DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended December 31, 2023
with
INDEPENDENT AUDITOR'S REPORT

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended December 31, 2023

Index	**Page no.**

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Dar Al Etiman Al Saudi Company

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

KPMG

Independent Auditor's Report

To the Shareholders of Dar Al Etiman Al Saudi Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 of **Dar Al Etiman Al Saudi Company** ("the Company").

Report on Other Legal and Regulatory Requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, 19 March 2024
Corresponding to 9 Ramadan 1445

كي بي إم جي للاستشارات المهنية
Lic No. 46
C.R. 4030290792
J : 1
KPMG
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KPMG Professional Services

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at December 31, 2023
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	**31 December 2023**	31 December 2022 (Restated)	1 January 2022 (Restated)
ASSETS				
Cash and cash equivalents	5	**6,195,889**	12,214,717	102,580,189
Net investment in finance leases	6	**226,815,112**	182,900,142	106,905,464
Islamic financing receivables	7	**32,289**	--	--
Prepayments and other receivables	8	**47,435,737**	42,061,454	41,933,450
Zakat refundable	16	**4,993,354**	6,090,670	6,726,689
Financial asset at fair value through other comprehensive income	9	**892,850**	892,850	892,850
Property and equipment	10	**894,787**	1,655,145	2,085,270
Total assets		**287,260,018**	245,814,978	261,123,912
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	11	**100,000,000**	100,000,000	100,000,000
Statutory reserve	12	**6,017,390**	5,482,361	5,224,857
Retained earnings		**16,583,997**	11,768,738	9,451,201
Actuarial gain on employees' defined benefit obligations		**406,104**	205,839	332,642
Total shareholders' equity		**123,007,491**	117,456,938	115,008,700
Liabilities				
Trade and other payables	13	**143,972,171**	104,210,597	109,688,671
Accrued and other liabilities	15	**13,603,112**	13,471,527	17,096,716
Net servicing liability under agency agreement	22	**3,708,430**	7,894,140	16,620,655
Employees' defined benefit obligations	17	**2,968,814**	2,781,776	2,709,170
Total liabilities		**164,252,527**	128,358,040	146,115,212
Total shareholders' equity and liabilities		**287,260,018**	245,814,978	261,123,912

AbdulRahman

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes 1 to 28 form an integral part of these financial statements.

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended December 31, 2023
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	2023	2022 (Restated)
Income			
Income from finance leases		**18,099,076**	13,708,001
Other income	18	**3,850,612**	3,746,786
Total income		**21,949,688**	17,454,787
Expenses			
General and administrative expenses	19	**(17,947,768)**	(17,366,880)
Net (reversal) / charge for expected credit losses	20.2.3	**2,476,767**	3,194,064
Finance cost on lease liability		**(31,083)**	(70,911)
Total expenses		**(15,502,084)**	(14,243,727)
Profit before Zakat		**6,447,604**	3,211,060
Zakat	16	**(1,097,316)**	(636,019)
Profit for the year		**5,350,288**	2,575,041
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Re-measurement of employees' defined benefit obligations	17	**200,265**	(126,803)
Total comprehensive income for the year		**5,550,553**	2,448,238
Basic and diluted earnings per share	23	**0.535**	0.258

AK Abdullah

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes 1 to 28 form an integral part of these financial statements.

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2023
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Actuarial gain on employees' defined benefit obligations	Total
Balance as at January 1, 2022 as previously reported	100,000,000	5,224,857	9,451,201	332,642	115,008,700
Impact of correction of errors (note 27)	--	--	--	--	--
Restated balance at 1 January 2022	100,000,000	5,224,857	9,451,201	332,642	115,008,700
Profit for the year (restated)	--	--	2,575,041	--	2,575,041
Other comprehensive loss (note 17)	--	--	--	(126,803)	(126,803)
Total comprehensive income for the year (restated)	--	--	2,575,041	(126,803)	2,448,238
Transfer to statutory reserve (note 12)	--	257,504	(257,504)	--	--
Restated balance as at December 31, 2022	100,000,000	5,482,361	11,768,738	205,839	117,456,938
Profit for the year	**--**	**--**	**5,350,288**	**--**	**5,350,288**
Other comprehensive income (note 17)	**--**	**--**	**--**	**200,265**	**200,265**
Total comprehensive income for the year	**--**	**--**	**5,350,288**	**200,265**	**5,550,553**
Transfer to statutory reserve (note 12)	**--**	**535,029**	**(535,029)**	**--**	**--**
Balance as at December 31, 2023	**100,000,000**	**6,017,390**	**16,583,997**	**406,104**	**123,007,491**

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes 1 to 28 form an integral part of these financial statements.

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended December 31, 2023
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	2023	2022 (Restated)
Cash flows from operating activities			
Profit for the year before Zakat		**6,447,604**	3,211,060
Adjustments for non-cash items:			
Depreciation on property and equipment	10	**988,560**	919,560
Net (reversal) / charge for expected credit losses	20.2.3	**(2,476,767)**	(3,194,064)
Finance cost on lease liability		**31,083**	70,911
Provision for employees' defined benefit obligations	17	**529,321**	548,400
Changes in operating assets and liabilities			
Investment in finance lease		**(41,297,739)**	(72,800,614)
Islamic financing receivable		**(172,753)**	--
Prepayments and other receivables		**(5,374,283)**	(128,005)
Trade and other payables		**39,761,574**	(5,478,074)
Accrued and other liabilities		**984,808**	(2,842,641)
Net servicing liability under agency agreement		**(4,185,710)**	(8,726,515)
Cash generated used in operating activities		**(4,764,302)**	(88,419,982)
Employee defined benefit obligations paid	17	**(142,018)**	(602,597)
Net cash used in operating activities		**(4,906,320)**	(89,022,579)
Cash flow from investing activities			
Additions to property and equipment	10	**(228,202)**	(489,435)
Net cash used in investing activities		**(228,202)**	(489,435)
Cash flow from financing activities			
Payment of lease liability		**(884,306)**	(853,458)
Net cash used in financing activities		**(884,306)**	(853,458)
Net decrease in cash and cash equivalents		**(6,018,828)**	(90,365,472)
Cash and cash equivalents at beginning of the year		**12,214,717**	102,580,189
Cash and cash equivalents at end of the year	5	**6,195,889**	12,214,717

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes 1 to 28 form an integral part of these financial statements.

1. GENERAL INFORMATION

Dar Al Etiman Al Saudi Company (the "Company") is principally engaged in providing lease financing for motor vehicles within the Kingdom of Saudi Arabia. The Company's head office is located at Prince Sultan Street, P.O. Box 55274, Jeddah 21534, Saudi Arabia.

The Company is registered as a Saudi Closed Joint Stock Company pursuant to Ministerial Resolution No. 486/Q dated Jumad-ul-Thani 11, 1436 (corresponding to March 31, 2015). Prior to its conversion to a Saudi Closed Joint Stock Company, the Company was operating as a Limited Liability Company ("LLC") registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030165101 issued in Jeddah on Dhul-Qada 5, 1427H (corresponding to December 5, 2006).

The Company has obtained license No. 33/AM/201605 from Saudi Central Bank (SAMA) to conduct finance lease activities on Rajab 16, 1436 (corresponding to May 5, 2015).

The accompanying financial statements include the accounts of the Company's head office and all its branches.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2023 have been prepared:

- In accordance with IFRS Accounting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS that are endorsed in KSA").
- In line with the Companies' Law in the Kingdom of Saudi Arabia and the By-Laws of the Company.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-laws for any changes to align the By-laws to the provisions of the Law. Consequently, the Company shall present the amended By-laws to the shareholders in their Annual General Assembly meeting for their ratification.

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis except for financial assets which are classified as fair value through other comprehensive income (FVOCI), and the employees' benefits which are recognised at the present value of future obligations using the projected credit method.

These financial statements have been prepared on going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

2. BASIS OF PREPARATION (continued)

2.3 Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR) which is also the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRSs that are as endorsed in KSA, requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures including contingent liabilities disclosure. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of related assets or liabilities, in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, are described below. The Company based its assumptions and estimates on information available when financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company's management. Such changes are reflected in the assumptions when they occur.

a) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for the financial assets measured at amortised cost and FVTOCI is the area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (for e.g likelihood of customer defaulting and resulting losses). Explanation of inputs, assumptions, and estimation techniques used in measuring ECL is further detailed in Note 20, which also sets out the key sensitivities of the ECL to change these elements.

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

- Determining the criteria for 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 group of similar financial assets for the purpose of measuring ECL.

b) Actuarial valuation of employee benefits liabilities

The cost of the employees' defined benefit obligation and the carrying value of employees' defined benefit obligation are determined using external actuarial valuation. An external actuarial valuation involves making various assumptions that may differ from actual developments in the future.

These include the determination of appropriate discount rate and future salary increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

c) Going concern

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

d) Sale of leases under securitisation arrangements

The Company exercises judgements in determining whether and to what extent it has transferred significant risk of the sold leases to the buyer or neither transferred nor retained such risks.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

New IFRS pronouncements, effective January 1, 2024 (refer note 25) did not have any effect on the financial statements.

At the date of authorization of these financial statements, various Standards and Interpretations (including amendments thereto) were in issue but not yet effective. The management anticipates that adoption of these Standards and Interpretations in future periods will have no material impact on these financial statements.

4.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date, which are available to the Company without any restrictions.

4.2 Investment in finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance lease are recognized as receivables at the amount of the Company's net investments in the leases. Income from finance lease is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases and presented under Income in the statement of profit or loss and other comprehensive income.

Gross investment in finance lease represents the gross lease payments receivable to the Company, and the net investment in finance lease represents the present value of these lease payments including any guaranteed residual value, discounted at interest rate implicit in the lease. The difference between the gross investment in finance lease and unearned finance income represents net investment in finance lease which is stated net of allowance for expected credit losses on finance lease.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.3 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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. The carrying amount of any component accounted for as a separate asset is derecognized when replaced.

All other repairs and maintenance are charged to statement of profit or loss and other comprehensive income during the reporting period in which they are incurred. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful life of the principal classes of assets are as follows:

	No. of years
Leasehold improvements	10
Furniture and fixtures	10
Motor vehicles	4
Office equipment	3 – 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss and other comprehensive income.

4.4 Accounts payable and accruals

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

4.5 Zakat

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Custom Authority ("ZATCA"). Zakat expense is charged to the statement of profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to Zakat. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income tax law.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.6 Employee benefit obligations

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Company's obligation under employee end-of-service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss and other comprehensive income.

4.7 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.7 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4.8 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.10 Revenue recognition – Income from finance leases and other income

i) Lease income

Finance lease income is calculated by applying the effective interest rate to the minimum lease payments of financial assets, except for:

a. Purchased or originated financial assets that are credit-impaired on initial recognition ("POCI") of financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
b. Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

The difference between the aggregate lease contract receivable and the cost of the leased assets plus initial direct costs is recorded as unearned lease finance income. The initial direct costs, which include amounts such as commissions and legal fees that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable. Lease payments relating to the year are applied against lease receivables to reduce both the principal and the unearned finance income.

ii) Net income from finance lease receivable sold to financial institutions

Income from finance lease receivables sold to the financial institution is recognized when the Company sells lease receivables to the financial institution and de-recognizes them from the financial statements. Income is reduced by the discount charged by the financial institution, accrued insurance cost in respect of assets leased under sold receivables and incidental cost of arrangement including those to be incurred as servicing agent.

iii) Other income

Any incentives received from the sellers of motor vehicles sold by the Company under finance lease is presented under Income as other income in the statement of profit or loss and other comprehensive income.

4.11 Financial instruments

Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.11 Financial instruments (continued)

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

Classification of financial liabilities

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. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

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 recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.11 Financial instruments (continued)

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in statement of profit or loss and other comprehensive income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.11 Financial instruments (continued)

De-recognition

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset. The Company accounts for sale / transfer of finance leases under the guidance and requirements of IFRS accounting standards. For sales / transfers where all significant risks have been transferred, the sold leases are derecognised. For sales whereby significant risk are neither transferred nor retained, the Company continues to record the leases sold upto the extent of its continuing involvement with credit to continuing involvement liability. Servicing liability is recorded where the Company assumes an obligation to service the sold leases but any compensation received does not cover the Company's cost.

Financial liabilities are derecognised 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 recognised as part of the gain or loss on the extinguishment.

Modification

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognise a modification gain or loss in statement of profit or loss and other comprehensive income. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

For financial liabilities, if an exchange or change in the terms of a debt instrument do not qualify for de-recognition it is accounted for as 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 amortised over the remaining term of the modified liability.

Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For net investment in finance leases, the Company applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

4.11 Financial instruments (continued)

Stage 1 ("Performing") includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

Stage 2 ("Under-performing") includes financial instruments that have had a significant increase in credit risk since initial recognition, unless they have low credit risk at the reporting date, but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. Other instruments are considered as low risk and the Company uses a provision matrix in calculating the expected credit losses.

Financial assets are written off only when:

(i) the lease or other receivable is at least one year past due, and
(ii) there is no reasonable expectation of recovery.

Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, are recognized as other income in the statement of profit or loss and other comprehensive income.

5. CASH AND CASH EQUIVALENTS

	2023	2022 (Restated)
Cash in hand	**67,507**	62,448
Cash at banks	**6,128,382**	12,152,269
	6,195,889	12,214,717

6. NET INVESTMENT IN FINANCE LEASES

	Note	**2023**	2022 (Restated)
Gross investment in finance leases		**313,349,436**	246,523,273
Less: Unearned finance income and other related credits		**(76,715,102)**	(56,141,380)
Present value of minimum lease payments		**236,634,334**	190,381,893
Less: allowance for expected credit losses on finance leases	6.3	**(9,819,222)**	(7,481,751)
Net investment in finance leases	6.1	**226,815,112**	182,900,142

6.1 This includes continuing involvement asset amounting to SR 3.50 million (2022: SR 7.62 million) in respect of the Company's continuing involvement in the lease portfolio sold under securitisation agreement.

6.2 The contractual maturity of the gross investment in finance lease and net investment in finance leases is as follows:

	Years	**Gross investment**	**Unearned finance income**	**Net investment (before allowance for expected credit losses)**
December 31, 2023				
Current portion	**2024**	**88,338,921**	**29,057,581**	**59,281,340**
Non-current portion	**2025**	**81,676,043**	**22,916,970**	**58,759,073**
	2026	**64,947,272**	**14,343,664**	**50,603,608**
	2027	**43,579,098**	**7,730,618**	**35,848,480**
	2028	**33,248,326**	**2,654,402**	**30,593,924**
	2029	**1,559,776**	**11,867**	**1,547,909**
Total non-current portion		**225,010,515**	**47,657,521**	**177,352,994**
Total		**313,349,436**	**76,715,102**	**236,634,334**
Less: allowance for expected credit losses on finance leases				**(9,819,222)**
				226,815,112

6. NET INVESTMENT IN FINANCE LEASES (continued)

	Years	Gross investment	Unearned finance income	Net investment (before allowance for expected credit losses)
December 31, 2022 (restated)				
Current portion	2023	80,488,756	19,522,643	60,966,113
Non-current portion	2024	54,314,548	16,485,891	37,828,657
	2025	40,134,124	11,486,019	28,648,105
	2026	44,526,956	6,687,240	37,839,716
	2027	26,581,883	1,955,219	24,626,664
	2028	477,006	4,368	472,638
Total non-current portion		166,034,517	36,618,737	129,415,780
Total		246,523,273	56,141,380	190,381,893
Less: allowance for expected credit losses on finance leases				(7,481,751)
				182,900,142

The Company's implicit rate of return on leases ranges between 9% and 19% per annum (2022: between 9% and 17% per annum). These are secured by promissory notes from the customer and against leased assets.

Amounts due after one year represents minimum lease payments under finance lease contracts, which are due for payment by customers after one year from the statement of financial position date.

6.3 The movement in allowance for expected credit losses on investment in finance leases is as follows:

	2023	2022 (Restated)
At the beginning of the year	**7,481,751**	6,106,348
Charge for the year	**4,435,648**	4,518,224
Written off during the year	**(2,098,177)**	(3,142,821)
At the end of the year	**9,819,222**	7,481,751

6.3 During 2021, the Company sold its finance lease receivables under securitisation contracts amounting to Saudi Riyals 73 million to a financial institution and derecognized the same from its books and recorded a net gain of Saudi Riyals 4.1 million on such derecognition. No such sales were made during the year ended December 31, 2022, and December 31, 2023. Outstanding position of such sold receivables has been disclosed in Note 22. The Company has entered an arrangement for servicing such sold finance lease receivables on behalf of the financial institutions. In respect of these sold finance lease receivables, the Company acts in the capacity of a servicing agent for subsequent collection of lease instalments on behalf of the financial institutions. The Company has calculated and accounted for a net servicing liability under such agreement with these financial institutions, which is disclosed in Note 22.

6. NET INVESTMENT IN FINANCE LEASES (continued)

6.4 Category-wise allowance for expected credit losses on Investment in finance lease is as follows:

	2023	2022 (Restated)
Performing	**2,672,293**	2,093,596
Under-performing	**487,422**	1,186,480
Non-performing	**6,659,507**	4,201,675
	9,819,222	7,481,751

6.5 An analysis of changes in allowance for expected credit losses on investment in finance lease is as follows:

2023

	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Restated balance at January 1, 2023	**2,093,596**	**1,186,480**	**4,201,675**	**7,481,751**
Charge for the year	**578,697**	**(699,058)**	**4,556,009**	**4,435,648**
Write-offs	**--**	**--**	**(2,098,177)**	**(2,098,177)**
Balance at December 31, 2023	**2,672,293**	**487,422**	**6,659,507**	**9,819,222**

2022

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 1, 2022 as previously reported	739,691	748,821	3,921,799	5,410,311
Impact of correction of error (note 27)	696,037	--	--	696,037
Restated balance at January 1, 2022	1,435,728	748,821	3,921,799	6,106,348
Charge for the year	657,868	437,659	3,422,697	4,518,224
Write-offs	--	--	(3,142,821)	(3,142,821)
Restated balance at December 31, 2022	2,093,596	1,186,480	4,201,675	7,481,751

7. ISLAMIC FINANCING RECEIVABLES

	31 December 2023	31 December 2022
Gross receivables - Tawarruq financing	**271,366**	--
Less: Unearned finance income	**(98,613)**	--
Present value of Islamic financing receivables	**172,753**	--
Less: allowance for expected credit losses	**(140,464)**	--
	32,289	--

7.1 The contractual maturity of the gross investment in Islamic financing and net investment in Islamic financing is as follows:

	Years	**Gross investment**	**Unearned finance income**	**Net investment (before allowance for expected credit losses)**
December 31, 2023				
Current portion	**2024**	**116,471**	**37,295**	**79,176**
Non-current portion	**2025**	**49,158**	**28,624**	**20,534**
	2026	**46,994**	**21,204**	**25,790**
	2027	**46,994**	**10,850**	**36,144**
	2028	**11,749**	**640**	**11,109**
	2029	**--**	**--**	**--**
Total non-current portion		**154,895**	**61,318**	**93,577**
Total		**271,366**	**98,613**	**172,753**
Less: allowance for expected credit losses on finance leases				**(140,464)**
				32,289

7. ISLAMIC FINANCING RECEIVABLES (continued)

	Years	Gross investment	Unearned finance income	Net investment (before allowance for expected credit losses)
December 31, 2022				
Current portion	2023	--	--	--
Non-current portion	2024	--	--	--
	2025	--	--	--
	2026	--	--	--
	2027	--	--	--
	2028	--	--	--
Total non-current portion		--	--	--
Total		--	--	--
Less: allowance for expected credit losses on finance leases				--
				--

7.2 The movement in allowance for expected credit losses on Islamic financing receivables is as follows:

	31 December 2023	31 December 2022
At the beginning of the period	**--**	--
Charge for the period	**140,464**	--
At the end of the period	**140,464**	--

7.3 Category-wise allowance for expected credit losses on Islamic financing receivables is as follows:

	31 December 2023	31 December 2022
Performing	**643**	--
Under-performing	**--**	--
Non-performing	**139,821**	--
	140,464	--

7. ISLAMIC FINANCING RECEIVABLES (continued)

7.4 An analysis of changes in allowance for expected credit losses on Islamic financing receivable is as follows:

2023

	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at January 1, 2023	**--**	**--**	**--**	**--**
Charge for the year	**643**	**--**	**139,821**	**140,464**
Write-offs	**--**	**--**	**--**	**--**
Balance at December 31, 2023	**643**	**--**	**139,821**	**140,464**

2022

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at January 1, 2022	--	--	--	--
Charge for the year	--	--	--	--
Write-offs	--	--	--	--
Balance at December 31, 2022	--	--	--	--

8. PREPAYMENTS AND OTHER RECEIVABLES

	Note	**2023**	2022
Restricted deposits	8.1	**36,072,565**	35,554,562
Prepaid insurance		**8,987,747**	4,884,089
Receivable from employees		**1,284,516**	1,247,997
Other prepayments and receivables		**1,090,909**	374,806
		47,435,737	42,061,454

8.1 The Company has been appointed as a servicing agent for the receivables sold to the financial institutions against securitization agreements therefore the financial institutions require the Company to keep certain balance as restricted deposit against such services for sold receivables. These deposits will be released at the end of securitization and agency agreements and are recorded at their amortised cost. The non-current portion of these restricted deposits is amounted to Saudi Riyals 11.75 million (December 31, 2022: Saudi Riyals 18.5 million).

9. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On December 14, 2017, the Company subscribed to 2.326% shareholding in Saudi Company for Registration of Financial Leasing Contracts ("Registration Company"), registered in the Kingdom of Saudi Arabia. The Registration Company has been formed for registration of contracts relating to financial leases, amendments, registration and transfer of title deeds of the assets under the finance leases. The investment is not held for trading and the Company has decided to irrevocably classify the investment as FVOCI. Moreover, as at December 31, 2023, and 2022 the investment is classified under level 3 of fair value hierarchy.

10. PROPERTY AND EQUIPMENT

December 31, 2023	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Right of use assets	Total
Cost:						
At January 1, 2023 (restated)	3,803,063	3,833,154	747,431	2,225,641	3,805,500	14,414,789
Additions	--	61,478	38,000	128,724	--	228,202
At December 31, 2023	**3,803,063**	**3,894,632**	**785,431**	**2,354,365**	**3,805,500**	**14,642,991**
Depreciation:						
At January 1, 2023 (restated)	3,803,063	3,794,589	517,205	1,980,937	2,663,850	12,759,644
Charge for the year	--	21,613	68,412	137,435	761,100	988,560
At December 31, 2023	**3,803,063**	**3,816,202**	**585,617**	**2,118,372**	**3,424,950**	**13,748,204**
Carrying amounts at December 31, 2023	**--**	**78,430**	**199,814**	**235,993**	**380,550**	**894,787**

10. PROPERTY AND EQUIPMENT (continued)

December 31, 2022	Leasehold improvements	Furniture and fixtures	Motor vehicles	Office equipment	Right of use assets	Total
Cost:						
At January 1, 2022 as reported previously	3,803,063	3,818,321	489,614	2,008,856	--	10,119,854
Impact of correction of error (note 27)	--	--	--	--	3,805,500	3,805,500
Restated balance at January 1, 2022	3,803,063	3,818,321	489,614	2,008,856	3,805,500	13,925,354
Additions	--	14,833	257,817	216,785	--	489,435
Restated balance at December 31, 2022	3,803,063	3,833,154	747,431	2,225,641	3,805,500	14,414,789
Depreciation:						
At January 1, 2022 as reported previously	3,803,063	3,781,509	489,614	1,863,148	--	9,937,334
Impact of correction of error (note 27)	--	--	--	--	1,902,750	1,902,750
Restated balance at January 1, 2022	3,803,063	3,781,509	489,614	1,863,148	1,902,750	11,840,084
Charge for the year	--	13,080	27,591	117,789	761,100	919,560
Restated balance at December 31, 2022	3,803,063	3,794,589	517,205	1,980,937	2,663,850	12,759,644
Carrying amounts at December 31, 2022 (restated)	--	38,565	230,226	244,704	1,141,650	1,655,145

11. SHARE CAPITAL

The share capital of the Company as of December 31, 2023, and 2022 comprised of 10,000,000 shares stated at Saudi Arabian Riyals 10 per share owned as follows:

	Country of incorporation	**Shareholding**	
		2023	2022
Modern Ajwad for Commercial Investment Company Limited	Saudi Arabia	**60%**	60%
Tawad Holding Company	Saudi Arabia	**40%**	40%
		100%	100%

12. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to allocate 10% of its net income each year to a statutory reserve, after any accumulated deficit is absorbed, until such reserve equals 30% of its share capital. This reserve is not currently available for distribution to the shareholders.

13. TRADE AND OTHER PAYABLES

	Notes	**2023**	2022 (Restated)
Third parties	13.1 & 13.2	**43,026,350**	30,504,783
Related party	14	**100,945,821**	73,705,814
		143,972,171	104,210,597

13.1 The third parties trade and other payables represents other payables and the temporary timing differences of amounts collected from customers and payable to financial institutions against securitization and agency agreement. All these amounts are payable within next twelve months.

13.2 This includes continuing involvement liability amounting to SR 3.69 million (2022: SR 8.03 million) in respect securitisation agreement as disclosed in note 6.

14. RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, enters into transactions with other entities that fall within the definition of a related party. The Company is a member of an affiliated group of companies which are directly or indirectly controlled by Abduljawad family, which are the ultimate shareholders. Related parties include the ultimate shareholders, companies owned by the shareholders and key management personnel. Transactions with related parties were carried out in the normal course of business on terms that were no more favorable than those available or which reasonably be expected to be available in similar transactions with non-related parties i.e., equivalent to those that prevail in arm’s length transactions.

14. RELATED PARTY TRANSACTIONS (continued)

a) Related party transactions

Significant related party transactions and balances arising therefrom are described as under:

Name	Relationship	Nature of transactions	For the year ended December 31, **2023**	2022
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	**144,895,408**	157,072,732
Universal Motors Agencies	Affiliate	Incentive income	**3,850,612**	3,746,786

b) Due to a related party

Name	Relationship	Nature of transactions	**As at December 31, 2023**	As at December 31, 2022
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	**100,945,821**	73,705,814

c) Compensation of key management personnel

Name	Nature of transactions	For the year ended December 31, **2023**	2022
Key management personnel	Salaries and bonuses paid / accrued to key management personnel	**660,300**	975,326
Directors	Directors' fee	**660,000**	660,000
Key management personnel	End of service benefits accrued during the year	**32,186**	41,950

15. ACCRUED AND OTHER LIABILITIES

	2023	2022 (Restated)
Employee related accruals	**4,900,110**	4,096,998
Accrued board of directors' fee	**660,000**	660,000
Advances from customers	**--**	52,834
Lease liability	**442,153**	1,295,376
Other liabilities	**7,600,849**	7,366,319
	13,603,112	13,471,527

16. ZAKAT

16.1 Zakat base

The principal elements of the approximate Zakat base are as follows:

	2023	2022
Equity	**123,054,320**	117,437,790
Non-current liabilities	**3,796,366**	5,631,586
Total financing resources	**126,850,686**	123,069,376
Total assets	**287,260,018**	245,814,978
Assets subject to Zakat ("Zakat assets")	**96,417,403**	83,515,272
Zakat assets / Total assets	**33.56%**	33.97%
Approximate Zakat base	**42,569,865**	24,674,056
Zakat due at 2.5% for the year	**1,097,316**	639,019

16.2 Movement in Zakat refundable

	2023	2022
At the beginning of the year	**(6,090,670)**	(6,726,689)
Withholding tax adjustment	**--**	--
Charge for the year	**1,097,316**	636,019
At the end of the year	**(4,993,354)**	(6,090,670)

16.3 Status of Zakat assessments

During the year ended 31 December 2019, the Company has received a settlement notice from the Zakat, Tax and Customs Authority (ZATCA) relating to the treatment of non-current portion of net investment in its finance lease for the purposes of determination of Zakat base. The notice prescribes the method to calculate the Company's Zakat liability for the year ended 31 December 2018 and stated that applying the same principles, the Company was entitled to a credit of Saudi Riyals 9.7 million for the year when the Company was provided a license from SAMA to be involved in the finance lease activities till 2017, whereas there would be a charge of Saudi Riyals 0.5 million for the year ended 31 December 2018. Management has agreed to the settlement notice and has accordingly recorded a net Zakat refundable of Saudi Riyals 9.2 million during the year ended 31 December 2018. This amount has been subsequently adjusted for Zakat charge for the years from 2019 to 2021. The Company has filed its Zakat declarations with ZATCA up to 2022.

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

The Company operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The amount recognized in the statement of financial position is determined as follows:

	2023	2022
Present value of defined benefit obligation	**2,968,814**	2,781,776

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

An independent actuarial valuation exercise has been conducted by the Company as at December 31, 2023 and 2022 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labour Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

The movement in EOSB for the year ended December 31, is as follows:

	2023	2022
Balance as at January 1	**2,781,776**	2,709,170
Included in profit or loss		
Current service costs	**414,113**	494,223
Interest costs	**115,208**	54,177
	529,321	548,400
Included in other comprehensive income		
Actuarial (gain) / loss	**(200,265)**	126,803
Benefits paid	**(142,018)**	(602,597)
Balance as at December 31	**2,968,814**	2,781,776

Defined benefit obligation

Actuarial assumptions

The following were the principal actuarial assumptions, applied at the reporting date (expressed as weighted averages).

	2023	2022
Discount rate	**5.06%**	4.25%
Future salary growth / expected rate of salary increases	**4.25%**	4.25%
Retirement age	**60 years**	60 years

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

The weighted average duration of the defined benefit obligation ranges between 8 years as at December 31, 2023 (December 31, 2022: 4.5 years)

17. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)

Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2023		2022	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**2,741,684**	**3,214,832**	2,670,012	2,903,286
Future salary growth (1% movement)	**3,214,761**	**2,741,650**	2,915,891	2,656,218

Although the analysis does not take into account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

18. OTHER INCOME

	2023	2022 (Restated)
Incentive from a related party (note 14)	**3,850,612**	3,746,786
	3,850,612	3,746,786

19. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**2023**	2022 (Restated)
Salaries and allowances		**11,562,929**	11,586,660
Professional charges		**2,434,245**	2,436,655
Depreciation	10	**988,560**	919,560
Repair and maintenance		**282,840**	354,753
Others		**2,679,194**	2,069,252
		17,947,768	17,366,880

20. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial statements. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors of the Company manages through its various committees.

20. FINANCIAL RISK MANAGEMENT (continued)

20.1 Market risk

Market risk comprises of three types of risk: currency risk, cashflow and fair value interest rate risk and price risk.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As the Company's transactions are principally in Saudi Riyals, the Company is not exposed to currency risk.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is limited as all the Company's financial assets mainly finance lease receivables have fixed interest rates. Applicable interest rates for the same have been disclosed in their respective notes.

Price risk
The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities.

20.2 Credit risk

20.2 .1 Risk management

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 has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. The Company also manages risk through a credit department which evaluates customers' credit worthiness and obtains adequate securities where applicable.

The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

20.2 .2 Credit quality analysis

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

The Company provides leased assets to retail and fleet customers. Retail customers consist of individuals whereas the Company classifies small businesses as fleet customers. Concentration of the Company's customer base on the basis of percentage of the outstanding balance of gross investment in finance lease as at December 31 is as follows:

20. FINANCIAL RISK MANAGEMENT (continued)

20.2 Credit risk (continued)

20.2 .2 Credit quality analysis (continued)

	2023	2022
Retail	**94.28%**	95.11%
Fleet (Corporate)	**5.72%**	4.89%
	100%	100%

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history. However, the rating for quality of Company's investments cannot be determined because the customer base of the Company consist of individual customers and small businesses for which such data is not readily available.

Out of the total assets of Saudi Riyals 287.3 million (December 31, 2022: Saudi Riyals 245.8 million) the assets which were subject to credit risk amounted to Saudi Riyals 268.8 million (December 31, 2022: Saudi Riyals 231.4 million).

The maximum exposure to credit risk at the reporting date is:

	2023	2022 (Restated)
Net investment in finance Lease	**313,349,436**	246,523,273
Islamic financing receivables	**271,366**	--
Restricted deposits	**36,521,977**	36,521,977
Other receivables (including employee and related party)	**1,690,857**	1,223,930
Cash at banks	**6,128,382**	12,152,269
	357,962,018	296,421,449

Following tables set out the information about the credit quality of net investment in finance lease on the basis of Company's customers:

	December 31, 2023				
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Purchased credit impaired**	**Total**
Fleet (Corporate)	**11,996,689**	**864,795**	**677,616**	**--**	**13,539,100**
Retail	**195,625,235**	**12,458,029**	**15,011,970**	**--**	**223,095,234**
	207,621,924	**13,322,824**	**15,689,586**	**--**	**236,634,334**

20. FINANCIAL RISK MANAGEMENT (continued)

20.2 Credit risk (continued)

20.2 .2 Credit quality analysis (continued)

	December 31, 2022 (restated)				
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
Fleet (Corporate)	9,066,783	--	248,517	--	9,315,300
Retail	161,360,045	8,885,233	10,821,315	--	181,066,593
	170,426,828	8,885,233	11,069,832	--	190,381,893

Following tables set out the information about the credit quality of Islamic financing receivables:

	December 31, 2023				
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Purchased credit impaired**	**Total**
Fleet (Corporate)	**--**	**--**	**--**	**--**	**--**
Retail	**32,932**	**--**	**139,821**	**--**	**172,753**
	32,932	**--**	**139,821**	**--**	**172,753**

	December 31, 2022				
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
Fleet (Corporate)	--	--	--	--	--
Retail	--	--	--	--	--
	--	--	--	--	--

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

	2023	2022
A-	**4,823,746**	8,268,862
BBB+	**1,304,636**	3,883,407
	6,128,382	12,152,269

20. FINANCIAL RISK MANAGEMENT (continued)

20.2 Credit risk (continued)

20.2 .3 Impairment

Cash at banks and restricted deposits are placed with banks with sound credit ratings which is given above. Cash at bank, advances to employees, restricted deposits with bank and other receivables are considered to have low credit risk; therefore, 12 months ECL model was used for impairment assessment. Based on management impairment assessment, there is no provision required in respect of these balances. The Company applies general impairment ECL model to measure the credit allowances against net investment in finance lease.

Measurement of ECL

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

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

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the legal standing against the defaulting counterparties. The LGD models also consider the structure, collateral, net value, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the lease receivable.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current lease receivables to the customer and potential changes to the current amount allowed under the lease contract including amortization. The EAD of a lease receivable is its carrying amount.

As described above, and subject to using a maximum of a 12-month PD for lease 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 instalment.

Applying a five percent increase to the PD, could result in an approximate additional ECL charge of Saudi Riyals 0.099 million as at December 31, 2023 (December 31, 2022: Saudi Riyals 0.1 million).

20. FINANCIAL RISK MANAGEMENT (continued)

20.2 Credit risk (continued)

20.2 .3 Impairment (continued)

Categorization

The Company categorize its investment in finance lease into Stage 1, Stage 2, Stage 3, as described in Note 4.11 and 6.5.

Amounts arising from ECL – Significant increase in credit risk

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

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

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

Determining whether credit risk has increased significantly

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

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

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

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the customer.

20. FINANCIAL RISK MANAGEMENT (continued)

20.2 Credit risk (continued)

20.2 .3 Impairment (continued)

Collateral

The Company in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the lease receivable. These collaterals are the underlying assets subject to such finance lease. For lease receivables that are credit impaired at the reporting period, the Company closely monitors collateral held as it becomes more likely that Company will take possession of collateral to mitigate potential credit losses. Lease receivables that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure	Impairment allowance	Carrying amount of lease receivables	Collateral value (Original Cash price)
December 31, 2023	**67,282,420**	**9,819,222**	**50,905,540**	**71,248,012**
December 31, 2022	52,199,883	7,481,751	45,132,393	56,128,010

Net (reversal) / charge for expected credit losses

	2023	2022 (Restated)
ECL charge against NIFL (note 6.3)	**4,435,648**	4,518,224
ECL charge against IFR (note 7.2)	**140,464**	--
Recoveries against write-offs	**(7,052,879)**	(7,712,288)
	(2,476,767)	(3,194,064)

20.3 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. As at December 31, 2023 and 2022 the current liabilities of the Company did not exceed its current assets. The Company's financial liabilities primarily consist of accounts payable, accrued and other liabilities. Even though significant portion of these liabilities are expected to be settled within 12 months from the reporting date, the Company expects to have adequate liquid funds to settle its current liabilities through close monitoring of its current assets and current liabilities.

The Company's management has prepared its business plan and cash flow forecasts for the twelve months from the reporting date taking into consideration the nature and condition of business, the degree to which it is effected by external factors and other financial data available at the time of preparation of such forecasts.

20. FINANCIAL RISK MANAGEMENT (continued)

20.3 Liquidity risk (continued)

Following is the contractual maturities of undiscounted cash flows of financial liabilities as at December 31, 2023 and 2022:

At December 31, 2023	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Trade and other payables	**144,081,799**	**--**	**--**	**--**	**144,081,799**
Accrued and other liabilities	**13,603,112**	**--**	**--**	**--**	**13,603,112**
Net servicing liability	**2,023,873**	**857,004**	**843,061**	**42,753**	**3,766,691**
	159,708,784	**857,004**	**843,061**	**42,753**	**161,451,602**

At December 31, 2022 (restated)	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Total
Trade and other payables	103,796,336	--	--	--	103,796,336
Accrued and other liabilities	13,471,527	--	--	--	13,471,527
Net servicing liability	3,635,158	1,409,171	2,177,559	897,100	8,118,988
	120,903,021	1,409,171	2,177,559	897,100	125,386,851

The present value of the net servicing liability is Saudi Riyals 3.7 million (December 31, 2022: 7.9 million).

20.4 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 for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or increase its share capital. Further, the Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA which requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

	2023	2022 (restated)
Aggregate financing to capital ratio (Net investment in finance lease divided by total equity)	**1.84 times**	1.56 times

Equity includes all capital and reserves of the Company that are managed as capital.

20. FINANCIAL RISK MANAGEMENT (continued)

20.5 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The Company's financial assets consist of cash and cash equivalents, other receivables, investments in finance lease, available-for-sale investment and financial liabilities consisting of accounts payable, accrued expenses and other liabilities and net servicing liability.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

Determination of fair value and fair value hierarchy.

The Company, if applicable, uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

At December 31, 2023	**Carrying amount**	**Fair value**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets					
FVTOCI	**892,850**	**892,850**	**--**	**--**	**892,850**
Total assets	**892,850**	**892,850**	**--**	**--**	**892,850**

20. FINANCIAL RISK MANAGEMENT (continued)

20.5 Fair value of financial instruments (continued)

At December 31, 2022	Carrying amount	Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets					
FVTOCI	892,850	892,850	--	--	892,850
Total assets	892,850	892,850	--	--	892,850

The management assessed that cash and cash equivalents, other receivables, trade payables and other liabilities and accruals approximate their carrying amounts largely due to the short-term maturities of these instruments.

Level 3
The management believes that the carrying value of the investment approximates to the fair value at December 31, 2023, and December 31, 2022.

There were no transfers between levels during the years ended December 31, 2023, and 2022.

21. FINANCE LEASE RECEIVABLES – SECURITIZATION AND AGENCY AGREEMENTS

In accordance with the terms of certain securitization and agency agreements, the Company has sold finance lease receivables to various financial institutions.

The Company continues to manage these derecognized finance lease receivables as a servicer in accordance with the securitization and agency agreements entered into with the financial institution (see Note 6). The Company is continuing to manage these sold receivables for an agreed fee which is netted-off with related cost of servicing these finance lease receivables sold to financial institution. Also, see Note 22.

The outstanding position of such off-statement of financial position finance lease receivables is as follows:

	2023	2022
Finance lease receivables sold under securitization agreements	**40,575,120**	91,792,719

Maturity profile of finance lease receivable sold under securitized deals are as follows:

	December 31, 2023		December 31, 2022	
	Less than one year	**One to five years**	Less than one year	One to five years
Securitization agreements	**23,646,866**	**16,928,254**	44,387,129	47,405,590

22. NET SERVICING LIABILITY UNDER AGENCY AGREEMENT

Under the securitization and agency agreements, the Company has been appointed by the financial institutions to service the receivables sold to financial institutions. Where the Company is appointed to service the derecognized financial assets for a fee, the Company initially recognizes either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset/ liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset/ liability are discount rates, estimates of servicing costs and the fixed servicing fees. The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing liability.

23. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit / (loss) for the year by the weighted average number of shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Company.

24. CONTINGENCIES AND COMMITMENTS

The Company has no significant contingencies and commitments as at 31 December 2023.

25. PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

Following amendments to IFRS and International Accounting Standards were effective on or after 1 January 2023, but they did not have a material effect on the Company's financial statements:

Effective date	New Standards or amendments
1 January 2023	IAS 8 Definition to accounting estimates
1 January 2023	IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

New standards, interpretations and amendments issued but not adopted

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2024. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

25. PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE (continued)

New standards, interpretations and amendments issued but not adopted (continued)

Standard/amendments/ interpretation	Description	Effective date
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	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.	01 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	01 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	01 January 2024
Amendments to IAS 21	Lack of exchangeability	01 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

26. SUBSEQUENT EVENTS

There have been no significant subsequent events subsequent to the year ended 31 December 2023, that would require disclosures or adjustments in these financial statements.

27. RESTATEMENT OF PRIOR PERIODS

During the year ended 31 December 2023, management of the Company has identified certain transactions and/or events which had not been appropriately accounted for in prior periods. Accordingly, management has restated the corresponding balances and amounts recognised in the statement of income in accordance with the appropriate accounting treatment that is commensurate with the nature and substance of such transactions and events. The details of the matter identified by the management and restatements made are as follows:

a. Management has identified certain reconciling items between the cash at bank balance carried in the Company's books relative to such balances as confirmed by the corresponding banks are not recoverable. Accordingly, such amounts have been charged to the income statement in the respective periods in which they arose with a corresponding credit to cash at bank balance.

27. RESTATEMENT OF PRIOR PERIODS (continued)

b. Management has identified certain amounts which represent direct deposits in its bank balances whereby such amounts although reflected and confirmed by the corresponding banks have not been captured in the balance of cash at bank held in the Company's books. However, management is unable to determine currently the exact identity of the counterparty and purpose of such deposit. Accordingly, management has increased the balance of cash at bank held in the Company's books by such amounts in the period in which they have arisen with the corresponding credit to other liabilities.

c. Management has identified certain accruals recognised in prior periods which are in excess of the amount required to fulfil the corresponding obligation at each reporting date effected by such excess provisions. Accordingly, management has reduced the related provisions by such excess amount with a corresponding credit to equity.

d. Management has noted that for leases that have been early settled, the interest income of future period subsequent to the early settlement has been included in the statement of income as part of income from finance leases. Moreover, the amount of such interest that has not yet accrued and not contractually collectable by such early settling customers has been correspondingly reflected as an expense as part of other operating costs. Accordingly, management has rectified the erroneous accounting treatment by reducing the unaccrued and uncollectable amount from the income from finance leases as well as the amount included within other operating costs.

e. In respect of the finance leases of motor vehicles, the Company acts as an agent to arrange for the insurance of such vehicles on behalf of the lessees. In this respect, the Company makes the payment of the insurance charges to the corresponding insurance company and collect such charges from the corresponding lessees. Management has identified that the insurance charges in relation to the vehicles that has been leased by the Company has been presented separately from the corresponding amount collected by the Company from its lease customers. Accordingly, management has rectified the erroneous presentation by including both the amount of insurance collected from the lease customers as well as the insurance charges paid to the insurance providers within the same line item included in the statement of income (income from finance leases).

f. Management noted that a lease arrangement spanning beyond one year period entered into in prior year has not been appropriately accounted for under IFRS 16. Accordingly, management has duly recognised an appropriate right of use asset and a corresponding lease liability in respect of this lease arrangement.

g. Management has identified that certain lease portfolio sold in prior period under securitisation arrangement has not been appropriately accounted for in lieu of the corresponding terms and conditions of the sale. In this respect, management has noted that significant risk of the leases sold under such securitisation arrangement had neither been transferred nor retained by the Company. Moreover, since the control of the leases has been retained, the Company was required to retain such proportion of the lease portfolio sold that commensurate with the Company's continuous involvement therein. Accordingly, management has reinstated the balance of leases to the extent of continuous involvement in the relevant respective period together with the corresponding credit towards liability.

27. RESTATEMENT OF PRIOR PERIODS (continued)

h. Management noted that the recoveries against write-offs made previously, were erroneously presented as other income within Income. Management has rectified the error via including such recoveries within net (reversal) / charge for expected credit losses.

i. Management noted that certain amounts received from the insurer of vehicles (subject to leasing) as incentives for the fleet / bulk insurance has been erroneously presented as other income. The foregoing has been transferred to Income from finance lease.

j. Management has identified that in prior periods, cashflows from / used in net investment in finance leases was erroneously presented under investing activities in the statement of cashflows. Management has rectified the error by presenting the foregoing cashflows as part of cashflows from operating activities for all periods presented in these financial statements.

The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarize the impacts on the Company's financial statements.

Restatement of year 2022 financials:

Impact of the above adjustments in the statement of financial position as at 31 December 2022:

	Note	**31 December 2022** *As previously reported* *SR*	*Adjustments* *SR*	**31 December 2022** *As restated* *SR*
ASSETS				
Cash and cash equivalents (note 27a & 27b)	5	**8,098,364**	4,116,353	**12,214,717**
Net investment in finance leases (note 27g)	6	**175,280,522**	7,619,620	**182,900,142**
Islamic financing receivables	7	**--**	--	**--**
Prepayments and other receivables	8	**42,061,454**	--	**42,061,454**
Zakat refundable	16	**6,090,670**	--	**6,090,670**
Financial asset at fair value through other comprehensive income	9	**892,850**	--	**892,850**
Property and equipment (note 27f)	10	**513,495**	1,141,650	**1,655,145**
Total assets		**232,937,355**	12,877,623	**245,814,978**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	11	**100,000,000**	--	**100,000,000**
Statutory reserve	12	**5,482,361**	--	**5,482,361**
Retained earnings		**11,768,738**	--	**11,768,738**
Actuarial gain on employees' defined benefit obligations		**205,839**	--	**205,839**
Total shareholders' equity		**117,456,938**	--	**117,456,938**

27. RESTATEMENT OF PRIOR PERIODS (continued)

	Note	31 December 2022 *As previously reported SR*	*Adjustments SR*	31 December 2022 *As restated SR*
Liabilities				
Trade and other payables (note 27g)	13	**96,176,716**	8,033,881	**104,210,597**
Accrued and other liabilities (note 27b, 27c, and 27f)	15	**8,627,785**	4,843,742	**13,471,527**
Net servicing liability under agency agreement	22	**7,894,140**	--	**7,894,140**
Employees' defined benefit obligations	17	**2,781,776**	--	**2,781,776**
Total liabilities		**115,480,417**	12,877,623	**128,358,040**
Total shareholders' equity and liabilities		**232,937,355**	12,877,623	**245,814,978**

Impact of the above adjustments in the statement of profit or loss and other comprehensive income for the year ended 31 December 2022:

	Note	31 December 2022 *As previously reported SR*	*Adjustments SR*	31 December 2022 *As restated SR*
Income				
Income from finance leases (note 27d, 27e and 27i)		**18,251,138**	(4,543,137)	**13,708,001**
Other income (note 27h and 27i)	18	**12,993,512**	(9,246,726)	**3,746,786**
Total income		**31,244,650**	(13,789,863)	**17,454,787**
Expenses				
General and administrative expenses (note 27a and 27f)	19	**(17,156,015)**	(210,865)	**(17,366,880)**
Net (reversal) / charge for expected credit losses (note 27h)	6.3 & 7.2	**(4,800,000)**	7,994,064	**3,194,064**
Finance cost on lease liability (27f)		**--**	(70,911)	**(70,911)**
Other operating costs (27d and 27e)		**(6,077,575)**	6,077,575	**--**
Total expenses		**(28,033,590)**	13,789,863	**(14,243,727)**
Profit before Zakat		**3,211,060**	--	**3,211,060**
Zakat	16	**(636,019)**	--	**(636,019)**
Profit for the year		**2,575,041**	--	**2,575,041**
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Re-measurement of employees' defined benefit obligations	17	**(126,803)**	--	**(126,803)**
Total comprehensive income for the year		**2,448,238**	--	**2,448,238**

27. RESTATEMENT OF PRIOR PERIODS (continued)

Impact of the above adjustments in the statement of cashflow as of 31 December 2022:

	31 December 2022 *As previously reported* *SR*	*Adjustments* *SR*	**31 December 2022** *As restated* *SR*
Net cash flow from operating activities (note 27j)	**(668,245)**	(88,354,334)	**(89,022,579)**
Net cash flow from investing activities (note 27j)	**(86,466,901)**	85,977,466	**(489,435)**
Net cash flow from financing activities (note 27f)	**--**	(853,458)	**(853,458)**
Net change in cash and cash equivalents	**(87,135,146)**	(3,230,326)	**(90,365,472)**

Impact of the above adjustments in the statement of financial position as at 1 January 2022:

	Note	**1 January 2022** *As previously reported* *SR*	*Adjustments* *SR*	**1 January 2022** *As restated* *SR*
ASSETS				
Cash and cash equivalents (note 27a & 27b)	5	**95,233,510**	7,346,679	**102,580,189**
Net investment in finance leases (note 27g)	6	**94,103,056**	12,802,408	**106,905,464**
Prepayments and other receivables	8	**41,933,450**	--	**41,933,450**
Zakat refundable	16	**6,726,689**	--	**6,726,689**
Financial asset at fair value through other comprehensive income	9	**892,850**	--	**892,850**
Property and equipment (note 27f)	10	**182,520**	1,902,750	**2,085,270**
Total assets		**239,072,075**	22,051,837	**261,123,912**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	11	**100,000,000**	--	**100,000,000**
Statutory reserve	12	**5,224,857**	--	**5,224,857**
Retained earnings		**9,451,201**	--	**9,451,201**
Actuarial gain on employees' defined benefit obligations		**332,642**	--	**332,642**
Total shareholders' equity		**115,008,700**	--	**115,008,700**
Liabilities				
Trade and other payables (note 27g)	13	**96,190,226**	13,498,445	**109,688,671**
Accrued and other liabilities (note 27b, 27c, and 27f)	15	**8,543,324**	8,553,392	**17,096,716**
Net servicing liability under agency agreement	22	**16,620,655**	--	**16,620,655**
Employees' defined benefit obligations	17	**2,709,170**	--	**2,709,170**
Total liabilities		**124,063,375**	22,051,837	**146,115,212**
Total shareholders' equity and liabilities		**239,072,075**	22,051,837	**261,123,912**

28. DATE OF AUTHORISATION OF ISSUE

These financial statements have been authorised for issue by the Board of Directors on 19 March 2024, corresponding to 9 Ramadan 1445.