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

CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended
30 September 2024
with
INDEPENDENT AUDITOR'S REPORT

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

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2024

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 on review of condensed interim financial statements

To the Shareholders of Dar Al Etiman Al Saudi Company

Introduction

We have reviewed the accompanying 30 September 2024 condensed interim financial statements of Dar Al Etiman Al Saudi Company ("the Company") which comprises:

- the condensed statement of financial position as at 30 September 2024;
- the condensed statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2024;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2024;
- the condensed statement of cash flows for the nine-month period ended 30 September 2024; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2024 condensed interim financial statements of Dar Al Etiman Al Saudi Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

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Nasser Ahmed Al Shutairy
License No. 454

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ترخيص رقم ٤٦
KPMG
KPMG Professional Services

Jeddah, October 28, 2024
Corresponding to Rabi' Al-Thani 25, 1446H

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

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2024
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	30 September 2024 (Unaudited)	31 December 2023 (Audited)
ASSETS			
Cash and cash equivalents	4	**6,038,041**	6,195,889
Net investment in finance leases	5	**278,297,452**	226,815,112
Islamic financing receivables	6	**51,976**	32,289
Prepayments and other receivables	7	**19,040,160**	47,435,737
Zakat refundable	12	**4,071,992**	4,993,354
Financial asset at fair value through other comprehensive income		**892,850**	892,850
Assets held for sale		**56,700**	
Property and equipment		**722,925**	894,787
Total assets		**309,172,096**	287,260,018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	8	**100,000,000**	100,000,000
Statutory reserve	9	**6,017,390**	6,017,390
Retained earnings		**21,486,904**	16,583,997
Actuarial gain on employees' defined benefit obligations		**406,104**	406,104
Total shareholders' equity		**127,910,398**	123,007,491
Liabilities			
Trade and other payables	10	**163,979,590**	143,972,171
Accrued and other liabilities	11	**12,198,048**	13,603,112
Net servicing liability under agency agreement	17	**1,882,254**	3,708,430
Employees' defined benefit obligations		**3,201,806**	2,968,814
Total liabilities		**181,261,698**	164,252,527
Total shareholders' equity and liabilities		**309,172,096**	287,260,018

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2024
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2024	2023 (Restated – Note 19)	**2024**	2023 (Restated – Note 19)
Income					
Income from finance leases		**7,249,229**	4,528,415	**18,895,163**	12,769,840
Other income	14	**724,413**	812,071	**1,512,369**	1,816,069
Total income		**7,973,642**	5,340,486	**20,407,532**	14,585,909
Expenses					
General and administrative expenses	15	**(5,257,212)**	(4,281,094)	**(14,989,456)**	(12,427,355)
Net reversal for expected credit loss	5.4	**221,923**	176,265	**406,193**	1,655,292
Finance cost on lease liability		**–**	(5,190)	**–**	(25,830)
Total expenses		**(5,035,289)**	(4,110,019)	**(14,583,263)**	(10,797,893)
Profit before Zakat		**2,938,353**	1,230,467	**5,824,269**	3,788,016
Zakat	12	**(326,171)**	(253,741)	**(921,362)**	(781,145)
Profit for the period		**2,612,182**	976,726	**4,902,907**	3,006,871
Other comprehensive income		--	--	--	--
Total comprehensive income for the period		**2,612,182**	976,726	**4,902,907**	3,006,871

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine-months period ended 30 September 2024
(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 1 January 2023 as previously reported	100,000,000	5,482,361	11,768,738	205,839	117,456,938
Restatement (Note 19)	--	--	--	--	--
Restated balance at January 1, 2023	100,000,000	5,482,361	11,768,738	205,839	117,456,938
Profit for the period (restated)	--	--	3,006,871	--	3,006,871
Other comprehensive income	--	--	--	--	--
Total comprehensive income for the period (restated)	--	--	3,006,871	--	3,006,871
Balance as at 30 September 2023	100,000,000	5,482,361	14,775,609	205,839	120,463,809
Balance as at 1 January 2024	100,000,000	6,017,390	16,583,997	406,104	123,007,491
Profit for the period	--	--	4,902,907	--	4,902,907
Other comprehensive income	--	--	--	--	--
Total comprehensive income for the period	--	--	4,902,907	--	4,902,907
Balance as at 30 September 2024	**100,000,000**	**6,017,390**	**21,486,904**	**406,104**	**127,910,398**

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-months period ended 30 September 2024
(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	Notes	**30 September 2024**	30 September 2023 (Restated)
Cash flows from operating activities			
Profit for the period before Zakat		**5,824,269**	3,788,016
Adjustments for non-cash items:			
Depreciation on property and equipment		**610,312**	734,051
Net reversal for expected credit loss	5.4	**(406,193)**	(1,655,292)
Finance cost on lease liability		--	25,830
Provision for employees' defined benefit obligations		**365,635**	329,949
Changes in operating assets and liabilities			
Investment in finance lease		**(51,076,147)**	(27,197,312)
Islamic financing receivable		**(19,687)**	(120,433)
Prepayments and other receivables		**28,395,577**	1,700,646
Assets held for sale		**(56,700)**	--
Trade and other payables		**20,007,419**	19,934,941
Accrued and other liabilities		**(962,913)**	5,719,232
Net servicing liability under agency agreement		**(1,826,176)**	(3,355,404)
Cash generated from operations		**855,396**	(95,776)
Employees' defined benefit obligations paid		**(132,641)**	(119,625)
Net cash generated from operating activities		**722,755**	(215,401)
Cash flow from investing activities			
Additions to property and equipment		**(438,450)**	(184,635)
Net cash used in investing activities		**(438,450)**	(184,635)
Cash flow from financing activities			
Payment of lease liability		**(442,153)**	(421,513)
Net cash used in financing activities		**(442,153)**	(421,513)
Net decrease in cash and cash equivalents		**(157,848)**	(821,549)
Cash and cash equivalents at beginning of the period		**6,195,889**	12,214,717
Cash and cash equivalents at end of the period	4	**6,038,041**	11,393,168

Chief Financial Officer | Chief Executive Officer | Chairman of Board of Directors

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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 11 Jumad-ul-Thani 1436H (corresponding to 31 March 2015). Prior to its conversion to a Saudi Closed Joint Stock Company, the Company was operating as a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030165101 issued in Jeddah on 5 Dhul-Qada 1427H (corresponding to 5 December 2006).

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 30 September 2024 have been prepared:

- in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and;
- in compliance with the Companies’ Law in the Kingdom of Saudi Arabia and Company’s By-laws.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law”) came into force on 26/6/1444 H (corresponding to January 19, 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 Articles 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.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s financial statements for the year ended 31 December 2023. The results for the nine-months period ended 30 September 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

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

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accrual basis of accounting and the going concern concept.

2.3 Functional and presentation currency

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

2.4 Significant accounting judgements, estimates and assumptions

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by the revision. The key areas requiring significant management judgements and estimates are consistent with those disclosed in the annual financial statements for the year ended 31 December 2023.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2023, except for the new accounting policies stated in note 18.

4. CASH AND CASH EQUIVALENTS

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Cash in hand	**133,650**	67,507
Cash at banks	**5,904,391**	6,128,382
	6,038,041	6,195,889

5. NET INVESTMENT IN FINANCE LEASES

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Gross investment in finance leases	**382,591,061**	313,349,436
Less: unearned finance income and other related credits	**(93,250,437)**	(76,715,102)
Present value of minimum lease payments	**289,340,624**	236,634,334
Less: allowance for expected credit losses on finance leases	**(11,043,172)**	(9,819,222)
Net investment in finance leases	**278,297,452**	226,815,112

5. NET INVESTMENT IN FINANCE LEASES (continued)

The Company's implicit rate of return on leases ranges between 7% and 24% per annum (2023: between 9% and 17% per annum). These are secured by promissory notes from the customer and against the 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.

This includes continuing involvement asset amounting to SR 1.69 million (December 31, 2023: SR 3.50 million) in respect of the Company's continuing involvement in the lease portfolio sold under securitisation agreement.

5.1 Following are the scheduled maturities of the gross investment in finance leases:

Twelve months period ending 30 September: (Unaudited)

2024-2025	**109,867,652**
2025-2026	**110,491,549**
2026-2027	**68,470,515**
2027-2028	**50,693,472**
2028-2029	**42,062,295**
2029-2030	**1,005,578**
	382,591,061

5.2 The movement in allowance for expected credit losses on finance leases is given below:

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
At the beginning of the period / year	**9,819,222**	7,481,751
Charge for the period / year	**3,349,285**	4,435,648
Written off during the period / year	**(2,125,335)**	(2,098,177)
At the end of the period / year	**11,043,172**	9,819,222

5.3 Category-wise allowance for expected credit losses on finance leases is as follows:

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Performing (Stage 1)	**2,971,205**	2,672,293
Under-performing (Stage 2)	**698,564**	487,422
Non-performing (Stage 3)	**7,373,403**	6,659,507
	11,043,172	9,819,222

5. NET INVESTMENT IN FINANCE LEASES (continued)

5.4 The net (reversal)/charge for expected credit losses for the nine months ended is analysed below:

	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
ECL charge on Net investment in finance leases	**3,349,285**	3,468,853
ECL charge on Islamic Financing receivables (note 6)	**152,435**	131,147
Recoveries against write-offs	**(3,907,913)**	(5,255,292)
	(406,193)	(1,655,292)

6. ISLAMIC FINANCING RECEIVABLES

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Gross receivables - Tawarruq financing	**284,025**	271,366
Less: Unearned finance income	**(96,455)**	(98,613)
Present value of Islamic financing receivables	**187,570**	172,753
Less: allowance for expected credit losses	**(135,594)**	(140,464)
	51,976	32,289

Following are the scheduled maturities of the gross Islamic financing receivables:

Twelve months period ending 30 September:

2024-2025	**94,621**
2025-2026	**69,886**
2026-2027	**57,006**
2027-2028	**44,126**
2028-2029	**18,386**
	284,025

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

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
At the beginning of the period / year	**140,464**	--
Charge for the period	**152,435**	140,464
Written off during the period / year	**(157,305)**	--
At the end of the period	**135,594**	140,464

6. ISLAMIC FINANCING RECEIVABLES (continued)

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

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Performing (Stage 1)	**67**	643
Under-performing (Stage 2)	**5,537**	--
Non-performing (Stage 3)	**129,990**	139,821
	135,594	140,464

7. PREPAYMENTS AND OTHER RECEIVABLES

	Note	**30 September 2024 (Unaudited)**	31 December 2023 (Audited)
Restricted deposits	7.1	**11,985,191**	36,072,565
Receivable from employees		**1,027,272**	1,284,516
Prepaid insurance		**4,655,604**	8,987,747
Prepaid rent		**224,588**	--
Other prepayments and receivables		**1,147,505**	1,090,909
		19,040,160	47,435,737

7.1 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.

8. SHARE CAPITAL

The share capital of the Company as of 30 September 2024 and 31 December 2023 was comprised of 10,000,000 shares stated at Saudi Riyals 10 per share owned as follows:

		Shareholding	
	Country of incorporation	**30 September 2024**	31 December 2023
Modern Ajwad for Commercial Investment Company Limited	Saudi Arabia	**60%**	60%
Tawad Holding Company	Saudi Arabia	**40%**	40%
		100%	100%

9. STATUTORY RESERVE

In accordance with the company Bylaws', the Company is required to transfer 10% of its net profit each year to a statutory reserve until such reserve equals 30% of its share capital. This reserve is not currently available for distribution to the shareholders.

10. TRADE AND OTHER PAYABLES

	Notes	**30 September 2024 (Unaudited)**	31 December 2023 (Audited)
Third parties	10.1 & 10.2	**15,168,303**	43,026,350
Related party	13	**148,811,287**	100,945,821
		163,979,590	143,972,171

10.1 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.

10.2 This includes continuing involvement liability amounting to SR 1.79 million (December 31, 2023: SR 3.69 million) in respect of securitisation agreement as disclosed in note 5.

11. ACCRUED AND OTHER LIABILITIES

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Employee related accruals	**4,409,694**	4,900,110
Lease liability	**--**	442,153
Accrued board of directors' fee	**495,000**	660,000
Other accruals	**7,293,354**	7,600,849
	12,198,048	13,603,112

12. ZAKAT MATTERS

12.1 Movement in Zakat refundable

The movement in the Zakat refundable is as follows:

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
At the beginning of the period / year	**(4,993,354)**	(6,090,670)
Charge for the period / year	**921,362**	1,097,316
At the end of the period / year	**(4,071,992)**	(4,993,354)

12. ZAKAT MATTERS (continued)

12.2 Status of Zakat assessments

During the year ended December 31, 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 December 31, 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 December 31, 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 December 31, 2018. This amount has been subsequently adjusted for Zakat charge for the years from 2019 to 2023.

The Company has filed its Zakat declarations with ZATCA up to 2023.

As at the reporting date, Zakat assessments have been finalized with the Zakat, Tax and Customs Authority ("ZATCA") for the years up to 2018.

13. 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.

a) Related parties transactions

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

Name	Relationship	Nature of transactions	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
			2024	2023	**2024**	2023
			(Unaudited)		(Unaudited)	
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	**32,596,878**	41,761,960	**129,769,868**	103,799,044
		Incentive income	**724,413**	812,071	**1,512,369**	1,816,069

13. RELATED PARTY TRANSACTIONS (continued)

b) Trade and other payables

Name	Relationship	Nature of transactions	**As at 30 September 2024 (Unaudited)**	As at 31 December 2023 (Audited)
Universal Motors Agencies	Affiliate	Purchase of motor vehicles	**148,811,287**	100,945,821

c) Compensation of key management personnel

Name	Nature of transactions	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
		2024	2023	**2024**	2023
		(Unaudited)		(Unaudited)	
Key management personnel	Salaries and bonuses paid / accrued to key management personnel	**310,075**	165,075	**640,225**	495,225
Directors	Directors fee	**165,000**	165,000	**495,000**	495,000
Key management personnel	End of service indemnities accrued during the period	**18,973**	6,935	**46,410**	20,578

14. OTHER INCOME

	30 September 2024 (Unaudited)	30 September 2023 (Unaudited)
Incentive from a related party (note 13a)	**1,512,369**	1,816,069
	1,512,369	1,816,069

15. GENERAL AND ADMINISTRATIVE EXPENSES

	Three-month periods ended		**Nine-month periods ended**	
	30 September 2024	30 September 2023	**30 September 2024**	30 September 2023
Salaries and allowances	**3,360,128**	2,961,170	**9,603,188**	8,298,969
Professional charges	**634,907**	566,534	**2,209,574**	1,819,827
Depreciation	**82,034**	246,356	**610,312**	734,051
Repair and maintenance	**109,334**	71,234	**198,427**	237,353
Others	**1,070,809**	435,800	**2,367,955**	1,337,155
	5,257,212	4,281,094	**14,989,456**	12,427,355

16. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, interest rate risk and price risk) credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; and therefore, should be read in conjunction with the Company's annual financial statements as at 31 December 2023. There have been no changes in the risk management policies since the year end.

17. 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 outstanding position of such off statement of financial position finance lease receivables is as follows:

	30 September 2024 (Unaudited)	31 December 2023 (Audited)
Finance lease receivables sold under securitization agreements	**19,063,621**	40,575,120

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

	30 September 2024 (Unaudited)	
	Less than one year	**One to five year**
Finance lease receivables sold under securitization agreements	**14,224,744**	**4,838,877**

	31 December 2023 (Audited)	
	Less than one year	One to five year
Finance lease receivables sold under securitization agreements	23,646,866	16,928,254

Net servicing liability under agency agreement

Under the securitization and agency agreements, the Company has been appointed by the financial institutions to service the purchased receivables. 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.

18. ISSUED PRONOUNCEMENTS EFFECTIVE AND NOT YET EFFECTIVE

The following amendments to existing standards and framework have been applied by the Company in preparation of these financial statements. The adoption of the below did not result in changes to the previously reported net profit or equity of the Company.

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.	January 1, 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.	January 1, 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.	January 1, 2024
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information	January 1, 2024
IFRS S2	Climate-related Disclosures	January 1, 2024

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

Standard / Interpretation	*Description*	*Effective date*
Amendments to IAS 21	Lack of exchangeability	January 1, 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

19. CHANGES IN PROR PERIODS

During the year ended December 31, 2023, the management of the Company identified certain transactions and/or events which had not been appropriately accounted for in the prior periods. Consequently, the management corrected the corresponding balances while preparing the financial statements for the year ended December 31, 2023. Some of these incorrect accounting was also reflected in the financial statements for the period ended September 30, 2023. In preparation of the financial statements for the perioded ended September 30, 2024, the management has restated the corresponding balances and amounts recognized in the “condensed statements of profit or loss and other comprehensive income" and the “condensed statement of cash flows” in accordance with the appropriate accounting treatment that is commensurate with the nature and substance of such transactions and events.

Below is the list of all the matters identified by the management during the year ended December 31, 2023 where the accounting was not performed appropriately. Impact of these adjustments, in so far as applicable to these condensed interim financial statements have been adjusted in these financial statements. For details of the impact of the foregoing adjustments on the financial position of the Company as at January 1, 2023, please refer to the annual financial statements for the year ended December 31, 2023:

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.

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.

19. CHANGES IN PROR PERIODS (continued)

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 depreciation on right of use asset and finance cost on 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.

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.

19. CHANGES IN PROR PERIODS (continued)

Impact of the above adjustments in the statement of profit or loss and other comprehensive income for the nine months ended September 30, 2023:

	Note	**September 30, 2023** *As previously reported* *SR*	*Adjustments* *SR*	**September 30, 2023** *As restated* *SR*
Income				
Income from finance leases	19d,19e, & 19i	**21,763,697**	(8,993,857)	**12,769,840**
Other income	19h & 19i	**7,739,003**	(5,922,934)	**1,816,069**
Total income		**29,502,700**	(14,916,791)	**14,585,909**
Expenses				
General and administrative expenses	19a & 19f	**(12,453,185)**	25,830	**(12,427,355)**
Net (reversal) / charge for expected credit losses	19h	**(3,600,000)**	5,255,292	**1,655,292**
Finance cost on lease liability	19f	**--**	(25,830)	**(25,830)**
Other operating costs	19d and 19e	**(9,661,499)**	9,661,499	**--**
Total expenses		**(25,714,684)**	14,916,791	**(10,797,893)**
Profit before Zakat		**3,788,016**	--	**3,788,016**
Zakat		**(781,145)**	--	**(781,145)**
Profit for the year		**3,006,871**	--	**3,006,871**
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Re-measurement of employees' defined benefit obligations		**--**	--	**--**
Total comprehensive income for the year		**3,006,871**	--	**3,006,871**

19. CHANGES IN PROR PERIODS (continued)

Impact of the above adjustments in the statement of profit or loss and other comprehensive income for the three months ended September 30, 2023:

	Note	**September 30, 2023** *As previously reported* *SR*	*Adjustments* *SR*	**September 30, 2023** *As restated* *SR*
Income				
Income from finance leases	19d,19e, & 19i	**7,670,105**	(3,141,690)	**4,528,415**
Other income	19h & 19i	**2,425,981**	(1,613,910)	**812,071**
Total income		**10,096,086**	(4,755,600)	**5,340,486**
Expenses				
General and administrative expenses	19a & 19f	**(4,286,284)**	5,190	**(4,281,094)**
Net (reversal) / charge for expected credit losses	19h	**(1,200,000)**	1,376,265	**176,265**
Finance cost on lease liability	19f	**--**	(5,190)	**(5,190)**
Other operating costs	19d and 19e	**(3,379,335)**	3,379,335	**--**
Total expenses		**(8,865,619)**	4,755,600	**(4,110,019)**
Profit before Zakat		**1,230,467**	--	**1,230,467**
Zakat		**(253,741)**	--	**(253,741)**
Profit for the year		**976,726**	--	**976,726**
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Re-measurement of employees' defined benefit obligations		**--**	--	**--**
Total comprehensive income for the year		**976,726**	--	**976,726**

Impact of the above adjustments in the statement of changes in equity as of September 30, 2023:

	September 30, 2023 *As previously reported* *SR*	*Adjustments* *SR*	**September 30, 2023** *As restated* *SR*
Total equity	**120,463,809**	**--**	**120,463,809**

19. CHANGES IN PROR PERIODS (continued)

Impact of the above adjustments in the statement of changes in equity as of December 31, 2023:

	December 31, 2023 *As previously reported* *SR*	*Adjustments* *SR*	**December 31, 2023** *As restated* *SR*
Total equity	**123,007,491**	**--**	**123,007,491**

Impact of the above adjustments in the statement of cashflow as of September 30, 2023:

	September 30, 2023 *As previously reported* *SR*	*Adjustments* *SR*	**September 30, 2023** *As restated* *SR*
Net cash flow from operating activities (note 19j)	**25,874,164**	(26,089,565)	**(215,401)**
Net cash flow from investing activities (note 19j)	**(31,312,592)**	31,127,957	**(184,635)**
Net cash flow from financing activities (note 19f)	**-**	(421,513)	**(421,513)**
Net change in cash and cash equivalents	**(5,438,428)**	4,616,879	**(821,549)**

20. DATE OF AUTHORIZATION OF ISSUE

The accompanying condensed interim financial statements have been authorized for issue by the Board of Directors on 23 October 2024, corresponding to 20 Rabi Al-Thani 1446H.