103,292**	**3.77%**	1,024,343,690	(70,330,378)	954,013,312	6.87%

8. NET INVESTMENT IN ISLAMIC FINANCING (Continued)

8.6 Stage wise analysis of net investment in Islamic financing is as follows: (Continued)

	As at 31 December							
	2023				2022			
	Investment in murabaha SR	**Less: Allowance for ECL SR**	**Net investment in murabaha SR**	**Expected loss rates**	Investment in murabaha SR	Less: Allowance for ECL SR	Net investment in murabaha SR	Expected loss rates
Stage 1	**161,149,793**	**(2,589,525)**	**158,560,268**	**1.61%**	187,411,176	(4,213,472)	183,197,704	2.25%
Stage 2	**2,003,157**	**(29,821)**	**1,973,336**	**1.49%**	366,525	(76,340)	290,185	20.83%
Stage 3 – Default	**134,216**	**(53,777)**	**80,439**	**40.07%**	1,253,235	(722,179)	531,056	57.63%
Total	**163,287,166**	**(2,673,123)**	**160,614,043**	**1.64%**	189,030,936	(5,011,991)	184,018,945	2.65%

	As at 31 December							
	2023				2022			
	Investment in tawarruq SR	**Less: Allowance for ECL SR**	**Net investment in tawarruq SR**	**Expected loss rates**	Investment in tawarruq SR	Less: Allowance for ECL SR	Net investment in tawarruq SR	Expected loss rates
Stage 1	**538,032,991**	**(27,893,584)**	**510,139,407**	**5.18%**	436,141,893	(49,968,468)	386,173,425	11.46%
Stage 2	**42,981,241**	**(5,667,316)**	**37,313,925**	**13.19%**	7,558,175	(3,055,898)	4,502,277	40.43%
Stage 3 – Default	**53,881,979**	**(36,043,294)**	**17,838,685**	**66.89%**	16,954,356	(10,659,105)	6,295,251	62.87%
Total	**634,896,211**	**(69,604,194)**	**565,292,017**	**10.96%**	460,654,424	(63,683,471)	396,970,953	13.82%

8.7 During the year, the Company provided subsidized financing amounting to SR 335.06 million (2022: SR 349.73 million) to Small and Medium Sized Entities (SMEs) eligible for support under SAMA SMEs Loan Guarantee Program "Kafalah". These subsidized financing agreements for SME customers are discounted using average profit rates for comparable financing. The difference between fair value and present value is being deferred and amortized over the period of respective agreement (note 23). Additionally, the Company benefits from interest free funding from SAMA to compensate lower profit rates, and the difference between financing received and its present value is recorded as a government grant and has been accounted for systematically (note 24).

8. NET INVESTMENT IN ISLAMIC FINANCING (Continued)

8.8 The net investment in Islamic financing is classified as follows:

	As at 31 December	
	2023	2022
	SR	SR
Secured	**1,629,059,381**	1,343,224,893
Unsecured	**434,941,202**	330,804,157
	2,064,000,583	1,674,029,050

8.9 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 753.75 million (31 December 2022: SR 924.47 million) and loan guarantee programs (Kafalah) amounting to SR 629.60 million (31 December 2022: SR 307.12 million) in order to mitigate the credit risk associated with them. Further, these collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.

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

9. INVESTMENTS

	As at 31 December	
	2023	2022
	SR	SR
Investment at fair value through other comprehensive income (FVOCI)	**892,850**	892,850

Movement in investments is as follows:

The Company holds 89,285 shares in Saudi Financial Lease Contract Registry Company (SIJIL), 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). Due to non-availability of the financial information to determine the fair value of investment in SIJIL, cost of the investment is considered to be reasonable estimate of its fair value.

	Investment at FVOCI		Investment at FVTPL		Total	
	2023	2022	**2023**	2022	**2023**	2022
	SR	SR	**SR**	SR	**SR**	SR
Balance as at 1 January	**892,850**	892,850	**-**	20,414,790	**892,850**	21,307,640
Additions during the year	**-**	-	**-**	10,000,000	**-**	10,000,000
Redemption during the year	**-**	-	**-**	(30,453,433)	**-**	(30,453,433)
Fair value gain, net	**-**	-	**-**	38,643	**-**	38,643
Balance as at 31 December	**892,850**	892,850	**-**	-	**892,850**	892,850

10. PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at 31 December **2023** SR	2022 SR
Advance to suppliers		**20,338,847**	2,981,763
Value added tax receivables		**3,595,863**	-
Prepayments		**3,572,796**	561,421
Other receivables		**626,984**	891,180
		28,134,490	4,434,364
Financial Asset at Amortized Cost - Unsecured			
Non-lease receivables from customers, net		**3,900,514**	6,474,775
Insurance claim receivables		**2,869,540**	1,869,569
Due from related parties	20	**485,089**	177,360
Other receivables		**1,721,635**	2,076,864
Allowance for impairment	10.1	**(3,847,016)**	(6,474,775)
		5,129,762	4,123,793
		33,264,252	8,558,157

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

	2023 SR	2022 SR
Opening balance	**6,474,775**	672,791
Utilization for the year	**(4,127,759)**	-
Charge for the year	**1,500,000**	5,801,984
Closing balance	**3,847,016**	6,474,775

11. REPOSSESSED ASSETS 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 0.59 million at the end of year 2023 (2022: SR 1.39 million). The Company expects to dispose off these assets within one year.

12. CASH AND CASH EQUIVALENTS

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

	As at 31 December **2023** SR	2022 SR
Bank balances	**96,929,867**	72,109,719
Cash in hand	**19,220**	5,000
	96,949,087	72,114,719
Time deposit – original maturity less than three months	**350,000,000**	20,000,000
	446,949,087	92,114,719

Deposits are placed with local banks with original maturity less than three months and earn financial income at rates ranging from 3.48% to 5.80% (2022: 4.50% to 4.65%). Bank balances are placed with counterparties with sound credit ratings.

13. SHARE CAPITAL

The Company's subscribed and paid up share capital of SR 400,000,000 (2022: SR 400,000,000) is divided into 40,000,000 (2022: 40,000,000) equity shares of SR 10 each fully subscribed and paid, and distributed among shareholders.

Shareholding structure of the Company as at 31 December is as below:

	Shareholding Percentage		**Number of Shares**	
	As at 31 December			
Shareholder	**2023**	2022	**2023**	2022
Al Jomaih Automotive Company	**98.5**	98.5	**39,400,000**	39,400,000
Al Jomaih Auto Rental Company	**1.5**	1.5	**600,000**	600,000
	100	100	**40,000,000**	40,000,000

In prior 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 Jomiah Automotive Company (AAC) only. The increase had been approved by SAMA and other legal formalities including approval of the shareholders were also completed in prior year.

14. STATUTORY RESERVE

In accordance with Company's by-laws, the Company establishes a statutory reserve by appropriation of 10% of profit for the year until it reaches 30% of the share capital. This statutory reserve is not available for dividend distribution.

15 BORROWINGS AND DEFERRED GOVERNMENT GRANT

15.1 BORROWINGS

	As at 31 December	
	2023	2022
	SR	SR
Long-term borrowings	**1,510,607,057**	857,479,322
Short-term borrowings	**-**	24,684,104
	1,510,607,057	882,163,426

Nature of loans

		As at 31 December	
		2023	2022
	Note	**SR**	SR
Government loans		**628,247,534**	519,960,907
Commercial loans		**512,359,523**	362,202,519
Related party loan	20	**370,000,000**	-
		1,510,607,057	882,163,426

Movement in borrowings is as follows:

		2023	2022
	Note	**SR**	SR
Opening balance		**882,163,426**	431,057,092
Loans obtained during the year		**1,105,607,018**	726,773,617
Payments made during the year		**(464,250,196)**	(253,716,033)
Finance costs accrued during the year, net		**99,372**	3,001,749
Prepaid admin fee paid / amortized, net		**982,643**	(691,094)
Amortization of government grant	15.2	**34,730,818**	10,478,807
Deferred government grant on Kafala	15.2	**(48,726,024)**	(34,740,712)
Closing balance		**1,510,607,057**	882,163,426

15 BORROWINGS AND DEFERRED GOVERNMENT GRANT (Continued)

15.1 BORROWINGS (Continued)

The maturity profile of long-term borrowings is as follows:

	As at 31 December	
	2023	2022
	SR	SR
Current portion	**950,625,835**	363,438,123
Non-current portion	**559,981,222**	494,041,199
	1,510,607,057	857,479,322

The borrowings are classified as follows:

	Note	**2023**	2022
		SR	SR
Secured – Murabaha		**512,359,523**	362,136,479
Unsecured:			
-Related party	20	**370,000,000**	-
-Others		**628,247,534**	520,026,947
		1,510,607,057	882,163,426

Commercial loans:
The Company is required to maintain certain covenants under the agreements. As at 31 December 2023, the Company is not compliant with certain covenants related to current ratio and leverage ratio. Accordingly, such borrowings have been reclassified as repayable on demand. Subsequent to year end, the Company has fully repaid such borrowings amounted to SR 179.92 million.

During the year, the Company has entered in Murabaha Financing Agreement with local banks amounting to SR 145 million, SR 150 million and SR 24.65 million. The loans are repayable in 16, 20 and 48 monthly equal installments. The loans are denominated in Saudi Riyals and bears finance costs at market prevailing rates. The loans are secured against 125% of investment in Islamic financing.

During the year 2022, the Company has entered in Murabaha Financing Agreement with local banks amounting to SR 250 million and SR 100 million. The loans are repayable in 48 monthly equal installments. The loans are denominated in Saudi Riyals and bears finance costs at market prevailing rates. During the year, the Company has also availed and repaid short term trade finance facility amounting to SR 24.65 million for working capital management from a local bank at an interest rate prevailing in the market. All of these loans are secured against investment in Islamic financing.

During the year 2021, the Company has entered in Murabaha Financing Agreement with a local bank amounting to SR 93.3 million. The loan is repayable in 14 monthly equal installments. The loan is denominated in Saudi Riyals and bears finance costs at market prevailing rates. The loans are secured against 125% of investment in Islamic financing.

During the year 2020, the Company has entered in Murabaha Financing Agreement with a local bank amounting to SR 38.5 million and SR 6.3 million. The loan is repayable in 12 and 9 monthly equal installments respectively. The loans are denominated in Saudi Riyals and bear finance costs at market prevailing rates. The loans are 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.

Related party loan:
During the year, the Company obtained loan amounting to SR 370 million in multiple trenches from its Holding Company for financial support which is repayable within one year.

15 BORROWINGS AND DEFERRED GOVERNMENT GRANT (Continued)

15.1 BORROWINGS (Continued)

Government loans:

Social Development Bank:
During the year, the Company has obtained loan amounting to SR 100 million in which is repayable within three years. The loan is denominated in Saudi Riyals and bears finance costs at below market rates.

During the years 2022, 2021 and 2020, the Company had obtained interest free loans amounting to SR 110 million, SR 30 million and SR 62.62 million respectively in multiple trenches which are repayable majorly in 36 monthly installments, with three months grace period.

Saudi Central Bank:
During the year, the Company received interest free loans of SR 61.63 million, SR 194.76 million and SR 59.57 million from SAMA under 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.

During the year 2022, the Company received interest free loans of SR 24.6 million, SR 68.52 million, SR 77.43 million and SR 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.

During the year 2022, the Company had received additional interest free loans of SR 10.44 million and SR 6.21 million from SAMA under deferred payment program. The loans have been repaid in a one-time payment in July 2023 and November 2023 respectively.

During the year 2021, 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 interest as per the government grant accounting requirements and amortized over systematic pattern. 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 years 2021 and 2020, the Company received interest free loans of SR 34.23 million and SR 72.29 million in multiple trenches from Saudi Central Bank (SAMA) in order to mitigate the expected financial and economic effects of the Corona Virus (COVID-19) in multiple trenches.

15.2 DEFERRED GOVERNMENT GRANT

Movement in deferred government grant is as follows:

	2023	2022
	SR	SR
Balance at the beginning of the year	**31,824,896**	7,562,991
Government grant received	**48,726,024**	34,740,712
Amortization of government grant	**(34,730,818)**	(10,478,807)
Balance at the end of the year	**45,820,102**	31,824,896

16. LEASE LIABILITIES

16.1 Movement on lease liabilities during the year is as follows:

	Note	**2023** **SR**	2022 SR
Balance at the beginning of the year		**4,743,783**	5,279,895
Additions		**471,480**	2,620,330
Payments		**(3,154,830)**	(2,939,684)
Finance cost	24	**92,592**	176,819
Derecognition		**(432,969)**	(393,577)
Balance at the end of the year		**1,720,056**	4,743,783

16.2 Maturity profile of lease liabilities

	As at 31 December **2023** **SR**	2022 SR
Year 1	**1,591,044**	2,839,686
Year 2	**170,000**	1,742,678
Year 3	**-**	303,000
Total undiscounted lease liabilities	**1,761,044**	4,885,364
Less: finance cost	**(40,988)**	(141,581)
	1,720,056	4,743,783

	As at 31 December **2023** **SR**	2022 SR
Current portion	**1,560,246**	2,806,393
Non-current portion	**159,810**	1,937,390
	1,720,056	4,743,783

16.3 Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2023 **SR**	2022 SR
Expense relating to short term leases	**16,492**	-

The Company has leases in respect of various office premises. The lease agreements are typically made for fixed periods of 2.5 to 6 years (2022: 2.5 to 7.5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets are not used as security for borrowing purposes.

17. EMPLOYEES' BENEFITS OBLIGATION

	As at 31 December	
	2023	2022
	SR	SR
Present value of employees' benefits obligation	**7,428,580**	7,158,057

17.1 The major financial assumptions used to calculate the employees' benefits obligation are as follows:

	As at 31 December	
Principal actuarial assumptions	**2023**	2022
Long term salary increase rate	**4.54%**	4.65%
Discount rate	**4.54%**	2.20%

17.2 The movement in employees' benefits obligation recognized in the statement of financial position is follows:

	2023	2022
	SR	SR
Net liability at the beginning of the year	**7,158,057**	4,952,735
Finance cost	**316,860**	111,658
Current service cost	**1,424,923**	898,489
Expense charged during the year	**1,741,783**	1,010,147
Actuarial (gain) / loss recognized in other comprehensive income	**(783,529)**	2,289,783
Benefits paid during the year	**(687,731)**	(1,094,608)
Net liability at the end of the year	**7,428,580**	7,158,057

17.3 The sensitivity of the employees' benefits obligation to changes in the weighted principal assumptions is:

	As at 31 December			
	2023		2022	
Discount rate	**Percentage**	**SR**	Percentage	SR
- Increase	**+1%**	**(372,026)**	+1%	(369,974)
- Decrease	**-1%**	**412,664**	-1%	389,440
Salary growth rate				
-Increase	**+1%**	**399,889**	+1%	291,282
-Decrease	**-1%**	**(367,589)**	-1%	(279,746)

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.

17.4 The weightage average duration of employees' benefits obligation is 5.0 years (2022: 5.3 years). Maturity profile of the employees' benefits obligation is as follows**:**

	As at 31 December	
	2023	2022
	SR	SR
Year 1	**1,243,346**	1,016,542
Year 2	**931,496**	1,507,331
Year 3	**977,440**	1,188,106
Year 4	**1,167,524**	1,254,793
Year 5	**2,799,486**	1,078,358
Year 6 onwards	**17,467,855**	7,234,077

17.5 The employees' benefits obligation for the key management for the year ended 31 December 2023 was SR 1.31 million (31 December 2022: SR 0.83 million).

18. ACCOUNTS PAYABLE

These represent non-profit-bearing payables against the purchase of assets leased by the Company on a conventional basis. These unsecured financial liabilities are carried at amortized cost.

19. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	As at 31 December **2023** **SR**	 2022 SR
Contract liabilities		**1,904,720**	2,176,564
Unapplied installments		**1,330,458**	622,855
Value added tax payable		**-**	568,739
Other liabilities		**3,379,574**	5,328,103
		6,614,752	8,696,261
Financial liabilities at amortized cost			
Vehicles received but not invoiced			
-Others		**50,148,895**	26,560,344
-Related party	20	**1,075,584**	1,352,361
Insurance claim payable		**7,275,201**	4,687,023
Commission and bonus payable	20	**6,570,044**	3,000,000
Accrued expenses	20	**5,919,743**	243,066
Contract liabilities		**3,550,000**	4,913,750
Salaries and benefits		**1,251,629**	1,032,122
Other liabilities		**449,362**	883,467
		76,240,458	42,672,133
		82,855,210	51,368,394

20. 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 (AJHC)	Holding Company
Al Jomaih Automotive Company (AAC)	Shareholder
Al Jomaih Auto Rental Company (AJRC)	Shareholder
Al Jomaih Equipment Company Limited	Affiliate
Al Jomaih Tyres Company	Affiliate
Al Jomaih Automotive ACDelco	Affiliate
Al Jomaih Electricity and Water Company	Affiliate
Al Dara Company	Affiliate

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

Related party	**Nature of transactions**	**2023** **SR**	2022 SR
Al Jomaih Automotive Company	Purchase of vehicles for lease	**(59,859,183)**	(72,043,988)
	Shared service cost charged by	**(5,357,842)**	(3,710,655)
	Finance cost charged by	**(7,266,271)**	(6,245,959)
	Service fee charged to	**3,191,147**	3,335,012
	Commission charged to	**220,643**	-
Al Jomaih Holding Company	Finance cost charged by	**(203,763)**	-
Al Jomaih Auto Rental Company	Investment in Islamic finance	**392,293**	1,092,033
Key management personnel	Short-term salaries and benefits	**(6,753,167)**	(10,181,419)
	Long-term salaries and benefits	**(306,050)**	(168,226)
Board of Directors	Board remuneration and other expenses	**(3,331,308)**	(995,972)

20. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Balance due from related parties is as follows:

Related party	As at 31 December 2023 SR	2022 SR
Al Jomaih Auto Rental Company*	**272,699**	-
Al Jomaih Equipment Company Limited	**135,964**	174,310
Al Jomaih Electricity and Water Company	**58,765**	-
Al Dara Company	**14,611**	-
Al Jomaih Tyres Company	**3,050**	3,050
	485,089	177,360

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

*Further, balance due from AJRC as at 31 December 2023 amounting to SR 2.46 million has been classified under net investments in Islamic financing (2022: SR 7.15 million) (note 8).

Balance due to related parties are as follows:

Related party	As at 31 December 2023 SR	2022 SR
Al Jomaih Automotive Company	**117,348,684**	86,150,740
Al Jomaih Holding Company	**16,310,223**	13,257,593
Al Jomaih Automotive ACDelco	**3,219,104**	3,323,193
	136,878,011	102,731,526

Amounts due to Al Jomaih Automotive Company bear finance cost at prevailing variable market rates.

Loan from a related party is as follows:

Related party	As at 31 December 2023 SR	2022 SR
Al Jomaih Holding Company	**370,000,000**	-

Balances due to related parties classified under accrued expenses and other liabilities are as follows:

Related party	Nature of balance	As at 31 December 2023 SR	2022 SR
Al Jomaih Automotive Company	Vehicles received but not invoiced	**1,075,584**	1,352,361
Board of Directors	Board remuneration and other expenses	**1,600,000**	-
Key management personnel	Bonus payable	**2,500,000**	3,000,000

21. ZAKAT PAYABLE

21.1 The movement in zakat payable for the year is as follows:

	2023 SR	2022 SR
Balance at the beginning of the year	**1,931,828**	14,166,601
Charged / (reversed) during the year, net	**14,395,223**	(5,847,396)
Payment during the year	**(368,218)**	(6,387,377)
Balance at the end of the year	**15,958,833**	1,931,828

21. ZAKAT PAYABLE (Continued)

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

	2023 SR	2022 SR
Current year	**14,395,223**	368,218
Prior year	**-**	(6,215,614)
	14,395,223	(5,847,396)

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

	As at 31 December 2023 SR
Total assets	**2,438,489,399**
Less: Assets not subject to zakat	**(1,209,742,858)**
Assets subject to zakat	**1,228,746,541**
Long term financing sources	
Equity	**519,563,927**
Liabilities	**584,431,972**
	1,103,995,899
Zakat base	**558,455,760**
Zakat due @ 2.5% * 365/354	**14,395,223**

21.4 Zakat and income tax returns for the Company have been filed for the year 2022 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 2022.

22. CONTINGENCIES AND COMMITMENTS

The Company has no material commitments and contingent liabilities as at 31 December 2023 (31 December 2022: nil).

23. INCOME FROM NET INVESTMENT IN ISLAMIC FINANCING, NET

	2023 SR	2022 SR
Finance lease contracts income	**175,882,169**	127,053,555
Murabaha contracts income	**20,647,481**	15,343,737
Tawarruq contracts income	**90,212,157**	38,167,448
Less: Amortization of deferred kafalah losses	**(27,928,899)**	(10,891,274)
	258,812,908	169,673,466

24. FINANCE COSTS AND BANK CHARGES

	Note	2023 SR	2022 SR
Finance cost on borrowings		**35,191,333**	13,831,126
Finance cost charge on related party balances	20	**7,470,034**	6,245,959
Bank charges		**1,550,083**	1,112,710
Finance cost on lease liabilities	16	**92,592**	176,819
		44,304,042	21,366,614

Finance cost on borrowings include amortization of government grant income of SR 34.73 million (2022: SR 10.48 million) netted off with its related expenses (note 15).

25. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**2023** **SR**	2022 SR
IT, subscriptions and digital transformation expenses		**7,406,074**	3,220,186
Shared services allocation cost		**5,357,842**	2,502,365
Board remuneration and other expenses	20	**3,331,308**	995,972
Legal and professional fees		**2,239,270**	3,037,942
Impairment on non-lease receivables from customers	10.5	**1,500,000**	5,801,984
IT and digital transformation expenses		**1,456,242**	300,531
Government program registration expenses		**1,024,400**	778,500
Fleet and maintenance expenses		**1,086,169**	1,248,843
Non-refundable value added tax expenses		**1,079,421**	257,316
Other expenses		**2,299,794**	5,737,533
		26,780,520	23,881,172

26. OTHER INCOME, NET

	Note	**2023** **SR**	2022 SR
Recovery from written-off receivables		**7,979,026**	7,787,722
Service fee charged to a related party	20	**3,191,147**	3,335,012
Income related to other services to customers		**1,148,200**	2,394,928
Profit earned on bank deposits	12	**772,292**	56,244
Commission charged to a related party	20	**220,643**	-
Other		**1,531,939**	366,045
		14,843,247	13,939,951

27. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share from net profit 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.

	2023	2022
Net profit for the year attributed to shareholders (SR)	**79,177,293**	7,633,000
Weighted average number of shares	**40,000,000**	31,424,658
Earnings per share (SR)	**1.98**	0.24

28. 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.

28. RISK MANAGEMENT (Continued)

28.1 Financial instruments by category

	As at 31 December	
	2023	2022
	SR	SR
Financial assets at amortized cost:		
Cash and cash equivalents	**446,949,087**	92,114,719
Other receivables, net	**5,129,762**	4,123,793
Net investment in Islamic financing	**1,944,009,352**	1,535,003,210
	2,396,088,201	1,631,241,722

	As at 31 December	
	2023	2022
	SR	SR
Financial assets at fair value through OCI:		
Investment in equity instruments carried at fair value through OCI	**892,850**	892,850

	As at 31 December	
	2023	2022
	SR	SR
Financial liabilities at amortized cost:		
Accounts payable	**117,657,623**	131,480,392
Due to related parties	**136,878,011**	102,731,526
Other liabilities	**76,240,458**	42,672,133
Borrowings	**1,510,607,057**	882,163,426
Lease liabilities	**1,720,056**	4,743,783
	1,843,103,205	1,163,791,260

28.2 Risk management structure

Board of Directors (Board)
The Board 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. The credit and risk management committee assist 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. 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.

28. RISK MANAGEMENT (Continued)

28.3 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.

28.3.1 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.

28.3.2 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 100 basis points, profit for the year would increase/decrease by SR 4.37 million (2022: SR 0.66 million).

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.

28.3.3 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.

28.4 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 risk is generally limited to principal amounts and accrued profit thereon if any. The Company's policy is to enter into a financial instrument contract by following internal guidelines such as approving counterparties and approving credit. The management analyze the credit risk in the following assets:

	As at 31 December	
	2023	2022
	SR	SR
Bank balances and term deposit	**446,929,867**	92,109,719
Other receivables	**5,129,762**	4,123,793
Net investment in Islamic financing	**1,944,009,352**	1,535,003,210
	2,396,068,981	1,631,236,722

28. RISK MANAGEMENT (Continued)

28.4 Credit risk (Continued)

Bank credit rating

The credit quality of the Company's bank balance and short term deposits 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:

	As at 31 December	
	2023	2022
	SR	SR
A1	**356,673,412**	2,970,659
A2	**34,525,387**	7,487
A3	**55,731,068**	2,482,536
Baa1	**-**	86,649,037
	446,929,867	92,109,719

28.4.1 Net investment in Islamic financing

The aging analysis of net investment in Islamic financing is as under:

	As at 31 December	
	2023	2022
	SR	SR
Not due or past due 1-30 days	**1,899,359,705**	1,558,751,966
Past due 31-90 days	**74,012,068**	15,856,346
Default		
Past due 91-180 days	**23,460,650**	18,985,883
Past due 181-365 days	**32,293,798**	15,601,278
Past due over 1 year	**34,874,362**	64,833,577
	2,064,000,583	1,674,029,050
Less: Allowance for ECL	**(119,991,231)**	(139,025,840)
Net investment in Islamic financing	**1,944,009,352**	1,535,003,210
Portfolio coverage ratio	**5.81%**	8.30%

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.

28. RISK MANAGEMENT (Continued)

28.4 Credit risk (Continued)

28.4.1 Net investment in Islamic financing (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 2023	**84,424,930**	**3,896,512**	**50,704,398**	**139,025,840**
Transfer from stage 1	**(275,404)**	**134,658**	**140,746**	**-**
Transfer from stage 2	**4,027,124**	**(4,092,823)**	**65,699**	**-**
Transfer from stage 3	**20,460,424**	**6,777,106**	**(27,237,530)**	**-**
Financial assets – settled/written off during the year	**(6,013,509)**	**(292,268)**	**(51,053,040)**	**(57,358,817)**
Financial assets – originated during the year	**26,378,054**	**2,864,493**	**12,917,237**	**42,159,784**
Net re-measurement of loss allowance	**(77,270,043)**	**(2,246,818)**	**75,681,285**	**(3,835,576)**
	(32,693,354)	**3,144,348**	**10,514,397**	**(19,034,609)**
31 December 2023	**51,731,576**	**7,040,860**	**61,218,795**	**119,991,231**

	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	70,640	(168,912)	-
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	552,813	14,826,884	49,940,111
31 December 2022	84,424,930	3,896,512	50,704,398	139,025,840

28.4.2 The following table sets out information about the credit quality of financing contracts measured at amortized cost as at 31 December 2023. Investment in financing contracts and the corresponding ECL allowance as at 31 December 2023 and 31 December 2022 classified as follows:

	As at 31 December 2023			
	Stage 1	**Stage 2**	**Stage 3 Default**	**Total**
	SR	**SR**	**SR**	**SR**
Net carrying amount before ECL	**1,899,359,705**	**74,012,068**	**90,628,810**	**2,064,000,583**
ECL	**51,731,576**	**7,040,860**	**61,218,795**	**119,991,231**
ECL to net carrying amount before ECL	**2.72%**	**9.51%**	**67.55%**	**5.81%**

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3 Default	Total
	SR	SR	SR	SR
Net carrying amount before ECL	1,558,751,966	15,856,346	99,420,738	1,674,029,050
ECL	84,424,930	3,896,513	50,704,397	139,025,840
ECL to net carrying amount before ECL	5.42%	24.57%	51.00%	8.30%

28. RISK MANAGEMENT (Continued)

28.4 Credit risk (Continued)

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:

	As at 31 December 2023		As at 31 December 2022	
	Amount SR	**Percentage (%)**	Amount SR	Percentage (%)
Individuals	**485,821,993**	**23.54%**	538,466,072	32.17%
Corporate	**1,578,178,590**	**76.46%**	1,135,562,978	67.83%
	2,064,000,583	**100%**	1,674,029,050	100%

28.4.3 Other receivables

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

28.5 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.

28. RISK MANAGEMENT (Continued)

28.5 Liquidity Risk (Continued)

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:

	As at 31 December 2023				
	Carrying Values SR	**Contractual cash-flows SR**	**Up to three months SR**	**More than three months and up to one year SR**	**More than one year SR**
Cash and cash equivalents	**446,949,087**	**446,949,087**	**446,949,087**	-	**-**
Other receivables	**5,129,762**	**5,129,762**	**5,129,762**	-	**-**
Net investment in Islamic financing*	**1,944,009,352**	**2,500,300,391**	**243,821,542**	**886,369,638**	**1,370,109,211**
Investment in equity instruments carried at fair value through OCI	**892,850**	**892,850**	**-**	-	**892,850**
Financial assets	**2,396,981,051**	**2,953,272,090**	**695,900,391**	**886,369,638**	**1,371,002,061**
Accounts payable	**117,657,623**	**117,657,623**	**117,657,623**	**-**	**-**
Due to related parties	**136,878,011**	**136,878,011**	**136,878,011**	**-**	**-**
Other liabilities	**76,240,458**	**76,240,458**	**76,240,458**	-	**-**
Borrowings	**1,510,607,057**	**1,575,648,511**	**240,820,069**	**740,771,075**	**594,057,367**
Lease liabilities	**1,720,056**	**1,761,044**	**1,330,849**	**260,195**	**170,000**
Financial liabilities	**1,843,103,205**	**1,908,185,647**	**572,927,010**	**741,031,270**	**594,227,367**
Maturity Gap		**1,045,086,443**	**122,973,381**	**145,338,368**	**776,774,694**
Cumulative Maturity Gap			**122,973,381**	**268,311,749**	**1,045,086,443**

	As at 31 December 2022				
	Carrying Values	Contractual cash-flows SR	Up to three months SR	More than three months and up to one year SR	More than one year SR
Cash and cash equivalents	92,114,719	92,114,719	92,114,719	-	-
Other receivables	4,123,793	4,123,793	4,123,793	-	-
Net investment in Islamic financing*	1,535,003,210	2,049,166,505	282,938,656	557,104,110	1,209,123,739
Investment in equity instruments carried at fair value through OCI	892,850	892,850	-	-	892,850
Financial assets	1,632,134,572	2,146,297,867	379,177,168	557,104,110	1,210,016,589
Accounts payable	131,480,392	131,480,392	131,480,392	-	-
Due to related parties	102,731,526	102,731,526	102,731,526	-	-
Other liabilities	42,672,133	42,672,133	42,672,133	-	-
Borrowings	882,163,426	954,291,998	113,286,040	286,773,542	554,232,416
Lease liabilities	4,743,783	4,885,364	1,334,235	1,505,451	2,045,678
Financial liabilities	1,163,791,260	1,236,061,413	391,504,326	288,278,993	556,278,094
Maturity Gap		910,236,454	(12,327,158)	268,825,117	653,738,495
Cumulative Maturity Gap			(12,327,158)	256,497,959	910,236,454

*Net investments in Islamic financing 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.

28. RISK MANAGEMENT (Continued)

28.6 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 cash equivalents, investment, net investment in Islamic financing, and other receivables, its financial liabilities consist of accounts payables, borrowings, due to related parties, lease liabilities 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 with a maturity of less than one year approximate to their fair values.

As at 31 December 2023	**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**

As at 31 December 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

28.7 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 adjusts 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 2023 and 31 December 2022.

28. RISK MANAGEMENT (Continued)

28.7 Capital risk management (Continued)

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. During the year, the Company received exceptional approval from SAMA permitting aggregate financing to capital ratio of five times (2022: four times), hence, the Company is in compliance with the regulatory requirements for finance companies.

	As at 31 December	
	2023	2022
Aggregate financing to capital ratio (Net investment in Islamic financing divided by total equity)	**3.74**	3.49

29. NON-CASH TRANSACTIONS

	2023 **SR**	2022 SR
Government grant received	**48,726,024**	34,740,712
Net investment in Islamic financing written off	**(45,399,817)**	(15,165,599)
Addition of deferred loss on kafalah	**30,038,154**	33,852,427
Transfer of property and equipment to intangible assets	**921,042**	-
Additions of lease liabilities and right-of-use assets	**471,480**	2,620,330
Derecognition of lease liabilities and right-of-use assets	**(406,065)**	(393,577)
Issuance of share capital by transferring of related party balance	**-**	100,000,000

30. COMPARATIVE FIGURES

Certain comparative figures for the year 2022 have been reclassified, to confirm with the presentation in the current year.

31. SUBSEQUENT EVENTS

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

32. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 16 Sha'ban 1445H corresponding to 26 February 2024G by the Board of Directors of the Company.