ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2023

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Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders
Abdul Latif Jameel United Finance Company
Jeddah, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Abdul Latif Jameel United Finance Company (a Saudi closed joint stock company) (the "Company"), which comprise the statement of financial position as of December 31, 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

To the shareholders
Abdul Latif Jameel United Finance Company
Jeddah, Kingdom of Saudi Arabia

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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, 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.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

To the shareholders
Abdul Latif Jameel United Finance Company
Jeddah, Kingdom of Saudi Arabia

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.

Deloitte and Touche & Co.
Chartered Accountants

Waleed Bin Moha'd Sobahi
Certified Public Accountant
License No. 378

22 Sha'ban, 1445
March 03, 2024

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	2023	2022
ASSETS			
Non-current assets			
Property and equipment	6	**68,891**	58,194
Intangible assets	7	**14,947**	6,377
Investment classified as fair value through other comprehensive income	8	**893**	893
Net investment in finance lease	9	**1,500,308**	1,065,522
Notes receivable carried at amortized cost	10	**9,592**	2,674
Notes receivable carried at fair value through other comprehensive income	10	**15,720**	10,341
Loans and advances to customer, net	11	**479,635**	270,569
Long term deposits	15	**610,437**	1,343,424
Other non-current assets	12	**209,791**	309,396
Total non-current assets		**2,910,214**	3,067,390
Current assets			
Net investment in finance lease	9	**398,444**	347,214
Notes receivable carried at amortized cost	10	**4,649**	5,274
Notes receivables carried at fair value through other comprehensive income	10	**19,896**	32,182
Loans and advances to customer, net	11	**194,982**	143,958
Inventories		**48,354**	27,331
Prepayments and other receivables	13	**383,390**	276,503
Deferred consideration receivable	12	**129,487**	108,311
Due from related parties	14	**8,430**	755
Cash and bank balances	15	**1,186,347**	1,306,554
Total current assets		**2,373,979**	2,248,082
TOTAL ASSETS		**5,284,193**	5,315,472
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1	**1,000,000**	1,000,000
Statutory reserve	16	**300,000**	300,000
Retained earnings		**1,800,742**	1,359,347
Fair value reserve, net		**1,430**	1,881
Actuarial gains, net		**68,475**	54,089
Total shareholders' equity		**3,170,647**	2,715,317
Non-current liabilities			
Employee benefit liabilities	17	**70,265**	98,910
Lease liabilities	18	**1,245**	1,722
Bank borrowings	19	**257,845**	13,720
Other non-current liabilities	20	**183,177**	159,580
Total non-current liabilities		**512,532**	273,932

The accompanying notes from 1 to 37 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION – Continued
AS OF DECEMBER 31, 2023
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	**2023**	2022
Current liabilities			
Accounts payable, accrued and other liabilities	21	**1,271,998**	1,206,035
Payable to SAMA	35	**-**	430,326
Bank borrowings	19	**108,294**	15,458
Due to related parties	14	**220,722**	674,404
Total current liabilities		**1,601,014**	2,326,223
TOTAL LIABILITIES		**2,113,546**	2,600,155
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,284,193**	5,315,472

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	**2023**	2022
Revenues	22	**481,267**	306,161
Direct costs	23	**(62,368)**	(67,105)
Gross margin		**418,899**	239,056
Net gain on derecognition of receivables	33	**343,846**	189,376
Net change in present value of assets and liabilities relating to derecognized receivables		**(8,650)**	1,934
Total operating income		**754,095**	430,366
Selling and marketing expenses	24	**(160,921)**	(151,629)
General and administrative expenses	25	**(208,720)**	(178,958)
Impairment charge on financial assets	26	**(34,166)**	(810)
Total operating expenses		**(403,807)**	(331,397)
Income from operations, net		**350,288**	98,969
Finance charges		**(15,640)**	(19,439)
Finance income	15 (a)	**115,891**	55,893
Other income	27	**41,599**	117,905
Income before zakat		**492,138**	253,328
Zakat	28	**(50,743)**	(31,665)
Net income for the year		**441,395**	221,663
Other comprehensive income			
Items that may be reclassified to income:			
Movement in fair value reserve	10.1	**(451)**	(18,278)
Items that cannot be reclassified to income in subsequent periods:			
Actuarial gains relating to employee benefits liabilities	17	**14,386**	19,834
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**455,330**	223,219
Basic and diluted earnings per share (expressed in Saudi Riyal per share)	29	**4.41**	2.22

The accompanying notes from 1 to 37 form an integral part of these financial statements

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained Earnings	Fair value reserve, net	Actuarial gains, net	Total
January 1, 2023		**1,000,000**	**300,000**	**1,359,347**	**1,881**	**54,089**	**2,715,317**
Net income for the year		**-**	**-**	**441,395**	**-**	**-**	**441,395**
Net change in actuarial gains on employee benefits liabilities	17	**-**	**-**	**-**	**-**	**-**	**-**
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	10.1	**-**	**-**	**-**	**(451)**	**14,386**	**13,935**
Total comprehensive income for the year				**441,395**	**(451)**	**14,386**	**455,330**
December 31, 2023		**1,000,000**	**300,000**	**1,800,742**	**1,430**	**68,475**	**3,170,647**
January 1, 2022		1,000,000	300,000	1,137,684	20,159	34,255	2,492,098
Net income for the year		-	-	221,663	-	-	221,663
Net change in actuarial gains on employee benefits liabilities	17	-	-	-	-	19,834	19,834
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	10.1	-	-	-	(18,278)	-	(18,278)
Total comprehensive income for the year		-	-	221,663	(18,278)	19,834	223,219
December 31, 2022		1,000,000	300,000	1,359,347	1,881	54,089	2,715,317

The accompanying notes from 1 to 37 form an integral part of these financial statements

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	2023	2022
OPERATING ACTIVITIES		
Income before zakat	**492,138**	253,328
Adjustments for:		
Depreciation of property and equipment	**13,921**	17,395
Amortization of intangible assets	**4,496**	4,710
Impairment charge on financial assets, net	**34,166**	810
Loss on disposal of property and equipment	**-**	53
Finance charges	**15,640**	19,439
Finance income	**(115,891)**	(55,893)
Present value loss on receivables under purchase and agency agreements	**(5,508)**	(10,629)
Grant income		(2,851)
Net gain on derecognition of receivables	**(343,846)**	(189,376)
Net change in present value of assets and liabilities relating to derecognition of receivables	**8,650**	(1,934)
Allowance for inventory	**(1,269)**	(1,335)
Provision for employee benefits liabilities	**1,864**	15,949
Provision for onerous contracts	**(20,756)**	19,670
	83,605	69,336
Changes in operating assets and liabilities:		
Net investment in finance lease	**(203,635)**	(23,905)
Notes receivable	**2,730**	23,792
Loans and advances to customers	**(243,680)**	(256,360)
Prepayments, other receivables and other non-current assets	**(212,923)**	(94,811)
Inventories	**(19,754)**	(18,368)
Due from related parties	**(7,676)**	87,565
Accounts payable, accrued and other liabilities and other non- current liabilities	**281,424**	32,767
Due to related parties	**(453,682)**	216,416
Cash (used in)/ from operations	**(773,591)**	36,432
Employees benefits liabilities paid	**(20,545)**	(22,970)
Finance charges paid	**(7,948)**	(7,194)
Zakat paid	**(32,585)**	(27,894)
Net cash used in from operating activities	**(834,669)**	(21,626)
INVESTING ACTIVITIES		
Purchase of property and equipment and intangibles, net	**(25,638)**	(17,573)
Proceeds from the disposal of property and equipment	**-**	83
Finance income received	**115,891**	55,893
Proceeds from deposits	**(33,445)**	1,444,820
Net cash from investing activities	**56,808**	1,483,223
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(2,426)**	(5,110)
Repayment of Saudi Central Bank loan	**(442,638)**	(534,930)
Proceeds from Saudi Central Bank	**-**	86,475
Proceeds from bank borrowings	**336,286**	-
Cash used in financing activities	**(108,778)**	(453,565)
Net (decrease)/increase in cash and cash equivalents	**(886,639)**	1,008,032
Cash and cash equivalents at the beginning of the year	**1,196,609**	188,577
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 15)	**309,970**	1,196,609

(Expressed in thousands of Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Abdul Latif Jameel United Finance Company (the "Company") is a Saudi Closed Joint Stock Company, initially registered in the Kingdom of Saudi Arabia as a Limited Liability Company under Commercial Registration number 4030206631, (Unified number 7001715155), issued on 28 Dhul-Hijjah 1431H (corresponding to December 4, 2010).

The Company's head office is in Jeddah. The activities of the Company include real estate financing, financing of productive assets, finance leasing, consumer financing, financing for small and medium companies and microfinance activities in the Kingdom of Saudi Arabia.

On 16 Safar 1436H (corresponding to December 8, 2014), the Company received a license from Saudi Central Bank (SAMA) to undertake activities of finance leasing, financing of productive assets and consumer financing in the Kingdom of Saudi Arabia under license number 28/AU/201412. During 2019, the Company renewed its license for another five years until 14 Safar 1446H (corresponding to August 18, 2024).

During 2021, a request was submitted to SAMA, seeking to merge Abdul Latif Jameel United Real Estate Finance Company ("ALJUREF") and Bab Rizq Jameel Micro Finance Company ("BRJMF") with the Company, as all are ultimately owned by the same shareholders. During 2021, SAMA provided No Objection letter dated August 18, 2021 and requested that a detailed plan for the merger be submitted to SAMA for approval within a period of one year from the date of the No Objection letter.

On March 24, 2022, SAMA announced the amendment to the Law allowing finance companies to deal in the above activities by applying for real-estate and microfinancing licenses. On April 5, 2022, the Company applied for real-estate and microfinance license, which was granted during the quarter ended December 31, 2022.

During 2022, the Company, upon discussions with SAMA, agreed to execute a business transfer agreement for the transfer of assets and liabilities (including the contract with employees and customers) of ALJUREF and BRJMF instead of a merger. Accordingly, ALJUREF and BRJMF submitted applications seeking SAMA's approval on the values of their portfolios amounting to SR 224.69 million and SR 179.29 million.

On 13 Jumada I, 1444 and 18 Jumada I, 1444 (corresponding to December 7, 2022 and December 12, 2022 respectively), BRJMF and ALJUREF respectively received No objection letters from SAMA to transfer the portfolio to the Company subject to completing the necessary internal procedures and approvals and other requirements of relevant regulations, rules and instructions issued by SAMA.

Consequently, the Company entered into a business transfer agreement with ALJUREF and BRJMF signed on December 22, 2022 and its subsequent addendum signed on December 31, 2022, where by ALJUREF and BRJMF transferred the following assets and liabilities to the Company as of December 31, 2022:

	BRJMF	**ALJUREF**	**Total**
ASSETS			
Loans and advances to customers, net (note a)	**158,408**	**-**	**158,408**
Net investment in finance lease relating to real estate (note b)	**-**	**198,293**	**198,293**
Cash and bank balances	**-**	**28,054**	**28,054**
Property and equipment	**43**	**40**	**83**
Loans to employees	**3,183**	**754**	**3,937**
Total assets	**161,634**	**227,141**	**388,775**

	BRJMF	ALJUREF	Total
LIABILITIES			
Payable to SAMA	**32,994**	**25,578**	**58,572**
Bank borrowings	**28,373**	**-**	**28,373**
Accounts payable, accrued and other liabilities	**440**	**-**	**440**
Deferred income	**1,136**		**1,136**
Employee benefits liabilities	**5,701**	**4,622**	**10,323**
Total Liabilities	**68,644**	**30,200**	**98,844**
Net assets transferred	**92,990**	**196,941**	**289,931**

a) Loans and advances to customers transferred from BRJMF were net of allowance for impairment loss amounting to SR 10.61 million.

b) Net investment in finance lease relating real estate transferred from ALJUREF were net of allowance for impairment loss amounting to SR 7.38 million.

All the above items, except borrowings, were transferred as of December 1, 2022. Borrowings were transferred as of December 31, 2022. The transfer of assets satisfied the definition of “business” transfer between entities under common control and therefore, the transaction was executed at the carrying values in the records of ALJUREF and BRJMF. In accordance with the amended business transfer agreement, the Company has settled the amounts due to ALJUREF and BRJMF during 2023 The Company was also required to submit the transfer agreement with SAMA upon its signoff which was duly made on December 26, 2022. The management finalized the addendum to the business transfer agreement.

The Ministry of Commerce and Investment (MC) of the Kingdom of Saudi Arabia has issued new Regulations for Companies, effective January 19, 2023 with a grace period of two years for implementation. The management of the Company is in the process of assessing the potential impact of implementation of the new regulations on the Company, if any, and expects to be fully compliant with the new regulations by the end of the grace period which is January 17, 2025.

During the year ended December 31, 2022, pursuant to shareholder’s decision of Abdul Latif Jameel Company for Information and Services Limited (“ALJISR”), ALJISR entered into agreement with the Company whereby certain assets and liabilities of ALJISR would be transferred to Company, effective January 01, 2023. Consequent to this transfer, ALJISR had ceased its operational activities

The following assets and liabilities has been transferred at their carrying amount (net book value) to the Company as of January 01, 2023 (amounts expressed in Thousands of Saudi Riyals).

	January 1, 2023
ASSETS	
Property and equipment, net	**588**
Intangible assets, net	**38**
Prepayments	**716**
Advances to employees	**148**
Total assets	**1,490**
LIABILITIES	
Employees’ other liabilities	**408**
Employees’ benefits liabilities	**2,097**
Total Liabilities	**2,505**

(Expressed in thousands of Saudi Riyals unless otherwise stated)

End of Service and Ex-gratia provision balances relating to employee benefit liabilities and other staff liabilities have been transferred for those associates, who are transferred to the Company as of January 01, 2023.

a) Share capital of the Company

The share capital of the Company is divided into 100,000,000 shares of SR 10 each and is owned as follows:

	December 31, 2023	**December 31, 2023**	December 31, 2022
	No. of shares of SR 10 each	**Amount**	Amount
Abdul Latif Jameel Modern Trading Company Limited	**88,500,000**	**885,000**	885,000
Altawfiq United Company	**10,000,000**	**100,000**	100,000
Taif First United Company Limited	**500,000**	**5,000**	5,000
Bader First United Company Limited	**500,000**	**5,000**	5,000
Najid Al Raeda United Company Limited	**500,000**	**5,000**	5,000
	100,000,000	**1,000,000**	1,000,000

The Ultimate Parent of the Company is Al Mumaizah United Company ("Ultimate Parent"). The Company, the Parent, the Ultimate Parent and other shareholders are wholly owned by Saudi shareholders.

b) Insurance arrangement

With effect from 1 January 2017, the Company entered into arrangements with Insurers for an initial period of six months, (renewed every six months) for three years. Upon each renewal, the premium rate, insurance charges and profit share was subject to be reviewed for any subsequent renewal period. As a result of this arrangement, the Company does not retain any insurance risk. During 2019, the said agreement was renewed for another three years (renewable every six months) with effect from 1 January 2020.

The above-mentioned agreement matured on December 31, 2022. During the year, the Company has renewed the insurance agreement for another three years (renewable every six months) with effect from January 01, 2023.

As per the terms of the insurance agreements, the Company is entitled to a profit share after the completion of three years from the expiry of the agreements, as agreed with the insurers. In respect of the underwriting years 2017 to 2019 that ended on December 31, 2019, the Company received a profit share during 2022 which was included in other income.

During 2020, SAMA issued the Rules for Comprehensive Insurance of Motor vehicles financially leased to individuals to regulate the relationship between the financing entities and their individual customers with regard to the insurance coverage on the financially leased vehicles. As per these rules, at the end of the finance contract between the lessee and the lessor, the lessor shall pay back the lessee the extra amount of premiums paid by the lessee or shall ask the lessee to pay the extra amount paid by the lessor to the insurer for the insurance policy.

As part of the periodic installments due from customers under net investment in finance lease relating to real estate , the Company charges customers for insurance cover on the leased properties under lease contracts. Insurance charges represent cost of insurance (premium). Consequently, premiums are paid to the Insurers for the insurance cover for the properties leased.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

c) Branches of the Company

As of December 31, 2023, the Company operates through 71 branches (December 31, 2022: 78 branches). The accompanying financial statements include the assets, liabilities and results of these branches (including those transferred from ALJUREF and BRJMF) as the beneficial owner of these branches is the Company.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Amended and revised International Financial Reporting Standards ("IFRSs") Standards that are effective for the current period

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 2023, have been adopted in these financial statements.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS	Summary
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.
IFRS 17 Insurance Contracts and its amendments	Amendments require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. These Amendments to IFRS 17 also address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017.
Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
Amendments to IAS 8 (Definition of Accounting Estimates)	The amendments replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Amendments clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	January 1, 2024
IFRS S2 Climate-related Disclosures IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	January 1, 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	January 1, 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	January 1, 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) The amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.	January 1, 2024
Lack of Exchangeability (Amendments to IAS 21) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	January 1, 2025
Amendments to the SASB standards to enhance their international applicability The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics	January 1, 2025

The management is in the process of assessing the potential financial impact of the application of the above-mentioned standards and amendments and do not expect that the adoption of the amendments and standards listed above will have a material impact on the financial statements of the Company in future periods.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

2.3 New SAMA rules governing credit risk exposure classification and provisioning effective from January 1, 2022

During 2020, SAMA issued rules governing credit risk exposure classification and provisioning. These rules set out the minimum requirements on credit risk exposure classification and provisioning. These rules shall be applicable to all finance companies licensed pursuant to finance companies control law effective from July 1, 2022. In a subsequent communication, SAMA deferred implementation of the rules to January 1, 2023, except for certain rules (relating to write offs) to be implemented on or before December 31, 2023.

Moreover, the new rules require the Company to write off any exposures meeting the following criteria:

a) Unsecured exposures (including retail, micro and small enterprises and excluding mortgages) should be written off within 360 days once they are classified as Stage 3 exposures;

b) Secured exposures (including retail, micro and small enterprises and excluding mortgages) should be written off within 720 days once they are classified as Stage 3 exposures;

c) Mortgages (including retail, micro and small enterprises mortgages) and corporate exposures (including medium corporates as per MSME definition by SAMA) should be written off before 1,080 days from the date they are classified as Stage 3 exposures;

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial period beginning on or after January 1, 2023 and relevant to the Company's operations.

3. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ('SOCPA') (collectively referred to as 'IFRS').

Basis of measurement

These financial statements are prepared under the historical cost convention using accrual basis of accounting, except for the following: 'Investment classified as fair value through other comprehensive income' (FVOCI) and a segment of notes receivable portfolio which have been measured at their fair values and employee benefit liabilities which have been measured at net present values.

Items	Measurement bases
Employee benefits liabilities	Present value of the defined benefit obligation, using actuarial present value calculations based on projected unit credit method as explained in note 17.
Investment classified as fair value through other comprehensive income (FVOCI) and a segment of notes receivable portfolio	Fair value

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

Functional and presentation currency

These financial statements have been presented in Saudi Riyals, which is the functional and presentation currency of the Company and have been rounded off to the nearest thousand Saudi Riyals, except as otherwise indicated.

The significant accounting policies adopted for the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented. The policies related to the assets and liabilities acquired from BRJMF and ALJUREF are consistent with the accounting policies relating to those assets in their respective financial statements:

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Property and equipment

Recognition and measurement
Land is measured and recorded at cost. Items of property and equipment other than land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, where applicable.

Subsequent costs
The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

Depreciation
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	8% - 20%
Furniture, fixtures and equipment	20% - 25%
Computer equipment	33.33%
Motor vehicles	33.33%

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date and adjusted with the effect of any changes in estimate accounted for on a prospective basis.

Derecognition
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in statement of profit or loss and other comprehensive income.

Capital work-in-progress

Capital work-in-progress ("CWIP") represents all costs relating directly to the ongoing projects in progress and are capitalized as property and equipment or intangible asset, when the project is completed. CWIP is carried at cost less accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of these assets, on the same basis as other same class of assets, commences when the assets are available for their intended use.

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Currently, right-of-use assets are depreciated using an average rate of 33%. Right-of-use assets are subject to impairment.

Intangible assets - Computer Software

The intangible assets that the Company holds consists of computer software which have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses, if any. Capital work in progress represents cost incurred in relation to enhancements to an existing software.

Subsequent costs
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognize in profit or loss as incurred.

Amortization
Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss.

The estimated useful lives for the current and previous year of intangible asset is 3 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted with the effect of any changes in estimate accounted for on a prospective basis.

Derecognition
An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Financial instruments

Initial recognition

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

The Company's financial assets comprise of cash and bank balances, receivable under purchase and agency agreement, net investment in finance lease relating to vehicles, net investment in finance lease relating to real estate, notes receivables at amortized cost and notes receivables at FVTOCI, loans and advances to customers, net, investment at FVTOCI, due from related parties, employees receivables and other receivables.

Classification and measurement
On initial recognition, financial assets are classified and measured under the following categories:
- Amortized cost;
- Fair value through other comprehensive income ("FVTOCI") - debt instruments;
- FVTOCI - equity instruments; or
- Fair value through profit or loss ("FVTPL")

Subsequent measurement

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

A financial asset is measured at amortized cost if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

A debt instrument is measured at FVTOCI if it meets both of the following:

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

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVTOCI - equity instrument). This election is made on an instrument by instrument basis.

By default, all other financial assets that are not classified as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

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

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net fair value gains and losses other than those that are part of a hedging relationship, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized Cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Debt instruments at FVTOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss.

Net investment in finance lease
Net investment in finance lease are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are measured at amortized cost applying the effective interest method. Other financial assets include advances to employees, loans and advances to customers, due from related parties, cash and bank balances and other receivables and are also measured on the same basis as net investment in finance lease.

Effective Interest Method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

Financial liabilities and equity

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial liabilities

Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if:
1) it is contingent consideration of an acquirer in a business combination
2) classified as held for trading, or
3) it is a derivative or it is designated as at FVTPL on initial recognition.

Financial liabilities at amortized are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss and other comprehensive income.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

Significant financial liabilities of the Company include payable under purchase and agency agreements accounts payable, bank borrowings, payable to SAMA, due to related parties and lease liabilities. These financial liabilities are initially measured at fair value and subsequently at amortized cost using the effective interest method.

Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income/loss.

Financial liabilities
The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of the financial liability extinguished and the new financial liability recognized with modified terms is recognized in statement of comprehensive income.

De-recognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial assets and substantially all of the risks and rewards of ownership of the financial asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of net investment in finance lease and notes receivable sold to banks under various purchase and agency agreements. A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognised when:

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

Any resulting gains or losses on derecognition of financial assets are recognised at the time of derecognition of financial assets.

When the Company has transferred its contractual right to receive cash flows from an asset or has entered into a "pass through" arrangement, whereby it has assumed an obligation to pay cash flows from an asset in full without material delay to a counterparty, but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset in accordance with IFRS 9.

Where the Company is appointed to service the derecognised financial asset for a fee (agency fee), the Company recognises either a net servicing asset or a net servicing liability for that servicing contract. If the fee to be received is not expected to compensate the Company adequately for performing the service, a net servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the services to be provided, a servicing asset is recognised for the servicing right at an amount determined on a basis in accordance with IFRS 9. Following initial recognition, net servicing assets, being intangible assets, are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Net servicing assets are amortised over their definite useful economic life (in conformity with the collection arrangements with the banks) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation of net servicing asset is charged to the statement of income.

Net servicing liabilities are recorded as provision under IAS 37 and are required to be reviewed at the end of each reporting period and adjusted to reflect current best estimates.

Financial liabilities
The Company derecognizes financial liabilities when and only when its contractual obligations are discharged or cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement of profit or loss and other comprehensive income.

The Company also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss and other comprehensive income.

Impairment

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued, if any.

No impairment loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Company categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

- Stage 1 - Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).
- Stage 2 - Financial assets that has significantly deteriorated in credit quality since origination**.** The impairment allowance is recorded based on lifetime ECL and life time PD.
- Stage 3 - For financial assets that are impaired, the Company recognizes the impairment allowance based on life time PD.

The Company also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., oil prices, loan growth, manufacturing purchasing manager's index and consumer spending) and economic forecasts obtained through internal and external sources.

Measurement of ECL

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

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

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original special commission rate of the existing financial asset.

Credit-impaired financial assets

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL against financial assets measured at amortized cost are presented in the statement of financial position as a deduction from the gross carrying amount of the assets. The charge or reversal for the year is presented on the statement of profit or loss and other comprehensive income under a separate line item “Net charge of impairment for financial assets”.

Write-off

The Company writes off lease receivables at the earlier of when:

- There is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation;
- Unsecured exposures (including retail, micro and small enterprises and excluding mortgages) should be written off within 360 days once they are classified as Stage 3 exposures;
- Secured exposures (including retail, micro and small enterprises and excluding mortgages) should be written off within 720 days once they are classified as Stage 3 exposures;
- Mortgages (including retail, micro and small enterprises mortgages) and corporate exposures (including medium corporates as per MSME definition by SAMA) should be written off before 1,080 days from the date they are classified as Stage 3 exposures;

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as personal guarantees and other non-financial assets. Collateral, unless repossessed, is not recorded on the Company’s statement of financial position. However, the fair value of collateral does not affect the calculation of ECLs. The value of the collateral is determined at inception.

Collateral repossessed

The Company’s policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to inventories at the repossession date in line with the Company’s policy and measured at lower of cost and NRV.

Dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the Regulations for Companies, a distribution is authorized when it is approved by the shareholders of the Company. A corresponding amount is recognized directly in statement of changes in shareholders' equity.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories include the value of the purchased vehicles for leasing where contract procedures with lessees were not completed until the date of the financial statements, vehicles repossessed on termination of lease contracts and the purchase value of vehicles held in stock for leasing. Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale. Any impairment loss arising as a result of carrying these assets at their net realizable values is recognized in the statement of profit or loss and other comprehensive income.

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.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Onerous contracts

An onerous contract is one where the unavoidable costs of meeting the Company's contractual obligations exceed the expected economic benefits. If the Company has a contract that is onerous, it recognizes the present obligation under the contract as a provision. Provisions are discounted using a current pre-zakat rate that reflects, where appropriate, current market assessments of the time value of money and the risks specific to the provision. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss and other comprehensive income.

Employee benefits liabilities

These represent end-of-service and ex-gratia benefits ("employee benefits") under defined unfunded benefit plans. End-of-service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service.

Till August 2023, Ex-gratia benefits represented additional post-employment benefits payable to those employees who leave the Company after completing a minimum of ten years of service. See note 17 for change in policy relating to ex-gratia benefits during 2023.

The Company's net obligations in respect of defined unfunded benefit plans ("the obligations") is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs.

The discount rate used is the market yield on government bonds at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with actuarial valuations to be carried out every third year and updated annually for the following two years for material changes, if any.

Defined benefits liability comprises of the following:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense/income; and
- Remeasurement gains/(losses).

The Company recognizes and presents the first two components of the defined benefit costs in profit or loss. Gains/(losses) due to re-measurement of employee benefits liabilities are recognized in other comprehensive income immediately. Curtailment gains/(losses) and plan amendments are accounted for as past service cost in the profit or loss in the period of plan amendment.

The Company is also required to contribute towards a state-owned benefit plan where the Company's obligation under the plan is to make specified monthly contribution based on specified percentage of payroll cost as stipulated under the regulation. These contributions are recognized as an expense when employees have rendered the service entitling them to the contributions. Any unpaid amounts are classified as accruals.

A liability is also recognized for benefits accruing to the employees in respect of wages and salaries, annual leaves and other related benefits in the period the related services are rendered at the undiscounted amount of the benefits expected to be paid and are classified as accruals.

Government grant

The Company recognizes a government grant related to income, if there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant related to income. The below-market rate loan is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognized in the statement of profit or loss and other comprehensive income on a systematic basis over the period in which the Company recognizes as expenses the related costs for which the grant is intended to compensate. Government grants that are received as compensation for losses already incurred by the Company with no future related costs are recognized in profit or loss in the same period.

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date, if any;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company does not have any such arrangements as of reporting date therefore the Company has not used this practical expedient.

The Company as a lessor

The Company enters into lease agreements as a lessor, the activities of the Company include finance leasing of vehicles and real estate financing, financing of productive assets in the Kingdom of Saudi Arabia.

Leases for which the Company is a lessor are classified as finance leases or instalment sales. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. Gross investment in finance lease represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments, discounted at interest rate implicit in the lease. The difference between the gross investment and unearned finance income represents net investment which is stated net of allowance for impairment loss.

Zakat

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

Claims

The amounts paid or payable in respect of the Company's obligation in respect of the insurance cover and the risks insured by the Insurers are claimed from the Insurers, net of salvage and subrogation recoveries and deductibles. Salvage recoveries represent the value of the damaged vehicles recorded at their net realizable values based on management's best estimate, with a corresponding payable being recorded to the Insurer. The Company also has the right to pursue third parties for payment of some or all costs of claims. (i.e. subrogation). Subrogation receivables, net of allowance for potential irrecoverable amounts are recognized in other assets, with a corresponding payable being recorded to the Insurer.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, with a corresponding receivable being recorded from the Insurers.

Provisions for claims incurred but not reported as of the reporting date are made on the basis of actuarial valuation, with a corresponding receivable being recorded from the Insurers.

Value Added Tax ("VAT")

Revenue, expenses and assets are recognized net of the amount of Value Added Tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the ZATCA is included as part of receivables or payables in the statement of financial position.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short-term Murabaha deposits with original maturity of three months or less.

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale which are recognized and measured at fair value less costs to sell. As permitted by generally accepted accounting standards in the Kingdom of Saudi Arabia, the Company has a period of 12 months to carry out a purchase price allocation of the cost of investment over the assets acquired and liabilities assumed. The Company recognizes excess, if any, of the cost of the business combination over the book value of assets acquired and liabilities assumed, as goodwill.

Goodwill arising on acquisition, if any, is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the consolidated statement of income.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Where the businesses of the subsidiaries that are within the under common control are transferred to the Company as a result of an internal restructuring, these are not accounted for as acquisitions under Business Combinations. The assets and liabilities transferred are combined on a line by line basis to the assets and liabilities of the Company as of the effective date of the transfer with the resulting difference, if material, being recognized in equity (under retained earnings). No gain or loss is recognized on such transactions. Similarly, where the Company transfers out entities to another entity in the common control as a result of an internal restructuring, these are similarly derecognized in line with the above policy with the resulting differences being recognized in equity (under retained earnings).

Revenue recognition

Leasing
Gross investment in finance lease represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments discounted at interest rate implicit in the lease. The difference between the gross investment and the net investment is recognized as unearned finance income. Finance lease income is recognized over the period of the lease on a systematic basis, which results in a constant periodic rate of return on the net investment outstanding.

As part of the periodic installments due from customers, the Company charges customers for insurance cover on the assets under lease contracts. Insurance charges represent cost of insurance (premium). Consequently, premiums are paid to the Insurers for the insurance cover for the vehicles/real estate under finance lease, pursuant to the agreement mentioned in note 1(b).

Income from Loans and advances to customers
Income from Loans and advances to customers is recognized on an effective interest basis which is established on the initial recognition of the asset and is not revised subsequently.

Finance income and income from loans and advances to customers
Finance income and income from loans and advances to customers is recognized on an accrual basis using the effective yield basis.

Installment sales
Income from installment sales is recognized over the contract term using the effective yield method.

Contract fee income
Contract fee income less any directly attributable expenses is deferred and recognized over the period of the contract, as an adjustment to the effective interest rate.

Income from purchase and agency agreements
Income from purchase and agency arrangements represents management fees due under the purchase and agency agreements with certain banks and is recognized on an accrual basis.

Expenses

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

General and administrative expenses include direct and indirect costs not specifically part of the operating activities of the Company. Allocations between general and administrative expenses and direct costs, when required, are made on a consistent basis.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, which are described in note 3, the management is required to make judgements and estimates that have a significant impact on the amounts recognized and to use certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be relevant under the circumstances. Actual results may differ from these estimates.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Judgements

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis. In making the going concern assessment, the Company has considered a wide range of information relating to present and future projections of profitability, cashflows and other capital resources etc.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as prepayment risk, liquidity risk, credit risk and volatility.

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

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

Current versus non-current classification

Assets
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities
A liability is current when it is:
- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Estimates and assumptions

Determination of servicing asset/liability

As explained in note 33, under the purchase and agency agreements, the Company has been appointed by the banks to service the receivables purchased by the banks. Assumptions used to calculate the servicing asset/liability are based on estimates of collection costs to be incurred by the Company over the life of the purchase and agency agreements.

Determination of expected defaults and discounts

As explained in note 33, in order to calculate the expected default liability under the purchase and agency agreements, the Company uses assumptions to calculate the allowance for delinquent receivables and discounts for premature terminations of contracts based on historical trends which are updated periodically (at least once in a year or more frequently when needed) based on a change in circumstances which indicate that the historical rates may not be appropriate.

Derecognition of financial assets

Under the purchase and agency agreements, the Company first sells the eligible receivables to the purchaser and then manages them on behalf of the purchaser as an agent for a monthly fee as per the terms of the said agreements. Since the Company has continuing involvement in the transferred assets, the management has carried out a quantitative analysis to conclude whether substantially all the risks and rewards have been transferred to the purchaser which requires the Company to estimate the variability in the cash flows before and after such transfer. The inputs to the quantitative model require the use of estimates and judgements at the time of derecognition. Further, since the Company does not retain control of the transferred assets, the management concluded that it can derecognize such assets.

Determination of discount rate for present value calculations

Discount rates represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

Actuarial valuation of employee benefits liabilities

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

Useful lives and residual values of property and equipment and intangibles

The management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Impairment of finance lease, notes receivable and loans and advances to customers, net

Impairment of finance lease, notes receivable and loans and advances to customers, net requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Models and assumptions used:

The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's model for determination of defaults, which assigns Probabilities of Default (PDs) to the individual pool of receivables

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for finance leases, notes receivable and loans and advances to customers, net should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment
- The segmentation of finance leases, notes receivable and loans and advances to customers, net when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, and the effect on PDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

At the reporting date, the allowance for impairment loss for finance lease relating to vehicles, finance lease relating to real estate, notes receivable, loans and advances to customers – microfinance receivables and loans and advances to customers – Tawarruq receivables amounts to SR 53.50 million (December 31, 2022: SR 63.14 million), SR 9.73 million (December 31, 2022: SR 6.83), SR 11.76 million (December 31, 2022: SR 6.27 million), SR 6.42 million (December 31, 2022: SR 8.78) and SR 27.2 million (December 31, 2022: SR 2.53) respectively (note 9.1, note 9.2, note 10, note 11.1 and note 11.2).

Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of comprehensive income of those periods.

Significant increase in credit risk:

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Provision for onerous arrangements

The Company enters into certain insurance arrangements with the Insurers for the insurance against physical damages arising from accidents to all leased vehicles / real estate properties under finance lease arrangements (note 1(b)). For such lease contracts, the insurance related inflows, being the collections from the customers, are fixed whereas the outflows, being the premiums paid to the insurers are renewed annually.

At each statement of financial position date, the Company's management determines the best estimate of the future inflows and the related expected outflows over the period of the lease contract. In case the contracts are onerous, the provision for the onerous contracts is recognized. The actual results may differ from management's estimates resulting in future changes in estimated provision.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

5. SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

As of December 31, 2023, the Company was engaged in lease financing of vehicles, real estate, micro financing and financing for small and medium enterprises..

(Expressed in thousands of Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT

	Freehold Lands	*Leasehold improvements*	*Furniture, fixture and equipment*	*Computer equipment*	*Capital work in progress (note a)*	*Right of-use assets*	*Total*
Cost:							
January 1, 2023	**24,037**	**29,309**	**20,900**	**48,021**	**7,472**	**7,884**	**137,623**
Additions during the year	**-**	**985**	**1,468**	**3,353**	**16,318**	**2,865**	**24,989**
Transfers during the year	**-**	**102**	**179**	**70**	**(750)**	**-**	**(399)**
Disposals	**-**	**-**	**(197)**	**(233)**	**-**	**(2,412)**	**(2,842)**
Impact of lease modifications	**-**	**-**	**-**	**-**	**-**	**267**	**267**
December 31, 2023	**24,037**	**30,396**	**22,350**	**51,211**	**23,040**	**8,604**	**159,638**
Accumulated depreciation:							
January 1, 2023	**-**	**19,172**	**18,410**	**37,429**	**-**	**4,418**	**79,429**
Charge for the year	**-**	**2,194**	**1,722**	**7,660**	**-**	**2,345**	**13,921**
Disposals	**-**	**-**	**(138)**	**(221)**	**-**	**(2,412)**	**(2,771)**
Impact of lease modifications	**-**	**-**	**-**	**-**	**-**	**168**	**168**
December 31, 2023	**-**	**21,366**	**19,994**	**44,868**	**-**	**4,519**	**90,747**
Net book value as of							
December 31, 2023	24,037	9,030	2,356	6,343	23,640	4,085	68,891

(Expressed in thousands of Saudi Riyals unless otherwise stated)

6. PROPERTY AND EQUIPMENT - Continued

	Freehold Lands	*Leasehold improvements*	*Furniture, fixture and equipment*	*Computer equipment*	*Capital work in progress (note a)*	*Right of-use assets*	*Total*
Cost:							
January 1, 2022	24,037	27,923	20,753	43,187	5,898	20,542	142,340
Additions during the year	-	526	1,102	5,787	7,841	1,677	16,933
Transfers during the year	-	1,166	-	209	(6,267)	-	(4,892)
Disposals	-	(306)	(955)	(1,162)	-	(11,907)	(14,330)
Impact of lease modifications	-	-	-	-	-	(2,428)	(2,428)
December 31, 2022	24,037	29,309	20,900	48,021	7,472	7,884	137,623
Accumulated depreciation:							
January 1, 2022	-	16,064	17,997	30,652	-	12,926	77,639
Charge for the year	-	3,332	1,350	7,902	-	4,811	17,395
Disposals	-	(224)	(937)	(1,125)	-	(11,907)	(14,193)
Impact of lease modifications	-	-			-	(1,412)	(1,412)
December 31, 2022	-	19,172	18,410	37,429	-	4,418	79,429
Net book value as of							
December 31, 2022	24,037	10,137	2,490	10,592	7,472	3,466	58,194

(Expressed in thousands of Saudi Riyals unless otherwise stated)

a) Capital work in progress represents expenditure in respect of IT related and other projects which are expected to be completed by December 31, 2024. SR 0.4 million (2022: SR 4.9 million) (note 6) have been transferred from capital work-in-progress under property and equipment to intangible assets.

b) The allocation of the depreciation charge for the year ended December 31, 2023 and December 31, 2022 is as follows:

	2023	2022
Selling and marketing expenses (note 24)	**4,879**	6,864
General and administrative expenses (note 25)	**9,042**	10,531
	13,921	17,395

Amounts recognized in statement of profit or loss in respect of leases are as follows:

	2023	2022
Depreciation expense on right-of-use-asset (note 24)	**2,345**	4,811
Interest expense on lease liabilities (note 18)	**212**	282
	2,567	5,093

The Company leases several buildings for its office and branches, the average lease term is 3 years.

During the year, the total cash outflow for leases amounted to SR 2.43 million (2022: SR 5.11 million). As of December 31, 2023, the Company is not committed to any short-term leases.

7. INTANGIBLE ASSETS

	2023	2022
	Computer Software	Computer Software
Cost:		
January 1	**38,237**	31,557
Additions	**12,667**	1,952
Transfers from capital work in progress (note 6a)	**399**	4,892
Write-offs	**-**	(164)
December 31	**51,303**	38,237
Accumulated amortization:		
January 1	**31,860**	27,314
Charge for the year (note 25)	**4,496**	4,710
Write-offs	**-**	(164)
December 31	**36,356**	31,860
Net book value as of December 31	**14,947**	6,377

8. INVESTMENT CLASSIFIED AS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On December 12, 2017, the Company subscribed 2.38% 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 with other finance and leasing companies registered in the Kingdom of Saudi Arabia for registration of contracts relating to financial leases and amendments and registration and transfer of title deeds of the assets under the finance leases arrangements. The fair value of the investment as of December 31, 2023 is not materially different than the carrying amount.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

9. NET INVESTMENT IN FINANCE LEASE

	2023	2022
Net investment in finance lease relating to vehicles (note 9.1)	**1,566,320**	1,192,974
Net investment in finance lease relating to real estate (note 9.2)	**332,432**	219,762
Total net investment in finance lease	**1,898,752**	1,412,736

	2023	2022
Non-current portion		
Net investment in finance lease relating to vehicles (note 9.1)	**1,205,098**	869,727
Net investment in finance lease relating to real estate (note 9.2)	**295,210**	195,795
	1,500,308	1,065,522
Current portion		
Net investment in finance lease relating to vehicles (note 9.1)	**361,222**	323,247
Net investment in finance lease relating to real estate (note 9.2)	**37,222**	23,967
	398,444	347,214

9.1 Net investment in finance lease relating to vehicles

	2023	2022
Gross investment in finance lease relating to vehicles	**2,142,335**	1,608,809
Less: unearned finance income	**(522,515)**	(352,699)
Present value of lease payments receivables	**1,619,820**	1,256,110
Less: Allowance for impairment loss (note a)	**(53,500)**	(63,136)
Net investment in finance lease relating to vehicles	**1,566,320**	1,192,974

	December 31, 2023				
	Years	**Gross Investment**	**Unearned finance income**	**Allowance For doubtful Debts**	**Net investment**
Current portion	**2024**	**623,274**	**(208,552)**	**(53,500)**	**361,222**
Non-current portion	**2025**	**526,786**	**(147,809)**	**-**	**378,977**
	2026	**475,598**	**(86,782)**	**-**	**388,816**
	2027	**198,447**	**(50,149)**	**-**	**148,298**
	2028	**267,634**	**(29,197)**	**-**	**238,437**
	2029	**50,596**	**(26)**	**-**	**50,570**
Total non-current portion		**1,519,061**	**(313,963)**	**-**	**1,205,098**
Total		**2,142,335**	**(522,515)**	**(53,500)**	**1,566,320**

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	December 31, 2022				
	Years	Gross Investment	Unearned finance income	Allowance For doubtful debts	Net investment
Current portion	2023	539,742	(153,359)	(63,136)	323,247
Non-current portion	2024	424,129	(103,418)	-	320,711
	2025	357,430	(53,917)	-	303,513
	2026	125,821	(26,689)	-	99,132
	2027	138,850	(15,305)	-	123,545
	2028	22,837	(11)	-	22,826
Total non-current portion		1,069,067	(199,340)	-	869,727
Total		1,608,809	(352,699)	(63,136)	1,192,974

a) The movement in allowance for impairment loss is given below:

	2023	2022
January 1	**63,136**	64,126
Reversal during the year (note 26)	**(6,659)**	(9,306)
Provision transferred on closure of 'purchase and agency agreements' and terminations-net	**65,538**	22,716
Amount written off during the year	**(68,515)**	(14,400)
December 31	**53,500**	63,136

b) The ageing of gross finance lease receivables which are past due and considered impaired by the management is as follows:

	2023	2022
1 - 3 months	**3,375**	13,110
4 - 6 months	**1,769**	2,634
7 - 12 months	**2,994**	4,489
More than 12 months	**14,486**	22,475
	22,624	42,708

The not yet due portion of above overdue finance lease receivables as of December 31, 2023 amounts to SR 105 million (December 31, 2022: SR 62.29 million).

9.2 Net investment in finance lease relating to real estate

	2023	2022
Gross investment in finance lease relating to real estate	**504,426**	336,602
Less: unearned finance income	**(162,267)**	(110,006)
Present value of lease payments receivables	**342,159**	226,596
Less: Allowance for impairment loss (note a)	**(9,727)**	(6,834)
Net investment in finance lease relating to real estate	**332,432**	219,762

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	December 31, 2023				
	Years	**Gross Investment**	**Unearned finance Income**	**Allowance For doubtful debts**	**Net investment**
Current portion	**2024**	**88,621**	**(41,672)**	**(9,727)**	**37,222**
Non-current portion	**2025**	**88,415**	**(33,622)**	**-**	**54,793**
	2026	**80,993**	**(26,602)**	**-**	**54,391**
	2027	**67,706**	**(20,039)**	**-**	**47,667**
	2028	**51,619**	**(14,685)**	**-**	**36,934**
	2029	**41,345**	**(10,566)**	**-**	**30,779**
	Beyond 2029	**85,727**	**(15,081)**	**-**	**70,646**
Total non-current portion		**415,805**	**(120,595)**	**-**	**295,210**
Total		**504,426**	**(162,267)**	**(9,727)**	**332,432**

	December 31, 2022				
	Years	Gross Investment	Unearned finance income	Allowance For doubtful debts	Net investment
Current portion	2023	57,915	(27,114)	(6,834)	23,967
Non-current portion	2024	58,796	(22,192)	-	36,604
	2025	52,294	(17,711)	-	34,583
	2026	45,523	(13,383)	-	32,140
	2027	34,406	(9,717)	-	24,689
	2028	24,643	(7,131)	-	17,512
	Beyond 2028	63,025	(12,758)	-	50,267
Total non-current portion		278,687	(82,892)	-	195,795
Total		336,602	(110,006)	(6,834)	219,762

a) The movement in allowance for impairment loss is given below:

	2023	2022
January 1	**6,834**	-
Transferred from ALJUREF	**-**	7,381
Charge/(reversal) during the year (note 26)	**3,065**	(547)
Amount written off during the period	**(172)**	-
December 31	**9,727**	6,834

(Expressed in thousands of Saudi Riyals unless otherwise stated)

b) The ageing of gross finance lease receivables which are past due and considered impaired by the management is as follows:

	2023	2022
1 - 3 months	**299**	849
4 - 6 months	**190**	150
7 - 12 months	**559**	2,368
More than 12 months	**2,671**	1,777
	3,719	5,144

The not yet due portion of above overdue finance lease receivables as of December 31, 2023 amounts to SR 42.97 million (December 31, 2022: SR 53.67 million).

10. NOTES RECEIVABLE

Notes receivable comprise of receivables arising from instalment sales of equipment and vehicles. For the purposes of these financial statements, the notes receivable pertaining to instalment sale of vehicles have been carried at fair value through other comprehensive income (note 10.1) and notes receivable pertaining to instalment sales of equipment have been carried at amortized cost (note 10.2), as detailed below:

	2023	2022
Notes receivable carried at fair value through other comprehensive income, net (note 10.1)	**35,616**	42,523
Notes receivable carried at amortized cost (note 10.2)	**14,241**	7,948

	2023	2022
Notes receivable carried at fair value through other comprehensive income (note 10.1) - net	**35,616**	42,523
Less: current portion	**(19,896)**	(32,182)
Non-current portion	**15,720**	10,341
Notes receivable carried at amortized cost (note 10.2) - net	**14,241**	7,948
Less: current portion	**(4,649)**	(5,274)
Non-current portion	**9,592**	2,674

10.1 Notes receivable carried at fair value through other comprehensive income

As of December 31, 2023, the amortized cost of notes receivable measured at fair value through other comprehensive income was SR 34.17 million (December 31, 2022: SR 40.64 million), whereas the fair value of this portfolio was determined to be SR 35.62 million (December 31, 2022: SR 42.52 million) resulting in fair value gain of SR 1.43 million (December 31, 2022: SR 1.88 million). The changes in the fair value during the year ended December 31, 2023 of SR 0.45 million (December 31, 2022: SR 18.3 million) are recognized in the 'statement of other comprehensive income'.

During the year ended December 31, 2023, the Company has sold portion of these notes receivables to local banks. On derecognition, the difference between the carrying amount of the notes receivables derecognized and the sum of (i) the consideration received; and (ii) any cumulative gain or loss that had been previously recognized in 'other comprehensive income' is recognized to the 'statement of income'.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

The movement in allowance for impairment loss against notes receivable carried at fair value through other comprehensive income is as follows:

	2023	2022
January 1	**6,012**	6,881
Provision transferred on closure of 'purchase and agency agreements' and terminations-net	**463**	-
Transfer of write off from notes receivable carried at fair value through other comprehensive income (note 10.2)	**-**	1,094
Charge during the year (note 26)	**7,752**	9,349
Amount written off during the year	**(2,950)**	(11,312)
December 31	**11,277**	6,012

10.2 Notes receivable carried at amortized cost

	2023	2022
Gross notes receivable	**23,031**	9,254
Less: unearned finance income	**(8,307)**	(1,052)
Present value of notes receivable	**14,724**	8,202
Less: Allowance for impairment loss (note a)	**(483)**	(254)
Net notes receivable	**14,241**	7,948

	December 31, 2023			
	Gross notes receivable	**Unearned finance income**	**Allowance for impairment loss**	**Net notes receivable**
Current portion	**8,576**	**(3,444)**	**(483)**	**4,649**
Non-current portion	**14,455**	**(4,863)**	**-**	**9,592**
Total	**23,031**	**(8,307)**	**(483)**	**14,241**

	December 31, 2022			
	Gross notes receivable	Unearned finance income	Allowance for impairment loss	Net notes receivable
Current portion	6,328	(800)	(254)	5,274
Non-current portion	2,926	(252)		2,674
Total	9,254	(1,052)	(254)	7,948

a) The movement in allowance for impairment loss is as follows:

	2023	2022
January 1	**254**	1,748
Transfer of write off from notes receivable carried at fair value through other comprehensive income (note 10.1)	**-**	(1,094)
Charge/(reversal) during the year (note 26)	**229**	(400)
December 31	**483**	254

(Expressed in thousands of Saudi Riyals unless otherwise stated)

b) The ageing of notes receivables carried at fair value through other comprehensive income and amortized cost which are past due and considered impaired by the management is as follows:

	2023	2022
1 - 3 months	**86**	67
4 - 6 months	**85**	110
7 - 12 months	**125**	8,548
More than 12 months	**18,848**	798
	19,144	9,523

The not yet due portion of above overdue notes receivables as of December 31, 2023 amounts to SR 14.6 million (December 31, 2022: SR 24.3 million).

11. LOANS AND ADVANCES TO CUSTOMERS, net

	2023	2022
Loans and advances to customers - microfinance receivables (note 11.1)	**341,227**	205,069
Loans and advances to customers - tawarruq receivables (note 11.2)	**333,390**	209,458
Total loans and advances to customers, net	**674,617**	414,527

	2023	2022
Non-current portion		
Loans and advances to customers - microfinance receivables (note 11.1)	**225,601**	126,200
Loans and advances to customers - tawarruq receivables (note 11.2)	**254,034**	144,369
	479,635	270,569
Current portion		
Loans and advances to customers - microfinance receivables (note 11.1)	**115,626**	78,869
Loans and advances to customers - tawarruq receivables (note 11.2)	**79,356**	65,089
	194,982	143,958

11.1 Loans and advances to customers - Microfinance receivables

	2023	2022
Loans and advances to customers - Microfinance receivables	**347,642**	213,845
Less: allowance for impairment loss	**(6,415)**	(8,776)
	341,227	205,069

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Year	2023	2022
Current portion	2023	**-**	78,869
	2024	**115,626**	-
Non-current portion	2024	**-**	67,601
	2025	**109,792**	41,639
	2026	**84,736**	15,064
	2027	**30,737**	1,896
	2028	**336**	-
Non-current portion		**225,601**	126,200
Total		**341,227**	205,069

a) The movement in allowance for impairment loss is as follows:

	2023	2022
January 1	**8,776**	-
Charge/(reversal) during the year (note 26)	**5,520**	(1,641)
Transferred from BRJMF	**-**	10,611
Amount written off during the year	**(7,881)**	(194)
December 30	**6,415**	8,776

b) The ageing of loans and advances to customers – microfinance receivables which are past due and considered impaired by the management is as follows:

	2023	2022
1 - 3 months	**725**	3,498
4 - 6 months	**1,037**	1,698
7 - 12 months	**1,337**	1,769
More than 12 months	**1,348**	292
	4,447	7,257

The not yet due portion of above overdue loans and advances to customers – microfinance receivables as of December 31, 2023 amounts to SR 34.13 million (December 31, 2022: SR 83.4 million).

11.2 Loans and advances to customers - Tawarruq receivables

	2023	2022
Loans and advances to customers - Tawarruq receivables	**360,568**	211,986
Less: allowance for impairment loss	**(27,178)**	(2,528)
	333,390	209,458

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Year	2023	2022
Current portion	2023	**-**	65,089
	2024	**79,356**	-
Non-current portion	2024	**-**	72,163
	2025	**113,321**	71,128
	2026	**109,290**	1,078
	2027	**17,649**	-
	2028	**13,578**	-
	2029	**196**	-
Non-current portion		**254,034**	144,369
Total		**333,390**	209,458

a) The movement in allowance for impairment loss is as follows:

	2023	2022
January 1	**2,528**	-
Charge during the year (note 26)	**24,833**	2,528
Amount written off during the year	**(183)**	-
December 30	**27,178**	2,528

b) The ageing of loans and advances to customers - Tawarruq receivables which are past due and considered impaired by the management is as follows:

	2023	2022
1 - 3 months	**1,246**	51
4 - 6 months	**2,308**	3
7 - 12 months	**8,515**	-
More than 12 months	**7**	-
	12,076	54

The not yet due portion of above overdue loans and advances to customers as of December 31, 2023 amounts to SR 64.28 million (December 31, 2022: SR 1.08 million).

12. OTHER NON-CURRENT ASSETS

	2023	2022
Employees' receivables - non-current portion	**5,806**	6,480
Net servicing asset (note 33)	**13,158**	12,071
Receivable under purchase and agency agreements - non-current portion (note 13 b)	**13,359**	138,047
Deferred consideration receivable - non-current portion (note 33)*	**177,468**	152,798
	209,791	309,396

* Current portion of deferred consideration receivables amounts to SR 129.49 million (2022: SR 108.31 million).

(Expressed in thousands of Saudi Riyals unless otherwise stated)

13. PREPAYMENTS AND OTHER RECEIVABLES

	2023	2022
Receivable under purchase and agency agreements (note b)	**52,806**	103,284
Prepaid expenses	**212,519**	89,203
Grant receivable from SAMA	**-**	-
Amount due from the Insurer	**82,847**	63,944
Employees' receivables - current portion	**3,341**	5,429
Other receivables	**31,877**	14,643
	383,390	276,503

a) Amounts due from the insurer's, employees' and other receivables are unsecured and interest free. The management estimate the allowance on amount due from the insurer, advances to employees (both current and non-current) and other receivables at the reporting date at an amount equal to lifetime ECL. Taking into account the historical default experience and the future prospects, the management considers that these receivable balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for these receivables.

b) This represents deferred lease and notes receivable installments in respect of sold finance lease and notes receivables under purchase and agency agreements paid to banks under the SAMA deferred payment program (note 35).

14. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent affiliates, shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

Pricing policies and terms of these transactions are approved by the Company's management and agreed between the concerned parties.

i) Following are the details of related party transactions during the year:

Related party	**Nature of transaction**	**2023**	2022
Ultimate Parent	Collections from Company's customers	**599**	968
Affiliates	Purchases, net	**1,644,385**	1,489,187
	Advertisement expenses	**1,080**	1,102
	Expenses charged by affiliates, net (notes 24 and 25)	**13,647**	13,215
	Supports received (rebates)	**5,605**	3,557
	Charges for customer evaluations prior to lease	**-**	8,609
	Amounts collected on behalf of an affiliate	**68**	2,863
	Accrued expenses	**-**	1,419
	Sale of repossessed cars	**19,897**	-
	Repairs and maintenance	**556**	1,057

(Expressed in thousands of Saudi Riyals unless otherwise stated)

ii) Due from related parties comprised of the following:

	2023	2022
Abdul Latif Jameel Import and Distribution Company	**756**	77
Bab Rizq Jameel Micro Finance Company	**2,689**	-
Abdul Latif Jameel Lands Company Limited	**305**	-
Abdul Latif Jameel Bodywork and Paint Company Limited	**-**	113
Al Mumaizah United Company ("Ultimate Parent")	**-**	186
Al-Tasweyah for Debts Collection Company Limited	**3**	49
Al Ufuq Auction Company	**4,677**	330
	8,430	755

The above balances are unsecured, interest free and have no fixed repayment. The management estimate the allowance on due from related party balance at the reporting date at an amount equal to lifetime ECL. No receivable from a related party at the reporting date is past due. Taking into account the historical default experience and the future prospects of the industry in which the related party operates, the management considers that the related party balance are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowance for balance due from related party.

iii) Due to related parties comprised the following:

	2023	2022
Abdul Latif Jameel Retail Company Limited	**137,658**	192,071
Abdul Latif Jameel for Automotive Wholesale Company Limited	**75,931**	193,926
Salim Saleh Saeed Babqui Trading Company Limited	**1,613**	1,173
Mutalba Debt Collection Company	**786**	-
Abdul Latif Jameel Bodywork and Paint Company Limited	**99**	-
Abdul Latif Jameel Lands Company Limited	**-**	487
Al Mumaizah United Company ("Ultimate Parent")	**176**	-
Abdul Latif Jameel Company Limited	**624**	576
Abdul Latif Jameel Technology Company Limited	**1,856**	1,828
Abdul Latif Jameel Technology Products Company Limited	**422**	46
Abdul Latif Jameel Company for Information and Services Limited	**-**	871
Abdul Latif Jameel United Real Estate Finance Company	**384**	193,214
Bab Rizq Jameel Micro finance company	**-**	89,697
Abdul Latif Jameel Industrial Equipment Company Limited	**1,173**	300
Abdul Latif Jameel Modern Trading Company Limited	**-**	215
	220,722	674,404

The total amount of compensation paid to key management personnel during the year is as follows:

	2023	2022
Directors' remuneration	**7,513**	4,705
Short-term employee benefits	**12,000**	12,000
Employee benefits liabilities	**1,880**	460
	21,393	17,165

The Company's Board of Directors includes the Board and other Board related committees (Credit and Risk Management Committee and Audit Committee). Compensation to the Company's key management personnel includes salaries, non-cash benefits allowances (excluding bonuses) and post-employment defined benefits plans.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

15. CASH AND BANK BALANCES

	2023	2022
Cash in hand	**1,661**	2,091
Bank balances	**308,309**	1,194,518
Cash and cash equivalents	**309,970**	1,196,609
Other deposits (having maturity of more than 3 months) (note 'b' & 'd')	**876,377**	109,945
Cash and bank balances	**1,186,347**	1,306,554

a) During the year, the Company earned SR 115.89 million (December 31, 2022: SR 55.89 million) on the Murabaha local and foreign currency deposits, including call deposits and long term deposits (see 'c' below) at the rate of return ranging from 4.25% to 6.20% (December 31, 2022: 0.80% to 5.65%).

b) As of December 31, 2023, this includes Murabaha deposits of SR 72.3 million (December 31, 2022: SR 109.7 million) representing amounts set aside in respect of employee benefits liabilities.

c) Details of foreign currency time deposits included in cash and bank balances and long-term deposits is follows:

	2023	2022
Cash and bank balances	**429**	431
Other deposits (note 'd')	**804,116**	-
	804,545	-
Long term deposits (note 'e')	**610,437**	1,343,424
Total	**1,414,982**	1,343,855

d) At each reporting date, all bank balances including short-term Murabaha and other deposits are assessed to have low credit risk as they are held with reputable and high credit rating institutions and there has been no history of default with any of the Company's bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

e) These are foreign currency deposits with maturity in January 2025.

16. STATUTORY RESERVE

As per the requirements of the Regulations for Companies in the Kingdom of Saudi Arabia, the Company has established a statutory reserve by the appropriation of at least 10% of net income until the reserve equaled to 30% of the share capital. This was achieved in prior years and any further appropriations were discontinued. This reserve is not available for dividend distribution. Under the new Regulations for Companies, which is effective January 19, 2023, the New Companies Law did not apply any mandatory statutory reserve and allowed the company to decide on the required reserves which must be specified in the relevant bylaws.

17. EMPLOYEE BENEFITS LIABILITIES

The Company operates an unfunded employees' end of service benefits and ex-gratia benefits scheme for its permanent employees.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

The present value of total employee benefits liabilities recognized in the statement of financial position is as follows:

	2023	2022
End-of-service benefits (note 17.1)	**58,065**	51,663
Ex-gratia benefits (note 17.2)	**12,200**	47,247
	70,265	98,910

The amounts recognized in the statement of comprehensive income in respect of these benefits are as follows:

	2023	2022
Current service cost (note 17.1 and 17.2)	**9,063**	12,376
Interest cost (note 17.1 and 17.2)	**3,811**	3,573
Loss on plan amendment (note 17.1)	**16,488**	-
Gain on curtailments (note 17.2)	**(27,498)**	-
	1,864	15,949

The amount recognized in the other comprehensive income in respect of these benefits are as follows:

	2023	2022
Net change in actuarial gains (notes 17.1 and 17.2)	**14,386**	19,834

17.1 The movement in the present value of the end-of-service benefits is as follows:

	2023	2022
January 1	**51,663**	60,166
Current service cost	**5,270**	6,214
Interest cost	**2,160**	1,857
Loss on plan amendment	**16,488**	-
Remeasurement gain arising from:		
- financial assumptions	**(1,808)**	(5,611)
- experience adjustments	**(6,241)**	(3,076)
Transfers, net	**3,322**	5,918
Benefits paid	**(12,789)**	(13,805)
December 31	**58,065**	51,663

17.2 The movement in the present value of the ex-gratia benefits is as follows:

	2023	2022
January 1	**47,247**	55,730
Current service cost	**3,793**	6,162
Interest cost	**1,651**	1,716
Gain on curtailments	**(27,498)**	-
Remeasurement gain arising from:		
- financial assumptions	**(307)**	(5,702)
- experience adjustments	**(6,030)**	(5,445)
Transfers, net	**1,100**	3,951
Benefits paid	**(7,756)**	(9,165)
December 31	**12,200**	47,247

(Expressed in thousands of Saudi Riyals unless otherwise stated)

During the year, the Company restructured a component of the benefits used for the calculation of end of service benefits for its employees effective August 31, 2023 and September 30, 2023. As a result of this change, any increase in the end of service benefits as of the date of the change was to be adjusted against the available balance of the ex-gratia benefits of the respective employees. The balance, if any, of the ex-gratia benefits, after the adjustment as of the dates of the change, shall be considered as the total benefits payable to the respective employees with no further accruals. This was accounted for as a net adjustment to the statement of profit or loss and other comprehensive income of SR 11.01 million.

Actuarial assumptions

The main financial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows:

	2023	2022
Discount rate	**4.8%**	4.35%
Expected rate of salary increase	**2.5%**	2.50%

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.

End of service benefits	**December 31, 2023**		December 31, 2022	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	**(4,124)**	**4,712**	(3,915)	4,518
Future salary growth	**4,751**	**(4,228)**	4,512	(3,980)

Ex-gratia benefits	**December 31, 2023**		December 31, 2022	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	**(710)**	**793**	(3,793)	4,390
Future salary growth	**-**	**-**	4,386	(3,857)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented may not be representative of the actual change in the employee benefits liabilities as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the sensitivity analysis, the present value of the employee benefits liabilities has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the employee benefits liabilities recognized in the statement of financial position. There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

As of December 31, 2023, an independent actuarial exercise has been conducted to ensure the adequacy of provision for employees' end of service benefits and ex-gratia benefits in accordance with the rules stated under the Saudi Arabian Labor Law and those set by the Company's management respectively by using the Projected Unit Credit Method as required under IAS 19 Employee Benefits.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

18. LEASE LIABILITIES

	2023	2022
January 1	**2,901**	7,164
Additions	**2,756**	1,677
Accretion of interest	**212**	282
Payments	**(2,426)**	(5,110)
Disposals	**(128)**	-
Modifications	**99**	(1,112)
December 31	**3,414**	2,901
Analysis of:		
Non-current	**1,245**	1,722
Current	**2,169**	1,179
	3,414	2,901

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function and are denominated in Saudi Riyal.

19. BANK BORROWINGS

	2023	2022
Borrowings at amortized costs		
Social Development Bank loan (note a)	**15,846**	29,178
Arabian National Bank loan (note b)	**150,131**	-
Al Rajhi bank loan (i) (note c)	**150,120**	-
Al Rajhi bank loan (ii) (note d)	**50,042**	-
Less: current portion of bank borrowings	**(108,294)**	(15,458)
Non-current portion	**257,845**	13,720

a) This represents loan transferred from BRJMF as a result of transfer of business during the year ended December 31, 2022 (note 1). On January 12, 2022, BRJMF obtained a line of credit from the Social Development Bank ("SDB") for SR 20,000,000 to provide concessional loans as per the approved criteria. Further on October 14, 2022 BRJMF obtained an additional credit from SDB for SR 10,000,000 to provide concessional loans. The loans are repayable in 36 monthly installments after a grace period of 6 and 3 months respectively. The loans carry an admin fee charged by the social Development Bank.

b) This represents loan obtained from as a commercial bank namely Arabian National Bank on December 27, 2023. The loan was obtained for a period of three years, maturing on December 27, 2026, carrying a fixed annual interest rate of 6.5% and is repayable in 12 quarterly installments ending on the maturity date. The loan carry an admin fee charged by the Arabian National Bank.

c) This represents loan obtained from as a commercial bank namely Al Rajhi Bank on December 27, 2023. The loan was obtained for a period of five years, maturing on December 27, 2028, carrying a fixed annual interest rate of 5.94% and is repayable in 20 quarterly installments ending on the maturity date. The loan carry an admin fee charged by the Al Rajhi Bank.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

d) This represents loan obtained from as a commercial bank namely Al Rajhi Bank on December 27, 2023. The loan was obtained for a period of three years, maturing on December 27, 2026, carrying a fixed annual interest rate of 6.29% and is repayable in 12 quarterly installments ending on the maturity date. The loan carry an admin fee charged by the Al Rajhi Bank.

e) The scheduled maturities of the bank borrowings outstanding are as follows:

	2023	2022
2023	**-**	13,333
2024	**108,560**	11,944
2025	**101,455**	3,901
2026	**96,869**	-
2027	**30,146**	-
2028	**29,109**	-
	366,139	29,178

20. OTHER NON-CURRENT LIABILITIES

	2023	2022
Present value of net servicing liability - non-current portion	**5,709**	6,850
Provision against expected defaults and discounts in respect of sold finance lease and notes receivable - non-current portion (note 33)	**177,468**	152,730
	183,177	159,580

21. ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

	2023	2022
Accounts payable – trade	**123,077**	32,085
Accrued expenses*	**40,137**	50,333
Zakat payable (note 28)	**72,932**	54,774
Payable under purchase and agency agreements (note 33)	**760,517**	841,366
Present value of net servicing liability - current portion (note 33)	**7,613**	9,617
Amount due to the insurer	**62,079**	57,802
Current portion of lease liabilities (note 18)	**2,169**	1,179
Provision for onerous arrangement (note a)	**-**	20,756
Advance collections and other payables	**203,474**	138,123
	1,271,998	1,206,035

* Accrued expenses include amounts due to related parties amounting to nil (December 31, 2022: SR 1.3 million).

a) The movement in the provision for onerous insurance arrangements is as follows:

	2023	2022
January 1	**20,756**	1,086
(Reversal)/charge for the year (note 23)	**(20,756)**	19,670
December 31	**-**	20,756

(Expressed in thousands of Saudi Riyals unless otherwise stated)

22. REVENUES

	2023	2022
Income from finance lease relating to vehicles	**159,359**	115,495
Income from finance lease relating to real estate	**34,324**	2,540
Income from instalment sales	**34,970**	15,986
Income from loans and advances to customers - microfinance receivables	**43,429**	3,396
Income from loans and advances to customers - tawarruq receivables	**53,660**	11,232
Contract fee income	**38,476**	25,911
Income from purchase and agency agreements (note 33)	**97,485**	100,854
Others	**19,564**	30,747
	481,267	306,161

23. DIRECT COSTS

	2023	2022
Direct cost on instalment sales contracts	**27,512**	7,987
Direct costs on finance lease relating to vehicles	**43,315**	36,754
Direct costs on finance lease relating to real estate	**2,886**	25
Direct costs on loans and advances to customers - microfinance receivables	**535**	160
Direct costs on loans and advances to customers – tawarruq receivables	**8,876**	2,509
(Reversal)/charge for provision for onerous contract (note 21)	**(20,756)**	19,670
	62,368	67,105

24. SELLING AND MARKETING EXPENSES

	2023	2022
Salaries and related costs	**108,877**	104,346
Depreciation on property and equipment (note 6)	**2,534**	2,053
Depreciation on right-of-use assets (note 6)	**2,345**	4,811
Advertisement	**10,844**	7,136
Communication	**11,964**	10,690
Expenses charged by affiliates, net (note 14)	**3,190**	3,148
Others	**21,167**	19,445
	160,921	151,629

25. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Salaries and related costs	**107,093**	121,928
Depreciation (note 6)	**9,042**	10,531
Amortization (note 7)	**4,496**	4,710
Donations	**30,373**	6,355
Expenses charged by affiliates, net (note 14)	**10,457**	10,067
Others	**47,259**	25,367
	208,720	178,958

(Expressed in thousands of Saudi Riyals unless otherwise stated)

26. IMPAIRMENT CHARGE ON FINANCIAL ASSETS

	2023	2022
Reversal of impairment on lease receivables relating to vehicles (note 9.1)	**(6,659)**	(9,306)
Impairment charge/(reversal) of impairment on lease receivables relating to real estate (note 9.2)	**3,065**	(547)
Impairment charge on notes receivable carried at fair value through other comprehensive income (note 10.1)	**7,752**	9,349
Impairment charge/(reversal) of impairment on notes receivable carried at amortized cost (note 10.2)	**229**	(400)
Impairment charge/(reversal) of impairment on loans and advances to customers - microfinance receivables (note 11.1)	**5,520**	(1,641)
Impairment charge on loans and advances to customers – tawarruq receivables (note 11.2)	**24,833**	2,528
(Reversal)/charge of impairment on receivables under purchase and agency agreements	**(574)**	827
	34,166	810

27. OTHER INCOME

	2023	2022
Recoveries of amounts previously written off	**29,453**	42,138
Profit share recognized in insurance arrangement (see note 1(b))	**-**	67,893
Others	**12,146**	7,874
	41,599	117,905

28. ZAKAT

The principal elements of the zakat base are as follows:

	2023	2022
Non-current assets	**2,910,214**	3,067,390
Non-current liabilities	**512,532**	273,932
Opening shareholders' equity	**2,715,317**	2,492,098
Income before zakat	**492,138**	253,328

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in zakat provision is as follows:

	2023	2022
January 1	**54,774**	51,002
Provision for the year	**50,743**	31,665
Payments during the year	**(32,585)**	(27,893)
December 31 (note 21)	**72,932**	54,774

(Expressed in thousands of Saudi Riyals unless otherwise stated)

Status of zakat assessments

For the year 2012, ZATCA issued an assessment claiming additional zakat of SR 27.6 million against which the Company filed an objection, which was not accepted by the ZATCA, therefore, the Company requested that the objection be forwarded to the Preliminary Objection Committee. However, the Company has retracted the objection and settled the above amount. The zakat declaration for the year 2013 is currently under review by the ZATCA and the declarations for the years 2014 to 2018 have been finalized (with an overpayment of SR 5.53 million as an excess amount refunded by ZATCA on March 23, 2022), while the declaration for 2019, 2020, 2021 and 2022 is under review. Further, the Company has a zakat certificate valid up to April 30, 2024.

29. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Company. The basic and diluted earnings per share are calculated as follows:

	2023	2022
Net income for the year *(in SR’000)*	**441,395**	221,663
Weighted average number of ordinary shares (in’000) (note 1)	**100,000**	100,000
Basic and diluted earnings per share (expressed in SR per share)	**4.41**	2.22

30. DIVIDEND

During the year ended December 31, 2021, the Board of Directors proposed the distribution of dividends out of the net profits of the Company for the years 2019 and 2020. The Company received no objection letter from SAMA to distribute dividend amounting to SR 514.9 million represented by an amount of SR 290.8 million in respect of the year ended December 31, 2019 and SR 224.1 million in respect of the year ended December 31, 2020. The dividend was paid to the shareholders on 4 Rabi’II 1443H (corresponding to November 9, 2021).

During the year ended December 31, 2022, the Board of Directors proposed the distribution of dividend and the Company has received no objection letter from SAMA to distribute dividend amounting to SR 453.1 million represented by an amount of SR 180.6 million in respect of the year ended December 31, 2019 and 2020 and SR 272.5 million in respect of the year ended December 31, 2021, out of the net profits of the Company.

On December 8, 2022, the Board of Directors recommended to revoke the above-mentioned approval of dividends. Subsequently, this recommendation for cancellation of dividends was approved by shareholders in the extraordinary general meeting held on December 9, 2022. The Company communicated the approval for cancellation of dividends to SAMA on December 20, 2022.

31. NON-CASH TRANSACTIONS

	2023	2022
Actuarial gains	**14,386**	19,834
Transfers from capital work-in-progress (note 6)	**399**	4,892
Net assets transferred in (note 1)	**-**	291,297
Movement in fair value reserve	**(451)**	(18,280)
Lease modifications	**99**	-
Receivable under purchase and agency agreements	**66,167**	197,458
Payable under purchase and agency agreements	**67,414**	213,288

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. Risk management is carried out by senior management under policies approved by those charged with governance ("TCWG"). Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Company's Treasury function advises on the financial risks and the appropriate financial risk governance framework based on approved policies for managing each of these risks, which are summarized below.

TCWG has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to TCWG.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Financial instruments carried on the statement of financial position include loans and advances to customers, cash and cash equivalents, finance lease receivables, notes receivables, advances to employees, bank borrowings, payable to SAMA, due to related parties and lease liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Before entering into purchase and agency arrangements with banks, the Company is exposed to interest rate fair value risk on its financial assets to be sold. The Company monitors the market interest rate movements and negotiates the terms of the agreements with various banks and the majority of the receivables are sold to the banks.

The Company has realized gains on sale of these financial assets.

The Company is also exposed to interest rate cash flow risk mainly on its short-term deposits. The effective interest rate on short-term deposits is 5.56% (December 31, 2022: 2.58%).

(Expressed in thousands of Saudi Riyals unless otherwise stated)

The following table demonstrates the change in the value of short-term deposits due to fluctuation of 10 basis points in interest rate. With all other variables held constant, the Company's annual profit is affected through the impact on floating rate short-term deposits, as follows:

	Effect on profit SR '000'
December 31, 2023	
-0.1%	**(1,637)**
+0.1%	**1,637**
December 31, 2022	
-0.1%	(454)
+0.1%	454

Interest rate sensitivity of assets and liabilities

The Company manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarizes the Company's exposure to interest rate risks. Included are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

Interest rate sensitivity of assets and liabilities is as follows:

	Interest bearing			Non-interest	
December 31, 2023	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**bearing**	**Total**
Assets					
Property and equipment	-	-	-	68,891	68,891
Intangible assets	-	-	-	14,947	14,947
Investment classified as FVOCI	-	-	-	893	893
Net investment in finance lease	398,444	1,500,308	-	-	1,898,752
Notes receivable carried at amortized cost	4,649	9,592	-	-	14,241
Notes receivables carried at fair value through other comprehensive income	19,896	15,720	-	-	35,616
Loans and advances to customers - microfinance receivables	115,626	225,601	-	-	341,227
Loans and advances to customers - tawarruq receivables	79,356	254,034	-	-	333,390
Other non-current assets	-	-	-	209,791	209,791
Inventories	-	-	-	48,354	48,354
Prepayments and other receivables	-	-	-	383,390	383,390
Deferred consideration receivable	-	-	-	129,487	129,487
Due from related parties	-	-	-	8,430	8,430
Long term deposit	-	610,437	-	-	610,437
Cash and bank balances	876,377	-	-	309,970	1,186,347
Total Assets	**1,494,348**	**2,615,692**	**-**	**1,174,153**	**5,284,193**
Liabilities					
Employee benefits liabilities	-	-	-	70,265	70,265
Other non-current liabilities	-	-	-	183,177	183,177
Lease liabilities	2,169	1,245	-	-	3,414
Bank borrowings	108,294	257,845	-	-	366,139
Accounts payable, accrued and other liabilities	-	-	-	1,269,829	1,269,829
Due to related parties	-	-	-	220,722	220,722
Total liabilities	**110,463**	**259,090**	**-**	**1,743,993**	**2,113,546**
Cumulative interest rate sensitivity gap	**1,383,885**	**2,356,602**	**-**	**(569,840)**	**3,170,647**

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Interest bearing			Non-interest	
December 31, 2022	Within 1 year	1 to 5 years	Over 5 years	bearing	Total
Assets					
Property and equipment	-	-	-	58,194	58,194
Intangible assets	-	-	-	6,377	6,377
Investment classified as FVOCI	-	-	-	893	893
Net investment in finance lease	347,214	1,065,522	-	-	1,412,736
Notes receivable carried at amortized cost	5,274	2,674	-	-	7,948
Notes receivables carried at fair value through other comprehensive income	32,182	10,341	-	-	42,523
Loans and advances to customers - microfinance receivables	78,869	126,200	-	-	205,069
Loans and advances to customers - tawarruq receivables	65,089	144,369	-	-	209,458
Other non-current assets	-	-	-	309,396	309,396
Inventories	-	-	-	27,331	27,331
Prepayments and other receivables	-	-	-	276,503	276,503
Deferred consideration receivable	-	-	-	108,311	108,311
Due from related parties	-	-	-	755	755
Long term deposit	-	1,343,424	-	-	1,343,424
Cash and bank balances	109,945	-	-	1,196,609	1,306,554
Total Assets	638,573	2,692,530	-	1,984,369	5,315,472
Liabilities					
Employee benefits liabilities	-	-	-	98,910	98,910
Other non-current liabilities	-	-	-	159,580	159,580
Lease liabilities	1,179	1,722	-	-	2,901
Bank borrowings	15,458	13,720	-	-	29,178
Payable to SAMA	430,326	-	-	-	430,326
Accounts payable, accrued and other liabilities	-	-	-	1,204,856	1,204,856
Due to related parties	-	-	-	674,404	674,404
Total liabilities	446,963	15,442	-	2,137,750	2,600,155
Cumulative interest rate sensitivity gap	191,610	2,677,088	-	(153,381)	2,715,317

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. All of the purchases and sales of the Company are made in Saudi Riyals. As the Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year, and the historical empirical data shows that US Dollar and Saudi Riyal are pegged, hence, the Company was not exposed to any significant currency risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate 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.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by the company through its treasury department by monitoring the maturity profile of the Company’s financial instruments to ensure that adequate liquidity is maintained or made available, as necessary to the Company.

This risk is managed through sale of receivables to different banks as disclosed in note 33. The average credit period on purchases of vehicles from an affiliate and third parties is up to one month. No interest is charged on the accounts payable. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Company's financial liabilities primarily consist of due to related parties, accounts payable and other liabilities, payable under purchase and agency agreements and amount due to Insurer. A portion of these financial liabilities are expected to be settled within 12 months from the reporting date and the Company expects to have adequate liquid funds to do so.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

Maturity analysis of assets and liabilities as per management estimation

The table below shows an analysis of assets and liabilities, analyzed according to when they are expected to be recovered or settled.

	Fixed maturity			No fixed	
December 31, 2023	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**maturity**	**Total**
Assets					
Investment classified as FVOCI	-	-	-	893	893
Net investment in finance lease	398,444	1,500,308	-	-	1,898,752
Notes receivable carried at amortized cost	4,649	9,592	-	-	14,241
Notes receivables carried at fair value through other comprehensive income	19,896	15,720	-	-	35,616
Loans and advances to customers - microfinance receivables	115,626	225,601	-	-	341,227
Loans and advances to customers - tawarruq receivables	79,356	254,034	-	-	333,390
Other non-current assets (a)	-	196,634	-	-	196,634
Prepayments and other receivables (b)	170,870	-	-	-	170,870
Deferred consideration receivable	129,487	-	-	-	129,487
Due from related parties	8,430	-	-	-	8,430
Long term deposit	-	610,437	-	-	610,437
Cash and bank balances	1,186,347	-	-	-	1,186,347
Financial assets	**2,113,105**	**2,812,326**	**-**	**893**	**4,926,324**
Liabilities					
Lease liabilities	2,169	1,245	-	-	3,414
Accounts payable, accrued and other liabilities (c)	569,525	-	-	-	569,525
Bank borrowings	108,294	257,845	-	-	366,139
Due to related parties	220,722	-	-	-	220,722
Financial liabilities	**900,710**	**259,090**	**-**	**-**	**1,159,800**
Liquidity gap arising from financial instruments	**1,212,395**	**2,553,236**	**-**	**893**	**3,766,524**

a) This excludes net servicing asset (note 12).
b) This excludes prepaid expenses (note 13).
c) This excludes accrued expenses, present value of net servicing liability, provision against expected defaults and discounts in respect of sold finance lease and notes receivable, provision for onerous arrangement and advance collection and other payables (note 21).

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Fixed maturity			No fixed	
December 31, 2022	Within 1 year	1 to 5 years	Over 5 years	maturity	Total
Assets					
Investment classified as FVOCI	-	-	-	893	893
Net investment in finance lease	347,214	1,065,522	-	-	1,412,736
Notes receivable carried at amortized cost	5,274	2,674	-	-	7,948
Notes receivables carried at fair value through other comprehensive income	32,182	10,341	-	-	42,523
Loans and advances to customers - microfinance receivables	78,869	126,200	-	-	205,069
Loans and advances to customers - tawarruq receivables	65,089	144,369	-	-	209,458
Other non-current assets (a)	-	297,325	-	-	297,325
Prepayments and other receivables (b)	187,300	-	-	-	187,300
Deferred consideration receivable	108,311	-	-	-	108,311
Due from related parties	1,509	-	-	-	1,509
Long term deposit	-	1,343,424	-	-	1,343,424
Cash and bank balances	1,306,554	-	-	-	1,306,554
Financial assets	2,132,302	2,989,855	-	893	5,123,050
Liabilities					
Lease liabilities	1,179	1,722	-	-	2,901
Payable to SAMA	430,326	-	-	-	430,326
Accounts payable, accrued and other liabilities (c)	658,144	-	-	-	658,144
Bank borrowings	15,458	13,720	-	-	29,178
Due to related parties	674,404	-	-	-	674,404
Financial liabilities	1,779,511	15,442	-	-	1,794,953
Liquidity gap arising from financial instruments	352,791	2,974,413	-	893	3,328,097

a) This excludes net servicing asset (note 12).
b) This excludes prepaid expenses (note 13).
c) This excludes accrued expenses, present value of net servicing liability, provision against expected defaults and discounts in respect of sold finance lease and notes receivable, provision for onerous arrangement and advance collection and other payables (note 21).

(Expressed in thousands of Saudi Riyals unless otherwise stated)

Credit risk and concentration of credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk on cash and bank balances, net investment in finance lease relating to vehicles, net investment in finance lease relating to real estate, notes receivable, loans and advances to customers, due from related parties, net deferred consideration receivable, employees' receivables, amount due from insurer and other receivables. The Company has established procedures to manage credit exposure including, credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines. The Companies risk committee manages the overall credit risk strategy.

Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers.

The Company manages concentration of credit risk exposure through diversification of activities and sale of eligible notes receivable and future net investment in finance lease receivables to different banks through purchase and agency agreements. However, the Company mitigates its credit risk through evaluation of credit worthiness through one of its affiliates (note 14) and regulator and by obtaining promissory notes and by retaining the title of the vehicle leased out. For certain types of customers, the maximum credit limits are defined. An allowance for doubtful finance lease and notes receivable is maintained at a level which, in the judgment of management, is adequate to provide for impairment losses on delinquent receivables.

All finance lease and notes receivable are secured mainly through promissory notes and by retaining the title of the vehicle leased out and yield a fixed rate of commission for each contract. The title of the vehicles sold under finance lease agreements is held in the name of the Company as collateral to be repossessed, in case of default by the customer.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Credit quality analysis

i) Financial assets carried at fair value through other comprehensive income (FVOCI)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income as of December 31, 2023 and December 31, 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

a) Gross carrying amounts/exposure at default

	December 31, 2023			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	**18,364**	**600**	**16,652**	**35,616**

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	17,309	454	24,760	42,523

b) Allowance for ECL

	December 31, 2023			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Notes receivable carried at fair value through other comprehensive income	**385**	**26**	**10,866**	**11,277**

	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	225	15	5,772	6,012

ii) Financial assets, carried at amortized cost

The following tables set out information about the credit quality of financial assets measured at amortized cost as of December 31, 2023 and December 31, 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

a) Gross carrying amounts

	December 31, 2023			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease relating to vehicles	**2,036,701**	**82,585**	**23,049**	**2,142,335**
Net investment in finance lease relating to real estate	**467,514**	**6,771**	**30,141**	**504,426**
Notes receivable carried at amortized cost	**19,623**	**2,642**	**766**	**23,031**
Loans and advances to customers - microfinance receivables	**413,406**	**8,365**	**15,048**	**436,819**
Loans and advances to customers - tawarruq receivables	**435,545**	**14,189**	**28,581**	**478,315**
Carrying amount	**3,372,789**	**114,552**	**97,585**	**3,584,926**

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease relating to vehicles	1,533,273	31,204	44,332	1,608,809
Net investment in finance lease relating to real estate	288,870	19,252	28,480	336,602
Notes receivable carried at amortized cost	8,345	367	542	9,254
Loans and advances to customers - microfinance receivables	227,585	20,101	13,993	261,679
Loans and advances to customers - tawarruq receivables	272,878	523	13	273,414
Carrying amount	2,330,951	71,447	87,360	2,489,758

b) Allowance for ECL

	December 31, 2023			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease relating to vehicles	**26,765**	**3,310**	**23,425**	**53,500**
Net investment in finance lease relating to real estate	**3,133**	**363**	**6,231**	**9,727**
Notes receivable carried at amortized cost	**193**	**44**	**246**	**483**
Loans and advances to customers - microfinance receivables	**2,344**	**298**	**3,773**	**6,415**
Loans and advances to customers - tawarruq receivables	**12,990**	**634**	**13,554**	**27,178**
	45,425	**4,649**	**47,229**	**97,303**

	December 31, 2022			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease relating to vehicles	18,059	2,275	42,802	63,136
Net investment in finance lease relating to real estate	578	988	5,268	6,834
Notes receivable carried at amortized cost	95	17	142	254
Loans and advances to customers - microfinance receivables	250	324	8,202	8,776
Loans and advances to customers - tawarruq receivables	2,495	28	5	2,528
	21,477	3,632	56,419	81,528

The allowance for ECL for net investment in finance lease relating to vehicles also includes the expected credit Losses on insurance, which the Company arranges on behalf of the customers (note 9).

Amounts arising from ECL - Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

The Company groups its receivables into Stage 1, Stage 2, and Stage 3 as described below:

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

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

Stage 3: Receivables considered credit impaired. The Company records an allowance for the Lifetime ECL.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

a) Generating the term structure of PD

For the determination of term structure of PD for exposures, the Company does not recognize the deterioration of credit quality to intermediate-risk buckets/grades. Rather PD term structure has been created using cumulative PD methodologies.

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

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors as well as in depth analysis of the input of certain other factors (e.g. forbearance experience) on the risk of default include oil prices, inflation, manufacturing purchasing manager’s index, money supply, GDP etc. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

b) 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, which is determined under basis of Company's staging criteria.

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

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

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

No change has been made in the backstop criteria for all types of exposures.

c) Modified financial assets

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

When the terms of finance lease, notes receivables and loans and advances to customers are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

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

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

d) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the Company including principal instalments, interest payments and fees.
- The Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

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

e) Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom of Saudi Arabia and selected private sector and academic forecasters.
The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

There have been no changes to the types of forward looking variables (key economic drivers) used as model inputs in the current year.

f) Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

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 and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. 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 history of recovery rates of claims against defaulted counterparties while also incorporating forward-looking information through Jacobs & Frye method. The LGD models consider the structure, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

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

The Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) 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 repayment of an advance or terminate a finance lease, notes receivables and loans and advances arrangement.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of finance lease, notes receivables and loans and advances to customers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

Updates to the ECL Methodology

- As of January 1, 2022, the Company has made following material changes as a result of the change in the ECL Methodology and new SAMA rules:
- It has aligned with the SAMA guidelines the governance and controls framework over ECL estimation and reporting focusing on data integrity and model validation.
- Revised and more recent portfolio data has been used to compute the PD and LGD.
- Updated macroeconomic forecasts were used to update PIT PD and LGD estimates.
- The gross outstanding as of reporting date and each future prediction date (monthly) is considered as the EAD as opposed to net outstanding.
- Cool off periods have been defined with minimum time interval for which an account needs to stay in the worse stage before being transferred to a better stage after the criteria for classification into worse stage no longer persists.

g) Governance and controls

In addition to the existing risk management framework, the Company has established a Steering Committee for oversight of IFRS 9 impairment process that includes representation from Finance, Risk and Information Technology (IT), as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors. The Framework and related controls have been approved by the board of directors.

h) Capital management

The Company’s capital management objectives are to ensure the Company’s ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

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

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	2023	2022
Aggregate financing to capital ratio (Total financing (net investment in finance lease, notes receivable and loans and advances to customers, net) divided by total shareholders' equity)	**0.83 times**	0.69 times

33. PURCHASE AND AGENCY AGREEMENTS

The Company has entered into purchase and agency agreements (the "agreements") with certain local banks in respect of certain financial assets comprising of finance lease, notes receivable and tawarruq receivables (collectively referred as "receivables").

Under the terms of the purchase and agency agreements, the Company first sells the eligible receivables to the banks and then manages them on behalf of the banks as an agent for a monthly fee as per the terms of the purchase and agency agreements.

During the year ended December 31, 2023, the Company sold SR 2,789.9 million of its net receivables (December 31, 2022: SR 2,153.6 million) and the total amount received from the bank in respect of such sale was SR 3,054.8 million (December 31, 2022: SR 2,303.1 million). Upon sale, the Company derecognizes the receivables from its books and recognizes the difference as either gain or loss on derecognition of receivables (note d).

The following are the significant terms of the agreement:

a) The Company continues to manage the sold receivables on behalf of the banks for a fee (agency fee). The total settlement of net receivables to be made to the banks as an agent (as per the agreed cash flows) under purchase and agency arrangements amount to SR 6,911.1 million as of December 31, 2023 (December 31, 2022: SR 5,362.4 million).

The maturity analysis of derecognized receivables is as follows:

Under purchase and agency Agreements	**Upto 1 year**	**2 – 3 years**	**After 3 years**	**Total**
December 31, 2023	**2,447,121**	**3,532,171**	**931,796**	**6,911,088**
December 31, 2022	2,047,597	2,256,192	1,058,623	5,362,412

b) Each agreement is supported by a "cash flow statement" which stipulates the principal amount and the monthly receivables falling due. Under the terms of the agreements, the Company, in the capacity of an agent, settles to the banks monthly amount based on the cash flow statement. Any excess collections over and above the stipulated amounts and after retaining the amount for the next month's repayment are transferred monthly by the Company to the banks. The amount of the next month's repayment is recognized as a liability and included in payable under purchase and agency agreements (note 21).

c) A reserve is to be maintained out of the monthly receipts, which is to be distributed at the end of the term of the agreements after deducting the actual defaults and discounts on premature terminations. The balance in the reserve account after deducting the actual defaults and discounts shall be retained by the Company as deferred consideration on sale of receivables. Any shortfall in the reserve account is to be borne by the banks.

d) During the year ended December 31, 2023, the Company made a gain amounting to SR 277.8 million (December 31, 2022: SR 162.2 million) on derecognition of receivables sold to the banks under the agreements, which is calculated as follows:

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	2023	2022
Gross amount of finance lease receivables sold	**3,184,099**	2,800,623
Gross amount of tawarruq receivables sold	**526,021**	-
Less: deferred finance income	**(920,209)**	(647,467)
Less: present value of deferred consideration receivable (note i)	**-**	-
Less: present value of net servicing liability (note ii)	**(12,881)**	(12,196)
Less: amounts received from the banks	**(3,054,798)**	(2,303,110)
Net gain on derecognition of receivables	**277,768**	162,150

During the year, certain purchase and agency agreements (lease and notes receivables), previously entered into by the Company, matured and the Company has recorded a net gain amounting to SR 66.1 million (December 31, 2022: 27.2 million) after deducting the actual customer defaults and discounts on premature terminations and has obtained the final settlement and discharge letters from the banks with respect to these agreements. The total gain on derecognized receivables for the year is as follows:

	2023	2022
Gain on derecognition of receivables	**277,768**	162,150
Gain on closure of derecognized pools upon maturity	**66,078**	27,226
	343,846	189,376

i. The Deferred consideration receivable represents the continuing involvement in the transferred asset. Provision against expected defaults in respect of sold receivables represents a guarantee provided by the Company under purchase and agency agreements to pay for default losses on a transferred asset. These have been disclosed as deferred consideration receivable (note 12) and provision against expected defaults and discounts in respect of sold receivables (notes 20 and 21).

ii. The Company's net servicing assets and related liabilities is calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreement, and by estimating the present value of servicing liability and related provisions. The net amount is classified as a net servicing asset or a net servicing liability on the statement of financial position. This has been presented as follows:

	2023	2022
Net servicing assets (note 12)	**13,158**	12,071
Net servicing liability	**13,322**	16,467
Less: current portion (note 21)	**(7,613)**	(9,617)
Non-current portion (note 20)	**5,709**	6,850

The present value of deferred consideration receivable, the provision against default and the present value of net servicing asset and net servicing liability is calculated by using the appropriate discount rate (note 4).

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, net investment in finance lease relating to vehicles, net investment in finance lease relating to real estate, net notes receivable, loans and advances to customers, due from related parties, net deferred consideration receivable, employees' receivables, amount due from insurer and other receivables. Its financial liabilities consist of due to related parties, accounts payable, payable under purchase and agency agreements, lease liabilities and amount due to Insurer.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

The fair values of the financial instruments are not materially different from their carrying values except for the net investment in finance lease relating to vehicles, net investment in finance lease relating to real estate, notes receivable portfolio measured at amortized cost, loans and advances to customers and the employee benefit liabilities which are measured at present values.

The Company's management determines the policies and procedures for both recurring fair value measurement and form on-recurring measurement.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides the fair value measurement hierarchy of the Company's financial assets as at December 31, 2023 and December 31, 2022.

December 31, 2023

		Fair value measurement using		
	Total	**Quoted prices in active market (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets measured at fair value				
Notes receivable classified as fair value through other comprehensive income	**35,616**	**-**	**-**	**35,616**
Investment classified as fair value through other comprehensive income	**893**	**-**	**-**	**893**

December 31, 2022

		Fair value measurement using		
	Total	Quoted prices in active market (Level 1)	Significant Observable Inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value				
Notes receivable classified as fair value through other comprehensive income	42,523	-	-	42,523
Investment classified as fair value through other comprehensive income	893	-	-	893

There were no transfers between Level 1 and Level 2 during 2023 and 2022.

35. IMPACT OF SAMA SUPPORT PROGRAMS

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2021 to provide the necessary support to the Micro, Small and Medium Enterprises ("MSMEs") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

Deferred payments program

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Company deferred payments and extended maturities on lending facilities to all eligible MSMEs

As part of business transfer agreement, ALJUREF and BRJMF transferred the profit free deposits amounting to SR 25.6 million and SR 30.9 million respectively, received by them from SAMA under deferred payment programs (note 1).

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement. The deferred payment program ended on March 31, 2022.

In order to compensate the related cost that the Company had incurred under the SAMA and other public authorities program, the Company has received multiple profit free deposits from SAMA amounting to SR 1,125.22 million with varying maturities, which qualify as government grants since the initiation of SAMA program till the reporting date. During the year ended December 31, 2022, an amount of SR 2.9 million was recorded in the statement of profit or loss and other comprehensive income for the year then ended.

Management determined based on communication from SAMA that the government grant primarily related to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidized funding rate was accounted for on a systematic basis, in accordance with government grant accounting requirements. Management exercised certain judgements in the recognition and measurement of this grant income. During the year ended December 31, 2023, a total of SR 12.31 million (December 31, 2022: SR 19.8 million) has been charged to the statement of profit or loss and other comprehensive income relating to unwinding of profit free deposit from SAMA.

Funding for lending program

During 2020, the Company had received additional profit free deposit from SAMA amounting to SR 10 million with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment. The benefit of the interest free deposit has been accounted for on a systematic basis, in accordance with government grant accounting requirements.

Loan guarantee program

In a separate communication from SAMA, the above funding for lending program was superseded with the loan guarantee program, whereby the Company would be required to provide finance to specific segment of the customers in accordance with the terms and conditions of the program and SAMA regulations. During 2020, the Company received an additional amount of SR 20 million with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment.

As part of business transfer agreement, BRJMF transferred the profit free deposits amounting to SR 2.8 million received from SAMA under loan guarantee program (note 1).

Repayments of SAMA Programs

The Company has repaid the entire amount to SAMA upon maturity since the start of the programs till December 31, 2023. An amount of SR 442.6 million, inclusive of interest, was paid during the year.

Based on clarification by SAMA, the Company has applied the above programs on MSME and individuals.

The Company has not participated in the Point of sale (“POS”) and e-commerce service fee support program.

During May 2020, SAMA issued a guidance document entitled “Guidance on Accounting and Regulatory Treatment of COVID-19 - Extraordinary Support Measures”. The Company has considered the guidance issued in the preparation of these financial statements.

As of December 1, 2022, pursuant the business transfer agreement signed on December 22, 2022 and amended on December 31, 2022 with ALJUREF and BRJMF, SR 25.58 million and SR 32.99 million respectively were transferred to the Company by ALJUREF and BRJMF respectively at carrying values in their respective books as of December 1, 2022. Prior to signing the agreement and transfer of the loan, ALJUREF and BRJMF obtained the no-objection letter from SAMA confirming that the SAMA agreement as well as the liability to repay SAMA Loan Instalments, as they become due, shall be transferred from BRJMF and ALJUREF to ALJUF.

36. EVENTS AFTER THE REPORTING YEAR

Subsequent to the year end, the Company executed purchase and agency agreements with certain local commercial banks to sell SR 826.43 million of its financial assets. Under the terms of the purchase and agency agreements, the Company sold the eligible receivables to the bank net of insurance premiums and undertook to manage them on behalf of the bank as an agent for a monthly fee as per the terms of the purchase and agency agreement.

37. BOARD OF DIRECTORS’ APPROVAL

These financial statements were approved by the Board of Directors on February 29, 2024 (corresponding to 19 Sha’ban, 1445).