TAMWEEL Al OULA COMPANY

(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2023

TAMWEEL Al OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
At 31 December 2023

Table of contents **Pages**

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAMWEEL AL OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Tamweel Al Oula Company (A Single Shareholder Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and 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 are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAMWEEL AL OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF TAMWEEL AL OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
Registration No. (437)

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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Al Khobar: 22 Sha'ban 1445H
3 March 2024

TAMWEEL Al OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	***2023*** ***SR***	*2022* *SR*
Revenue from main operations	6	**308,509,599**	206,662,726
Finance cost	7	**(24,801,322)**	(19,760,811)
GROSS REVENUE FROM MAIN OPERATIONS		**283,708,277**	186,901,915
Revenue from other activities	8	**16,340,361**	18,846,544
NET REVENUE FROM OPERATIONS		**300,048,638**	205,748,459
EXPENSES			
Depreciation and amortisation	9	**(6,109,154)**	(5,850,801)
Selling and advertising	11	**(68,650,330)**	(37,670,790)
General and administrative	10	**(34,880,068)**	(21,164,706)
Charge for expected credit losses on islamic finance receivables	12	**(48,027,467)**	(51,054,992)
PROFIT BEFORE ZAKAT		**142,381,619**	90,007,170
Zakat	26	**(14,680,591)**	(9,243,059)
PROFIT FOR THE YEAR		**127,701,028**	80,764,111
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on employees' defined benefits liabilities	22	**(779,628)**	(298,543)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**126,921,400**	80,465,568
Earnings per share			
Basic and diluted earnings per share	19	**2.54**	1.76

The attached notes 1 to 32 form part of these financial statements.

TAMWEEL Al OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	***2023*** *SR*	*2022* *SR*
ASSETS			
Bank balances and cash	18	**26,304,771**	21,626,376
Prepayments and other receivables	17	**70,715,782**	197,015,207
Net investment in islamic finance receivables	12	**3,084,217,038**	2,213,634,301
Equity investment at fair value through other comprehensive income "OCI"	16	**892,850**	892,850
Property and equipment	15	**4,659,748**	4,622,076
Right-of-use assets	13	**4,597,329**	8,237,971
Intangible assets	14	**2,436,893**	1,900,589
TOTAL ASSETS		**3,193,824,411**	2,447,929,370
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDER'S EQUITY			
Share capital	19	**500,000,000**	500,000,000
Statutory reserve		**32,018,542**	19,248,439
Retained earnings		**149,070,910**	94,919,613
TOTAL SHAREHOLDERS' EQUITY		**681,089,452**	614,168,052
LIABILITIES			
Provision for zakat	26	**14,680,591**	9,280,400
Accrued expenses and other liabilities	25	**46,645,060**	43,107,562
Trade payables	23	**184,494,416**	135,487,171
Loans and borrowings	20	**2,188,689,750**	1,570,983,699
Lease liabilities	21	**3,462,114**	7,591,303
Government grant	20.1 & 20.3	**62,908,644**	56,570,812
Amounts due to related parties	24	**3,233,312**	3,726,326
Employees’ defined benefits liabilities	22	**8,621,072**	7,014,045
TOTAL LIABILITIES		**2,512,734,959**	1,833,761,318
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,193,824,411**	2,447,929,370

The attached notes 1 to 32 form part of these financial statements.

TAMWEEL Al OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended 31 December 2023

	Share capital *SR*	*Statutory reserve* *SR*	*Retained earnings* *SR*	*Total* *SR*
As at 1 January 2022	250,000,000	11,172,028	55,530,456	316,702,484
Profit for the year	-	-	80,764,111	80,764,111
Other comprehensive loss for the year	-	-	(298,543)	(298,543)
Total comprehensive income for the year	-	-	80,465,568	80,465,568
Transfer to statutory reserve	-	8,076,411	(8,076,411)	-
Dividends	-	-	(33,000,000)	(33,000,000)
Increase in capital (note 19)	250,000,000	-	-	250,000,000
As at 31 December 2022	500,000,000	19,248,439	94,919,613	614,168,052
As at 1 January 2023	500,000,000	19,248,439	94,919,613	614,168,052
Profit for the year	-	-	127,701,028	127,701,028
Other comprehensive loss for the year	-	-	(779,628)	(779,628)
Total comprehensive income for the year	-	-	126,921,400	126,921,400
Transfer to statutory reserve	-	12,770,103	(12,770,103)	-
Dividends	-	-	(60,000,000)	(60,000,000)
As at 31 December 2023	**500,000,000**	**32,018,542**	**149,070,910**	**681,089,452**

The attached notes 1 to 32 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	*2023* SR	*2,022* SR
OPERATING ACTIVITIES			
Profit before zakat		**142,381,619**	90,007,170
Adjustments to reconcile profit before zakat for the year to net cash flows:			
Depreciation of property and equipment	15	**1,523,096**	1,149,907
Depreciation of right-of-use assets	13	**3,640,642**	3,527,869
Amortisation of intangible assets	14	**945,416**	1,173,025
Finance costs and bank charges		**100,413,434**	69,428,559
Employees' defined benefits liabilities, charged	22	**1,909,785**	1,345,151
Charge of expected credit loss on islamic finance receivables	12	**48,027,467**	51,054,992
Interest expense on lease liabilities	21	**184,397**	332,134
Grant income realised		**(75,796,510)**	(49,667,748)
Loss on sale of property and equipment		**47,592**	18,967
		223,276,938	168,370,026
Changes in operating assets and liabilities:			
Net investment in Islamic finance receivables		**(918,610,204)**	(571,084,600)
Prepayments and other receivables		**126,299,425**	(108,695,015)
Amounts due to related parties		**(493,014)**	1,309,435
Trade payables		**49,007,245**	46,059,573
Accrued expenses and other liabilities		**3,537,498**	16,390,302
Cash used in operations		**(516,982,112)**	(447,650,279)
Employees' defined benefits liabilities, paid		**(1,082,386)**	(157,316)
Zakat paid		**(9,280,400)**	(5,108,356)
Finance costs and bank charges paid		**(19,494,643)**	(7,917,675)
Net cash used in operating activities		**(546,839,541)**	(460,833,626)
INVESTING ACTIVITIES			
Purchase of property and equipment	15	**(1,608,360)**	(2,547,208)
Additions of intangible assets	14	**(1,481,720)**	(959,986)
Net cash used in investing activities		**(3,090,080)**	(3,507,194)
FINANCING ACTIVITIES			
Capital increase by cash injection		**-**	250,000,000
Dividends paid		**(60,000,000)**	(33,000,000)
Payment of lease liabilities		**(4,313,586)**	(3,628,617)
Proceeds from loans and borrowings		**1,876,532,682**	979,856,000
Repayment of loans and borrowings		**(1,257,611,080)**	(776,963,457)
Net cash from financing activities		**554,608,016**	416,263,926
NET INCREASE / (DECREASE) IN BANK BALANCES AND CASH		**4,678,395**	(48,076,894)
Bank balances and cash at the beginning of the year		**21,626,376**	69,703,270
BANK BALANCES AND CASH AT THE END OF THE YEAR		**26,304,771**	21,626,376

The attached notes 1 to 32 form part of these financial statements.

1 CORPORATE INFORMATION

Tamweel Al Oula Company ("the Company"), is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050055043 dated 15 Ramadan 1436H (corresponding to 2 July 2015).

The Company is engaged in providing financial leasing in addition to financing production assets and offering consumer finance in accordance with the license number 39/ASH/201512 dated 21 Safar 1437H (corresponding to 3 December 2015) issued by Saudi Central Bank ("SAMA").

The Company's registered office is located at PO 34232, Dammam, Kingdom of Saudi Arabia. The Company operates through the following branches:

Commercial Registration Name	***Number***	***Location***	***Date***
Tamweel Al Oula - Branch	2051065442	Al Khobar	17/04/1439H
Tamweel Al Oula - Branch	2252101795	Al Hasa	02/06/1439H
Tamweel Al Oula - Branch	1010691639	Riyadh	19/07/1442H
Tamweel Al Oula - Branch	4030416684	Jeddah	14/10/1442H
Tamweel Al Oula - Branch	5855360923	Khamis Mushait	13/11/1443H

The financial statements of the Company as of 31 December 2023 were authorised for issuance on 19 Sha'ban 1445H (corresponding to 29 February 2024).

2 BASIS OF PREPARATION

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

Basis of measurement
The financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except where otherwise disclosed in the accounting policies. The statement of financial position is stated in order of liquidity.

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.

Presentation and functional currency
The presentation and functional currency of the Company is Saudi Riyal.

3 MATERIAL ACCOUNTING POLICIES

The material accounting policy information adopted by the Company in preparing these financial statements are applied consistently, which are as follows:

Fair value measurement

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between the levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Revenue recognition

Ijara ("Islamic lease receivable")

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

Tawarruq revenue

The amortized cost of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective commission rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

3 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

However, for financial assets that have become credit-impaired subsequent to initial recognition, commission income is calculated by applying the effective commission rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of commission income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, commission income is calculated by applying the credit-adjusted effective commission rate to the amortized cost of the asset. The calculation of commission income does not revert to a gross basis, even if the credit risk of the asset improves.

Insurance reimbursed/(paid), net

As part of the periodic installments due from customers, the Company charges customers for insurance cover on the vehicles under Ijarah contracts. Insurance charges represent cost of insurance (premium). Consequently, premiums are paid to the Insurers for the insurance cover for the assets under lease. Insurance income less any directly attributable expenses is recognized over the insured period of leased vehicles.

Service fees

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

Other income

Other income is recognized when earned.

General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of the operating activities of the Company.

Finance costs

Finance costs are expensed in the period to which they relate. Finance costs consist of profit and other costs that the Company incurs in connection with the borrowing of funds and amortisation of financial charges and lease liabilities.

Zakat

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") applicable on financing companies. Zakat expense is charged to the profit or loss. The charge for the period is calculated based on estimated zakat charge for the whole year.

The zakat base computed in accordance with the formula specified in the zakat Regulations is also subject to thresholds for minimum and maximum liability.

Zakat is provided in accordance with the regulations of ZATCA in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to profit or loss.

Value added tax (VAT)

Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

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

3 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Islamic finance receivables

Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee such transfers are classified as Islamic financing receivables. Islamic financing receivables are recorded at the lower of the fair value of the financing asset and the present value of the minimum payments.

The Company offers its customers certain non-commission based products, which are approved by its Shariah Board, as follows:

Ijara

Ijara is a an agreement whereby the Company, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee. The difference between the gross receivables and the present value of the receivables is recognised as unearned finance income. Finance income from Ijara contract is recognised over the term of the Ijara using the net investment method, which reflects a constant periodic rate of return.

Murabaha

Murabaha is an agreement whereby the Company sells to a customer an asset which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

Gross amounts due under the Murabaha sale contracts include the total of future sale payments on the Murabaha agreement (Murabaha sale contract receivable). The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha sale contracts receivable.

Tawarruq

Tawarruq is a form of Murabaha transactions where the Company purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements. The customer has the option to appoint whom he see's to sell the commodity, inluding the Company, according to a form approved by the Sharia'a committee. Then the agent deposits the proceeds in the customer's account.

Musharaka

Musharaka is an agreement between the Comapny and a bank to contribute to a certain investment enterprise or the ownership of a certain property ending up with the acquisition by the bank of the full ownership. The profit or loss is shared as per the terms of the agreement.

Bank balances and cash

Bank balances and cash on hand in the statement of financial position comprise cash at banks and cash on hand, which are subject to insignificant risk of change in value.

3 MATERIAL ACCOUNTING POLICIES (continued)

Lease

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a) Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives

Lease liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the average borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term and low value assets' leases

Short-term leases are leases with a lease term of 12 months or less. Low-value assets are items that do not meet the Company's capitalization threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the statement of profit or loss.

Leases in which substantially all the risks and benefits of ownership of the asset are not transferred to the Company are classified as operating leases. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

b) Company as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

3 MATERIAL ACCOUNTING POLICIES (continued)

Lease (continued)

b) Company as a lessor (continued)

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Contracts based on Musharakah, which in substance represents a syndicated finance lease arrangement, is recorded as net investment in finance lease and is stated at cost, representing the balance of the Company’s share in the Musharakah

Intangible assets

Intangible assets includes software; intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. 'Intangible assets are amortised over a period of 1 - 5 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

3 MATERIAL ACCOUNTING POLICIES (continued)

Property and equipment (continued)
Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Leasehold improvements	5
Office furniture and fixtures	4
Computers	4

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVIS).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- *(i)* Financial assets at amortised cost (debt instruments)
- *(ii)* Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- *(iii)* Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- *(iv)* Financial assets at fair value through profit or loss

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes net investment in Islamic finance receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Company does not have debt instruments carried at fair vlaue through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 "*Financial Instruments: Presentation* " and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. 'The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Company does not have any assets carried at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  (a) the Company has transferred substantially all the risks and rewards of the asset, or

  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Derecognition (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial instruments

The Company recognises loss allowances for Expected Crdit Losses ("ECL") on the following financial instruments that are not measured at fait value through profit or loss:

- Investment in islamic finance receivables;

No impairment loss is recognized on FVOCI 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:

- Finaning 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 asset that are possible within the 12 months after the reporting date. Financial assets for which 12-month ECL are recognized are referred to as 'Stage1' financial assets. Financial assets allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial assets or the maximum contractual period of exposure. Financial assets for which lifetime ECL are recognized but that are not credit-impaired are referred to as 'Stage 2 financial assets'. Financial assets allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor credit-impaired.

Financial assets for which the lifetime ECL are recognized and that are credit-impaired are referred to as 'Stage 3 financial assets'.

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);
- 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;

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")

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial instruments (continued)

Measurement of ECL

To evaluate a range of possible outcomes, the Company formulates various scenarios. For each scenario, the Company derives an ECL and applies a probability weighted approach to determine the impairment allowance in accordance with the applicable accounting standards requirements.

The above parameters are generally derived from internally developed statistical models and historical data which are adjusted for forward looking information.

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 customer, then an assessment is made of whether the financial asset should be derecognized and ECL is 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 effective interest rate of the existing financial asset.

Credit-impaired Islamic financing receivables

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired (Stage 3 financial assets). A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

Presentation of allowance for ECL in the statement of financial position

Allowance for ECL of financial assets measured at amortised cost are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial instruments (continued)

Measurement of ECL (continued)

Write-off

Financing facilities are written off (either partially or in full) when there is no realistic prospect of recovery. Based won historical experience, this is assessed to be when loans are 1,080 days past due. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

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 real estate properties, Kafalah guarantees and personal guarantees.

Collateral, unless repossessed, is not recorded on the Company's statements of financial position. However, the fair value of the real estate collateral affects the calculation of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a yearly basis.

Non-financial collateral, such as real estate, is valued by third party valuers appointed by the Company.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. 'The Company’s financial liabilities include trade payables, amounts due to related parties, lease liabilities and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at fair value through profit or loss
(ii) Loans and borrowings

Out of above, only the category (ii) is applicable for the Company, which is described hereunder:

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. 'This category generally applies to interest-bearing loans and borrowings.

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

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

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

Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

Statutory reserve

In accordance with the previous Saudi Arabian Companies Law, 10% of the profit for the year is required to be transferred to the statutory reserve each year. The shareholders' may resolve to discontinue such transfer when the reserve equals 30% of the capital. This reserve is not normally available for distribution except in circumstances specified in the Saudi Arabian Regulations for Companies. The new Companies Law has removed such requirment, however the Company has not updated its bylwas. The Company has two-year grace period to update its bylaws.

3 MATERIAL ACCOUNTING POLICIES (continued)

Employees' benefits

(i) Short term obligations

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

(ii) Employees' terminal benefits

The Company has end of service benefits which is qualifies as defined benefits plan. The net pension liability or liability recognised in the statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefits obligation (DBO) less fair value of plan assets, if any.

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets. This cost is included in employee benefit expense in the statement of income.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognised immediately in the statement of income as past service costs.

In KSA, for the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labor and Workmen Law as well as the Company policy.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where management of the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current Pre-tax (Zakat) rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Accounting for government grants and disclosure of government assistance

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant and is recognised in the statement of profit or loss on a systematic basis over the period in which the entity recognises as expense the related costs which the grants is intended to compensate.

Cash dividends

The Company's recognises a liability to pay dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. a corresponding amount is recognised directly in equity.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS as endorsed in KSA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets, liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The Company has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2021 about future events that the Company believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses.

Estimates and assumptions

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies (that have the most significant effect on the amount recognised in the financial statements) include:

Credit losses of islamic finance receivables

Impairment of Ijara and Tawarruq financing receivable 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.

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 loss rate (LR) to the individual pool of receivables and assessing the exposure at default (EAD).
- The Company's criteria for assessing the credit losses for islamic finance receivables to be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment.
- The segmentation of islamic finance receivables when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the appropriate inputs.
- Determination of associations between macroeconomic scenarios and economic inputs, such as government spending, and the effect on LR.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Credit losses of islamic finance receivables (continued)

The current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These would primarily revolve around either adjusting macroeconomic factors used by the Company in estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Company in ECL estimation.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

Determination of discount rate for below-market loans:

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration time value of money. The Company determines the discount rate for below-market loans with reference to similar loans obtained from non-government agencies.

Valuation of employees’ defined benefits liabilities

Employees’ defined benefits liabilities represent obligations that will be settled in the future and require assumptions to project obligations, if any. The accounting requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases, mortality rates and employment turnover. Periodically, management of the Company consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee' defined benefit costs incurred.

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for uncertain liabilities involve management’s best estimate of whether cash outflows are probable.

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no impact on the Company’s financial statements.

5 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company’s financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company’s disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company’s financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company’s financial statements.

6 REVENUE FROM MAIN OPERATIONS

	2023	*2022*
	SR	*SR*
Tawarruq revenue	**134,136,487**	122,457,553
Ijarah revenue	**159,372,943**	81,234,931
Reimbursed insurance, net	**15,000,169**	2,970,242
	308,509,599	206,662,726

Customer wise revenue recognition

	2023	*2022*
	SR	*SR*
External customers	**270,257,501**	163,345,511
Related parties	**38,252,098**	43,317,215
	308,509,599	206,662,726

All of the Company's revenue is generated in the Kingdom of Saudi Arabia. The Company recognises the revenue in accordance with IFRS 9 "Financial Instruments" requirements.

7 FINANCE COST

	2023	*2022*
	SR	*SR*
Finance costs on loans and borrowings	**23,921,250**	18,864,683
Finance costs on employees' defined benefits liabilities (note 22)	**323,421**	136,132
Finance costs on lease liabilities (note 21)	**184,397**	332,134
Bank charges	**372,254**	427,862
	24,801,322	19,760,811

8 REVENUE FROM OTHER ACTIVITIES

	2023	*2022*
	SR	*SR*
Discounts from suppliers	**7,760,592**	12,770,275
Bad debts recovries	**3,254,798**	4,038,099
Income from term deposit	**3,234,346**	435,121
Others	**2,090,625**	1,603,049
	16,340,361	18,846,544

9 DEPRECIATION AND AMORTISATION

	2023	*2022*
	SR	*SR*
Depreciation of right-of-use assets (note 13)	**3,640,642**	3,527,869
Amortization of intangible assets (note 14)	**945,416**	1,173,025
Depreciation of property and equipment (note 15)	**1,523,096**	1,149,907
	6,109,154	5,850,801

10 GENERAL AND ADMINISTRATIVE

	2023	*2022*
	SR	*SR*
Salaries and employees' related expenses	**21,702,252**	12,053,590
IT services	**3,337,843**	1,276,544
Value added expenses	**1,838,207**	602,601
Utilities expenses	**1,735,602**	1,238,733
Other expenses	**1,390,720**	1,190,761
Services charges	**1,081,248**	391,407
Professional and consulting fees	**867,508**	1,313,441
Training expenses	**670,767**	1,002,022
Governmental licenses and fees	**640,759**	809,644
Travel and transportation expenses	**588,798**	619,596
Office supplies	**453,886**	448,932
Repair and maintenance	**280,763**	133,595
Donations	**258,715**	50,840
Rent	**33,000**	33,000
	34,880,068	21,164,706

11 SELLING AND ADVERTISING

	2023	*2022*
	SR	*SR*
Salaries and employees' related expenses	**37,594,845**	25,895,520
Applications programming and interface expenses	**15,299,849**	3,324,276
Advertising expenses	**9,594,621**	4,204,627
Services charges	**6,161,015**	4,246,367
	68,650,330	37,670,790

12 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES

	2023	*2022*
	SR	*SR*
Gross investment in Islamic finance receivables	**3,888,747,338**	2,711,108,543
Less: unearned finance income	**(684,140,707)**	(420,750,627)
Investment in Islamic finance receivables (before allowance for expected credit losses on Islamic finance receivables)	**3,204,606,631**	2,290,357,916
Less: allowance for expected credit losses on Islamic finance receivables	**(120,389,593)**	(76,723,615)
Net investment in Islamic finance receivables	**3,084,217,038**	2,213,634,301
Analysed as follows:		
Net investment in Islamic finance receivables, non-current	**1,680,729,868**	1,299,156,563
Net investment in Islamic finance receivables, current	**1,403,487,170**	914,477,738
	3,084,217,038	2,213,634,301

Below are the details of the Company's net investment in Islamic finance receivables stage wise:

31 December 2023

	Stage 1 (12-month ECL)	*Stage 2 (life-time ECL but not credit impaired)*	*Stage 3 (life-time ECL credit impaired)*	*Total*
	SR	*SR*	*SR*	*SR*
Ijarah				
Investment in Islamic finance	**986,607,526**	**207,456,729**	**173,195,713**	**1,367,259,968**
Expected credit losses	**(9,778,994)**	**(1,452,295)**	**(21,056,514)**	**(32,287,803)**
	976,828,532	**206,004,434**	**152,139,199**	**1,334,972,165**
Tawarruq				
Investment in Islamic finance	**1,184,602,521**	**387,968,465**	**264,775,677**	**1,837,346,663**
Expected credit losses	**(15,838,265)**	**(2,750,526)**	**(69,512,999)**	**(88,101,790)**
	1,168,764,256	**385,217,939**	**195,262,678**	**1,749,244,873**
	2,145,592,788	**591,222,373**	**347,401,877**	**3,084,217,038**

31 December 2022

	Stage 1 (12-month ECL)	*Stage 2 (life-time ECL but not credit impaired)*	*Stage 3 (life-time ECL credit impaired)*	*Total*
	SR	*SR*	*SR*	*SR*
Ijarah				
Investment in Islamic finance receivables	630,309,390	147,454,620	252,893,824	1,030,657,834
Expected credit losses	(2,245,674)	(1,536,632)	(29,966,807)	(33,749,113)
	628,063,716	145,917,988	222,927,017	996,908,721
Tawaruq				
Investment in Islamic finance receivables	637,450,066	420,965,330	201,284,686	1,259,700,082
Expected credit losses	(6,269,232)	(3,171,824)	(33,533,446)	(42,974,502)
	631,180,834	417,793,506	167,751,240	1,216,725,580
	1,259,244,550	563,711,494	390,678,257	2,213,634,301

12 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES (continued)

An analysis of changes in ECL allowance and gross carrying amounts by prodcut is, as follows:

Ijarah

	Net carrying amount				*Provision for expected credit losses*			
	Stage1	*Stage2*	*Stage3*	*Total*	*Stage1*	*Stage2*	*Stage3*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
At 1 January 2022	661,412,671	25,869,390	18,730,605	706,012,666	5,261,915	153,466	2,825,048	8,240,429
Transfers from stage 1	(167,574,520)	42,928,943	124,645,577	-	(16,317,002)	545,059	15,771,943	-
Transfers from stage 2	362,202	(12,514,720)	12,152,518	-	1,900	(1,670,488)	1,668,588	-
Transfers from stage 3	-	6,741	(6,741)	-	-	37	(37)	-
Financial assets settled during the year	(274,984,868)	(3,688,084)	(3,999,602)	(282,672,554)	(3,835,392)	(17,689)	(1,338,466)	(5,191,547)
Financial assets originated during the year	520,578,942	103,734,922	106,485,201	730,799,065	1,548,600	967,851	10,958,887	13,475,338
Net re-measurement of carrying amount	(109,485,037)	(8,882,572)	(4,180,433)	(122,548,042)	15,585,653	1,558,396	1,014,145	18,158,194
Net carrying amount before write off	630,309,390	147,454,620	253,827,125	1,031,591,135	2,245,674	1,536,632	30,900,108	34,682,414
Written off during the year	-	-	(933,301)	(933,301)	-	-	(933,301)	(933,301)
At 31 December 2022	630,309,390	147,454,620	252,893,824	1,030,657,834	2,245,674	1,536,632	29,966,807	33,749,113
At 1 January 2023	630,309,390	147,454,620	252,893,824	1,030,657,834	2,245,674	1,536,632	29,966,807	33,749,113
Transfers from stage 1	(102,954,178)	62,929,856	40,024,322	-	(6,154,523)	655,196	5,499,327	-
Transfers from stage 2	42,287,682	(57,581,359)	15,293,677	-	161,600	(1,773,159)	1,611,559	-
Transfers from stage 3	26,049,362	36,996,037	(63,045,399)	-	558,804	183,983	(742,787)	-
Financial assets settled during the year	(97,602,809)	(11,074,289)	(46,727,563)	(155,404,661)	(717,042)	(720,062)	(16,142,049)	(17,579,153)
Financial assets originated during the year	628,540,513	89,827,316	51,154,882	769,522,711	2,274,759	454,827	4,205,410	6,934,996
Net re-measurement of carrying amount	(140,022,434)	(61,095,452)	(76,396,213)	(277,514,099)	11,409,722	1,114,878	(3,339,936)	9,184,664
Net carrying amount before write off	986,607,526	207,456,729	173,197,530	1,367,261,785	9,778,994	1,452,295	21,058,331	32,289,620
Written off during the year	-	-	(1,817)	(1,817)	-	-	(1,817)	(1,817)
At 31 December 2023	**986,607,526**	**207,456,729**	**173,195,713**	**1,367,259,968**	**9,778,994**	**1,452,295**	**21,056,514**	**32,287,803**

12 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES (continued)

Tawarruq

	Net carrying amount				*Provision for expected credit losses*			
	Stage1	*Stage2*	*Stage3*	*Total*	*Stage1*	*Stage2*	*Stage3*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
At 1 January 2022	1,003,497,599	9,893,540	2,817,705	1,016,208,844	19,369,758	38,120	968,509	20,376,387
Transfers from stage 1	(339,541,883)	182,658,996	156,882,887	-	(21,882,981)	1,338,348	20,544,633	-
Transfers from stage 2	32,428	(322,399)	289,971	-	149	(121,938)	121,789	-
Transfers from stage 3	-	-	-	-	-	-	-	-
Financial assets settled during the year	(83,127,861)	(31,985)	(2,167,992)	(85,327,838)	(661,992)	(2,914)	(1,629,534)	(2,294,440)
Financial assets originated during the year	374,239,786	233,172,623	43,591,600	651,004,009	3,412,320	1,817,003	12,646,589	17,875,912
Net re-measurement of loss allowance	(317,650,003)	(4,405,445)	1,885,408	(320,170,040)	6,031,978	103,205	2,896,353	9,031,536
Provision before write off	637,450,066	420,965,330	203,299,579	1,261,714,975	6,269,232	3,171,824	35,548,339	44,989,395
Written off during the year	-	-	(2,014,893)	(2,014,893)	-	-	(2,014,893)	(2,014,893)
At 31 December 2022	637,450,066	420,965,330	201,284,686	1,259,700,082	6,269,232	3,171,824	33,533,446	42,974,502
At 1 January 2023	637,450,066	420,965,330	201,284,686	1,259,700,082	6,269,232	3,171,824	33,533,446	42,974,502
Transfers from stage 1	(74,536,624)	48,651,216	25,885,408	-	(10,299,820)	367,137	9,932,683	-
Transfers from stage 2	14,150,609	(54,820,303)	40,669,694	-	58,177	(4,913,337)	4,855,160	-
Transfers from stage 3	8,019,441	4,077,131	(12,096,572)	-	18,410	29,713	(48,123)	-
Financial assets settled during the year	(119,486,371)	(15,722,492)	(38,079,249)	(173,288,112)	(14,682)	(10,512)	(514,059)	(539,253)
Financial assets originated during the year	941,817,597	147,517,880	98,512,311	1,187,847,788	14,066,637	1,929,802	33,373,238	49,369,677
Net re-measurement of loss allowance	(222,812,197)	(162,700,297)	(47,040,929)	(432,553,423)	5,740,311	2,175,899	(7,259,674)	656,536
Provision before write off	1,184,602,521	387,968,465	269,135,349	1,841,706,335	15,838,265	2,750,526	73,872,671	92,461,462
Written off during the year	-	-	(4,359,672)	(4,359,672)	-	-	(4,359,672)	(4,359,672)
At 31 December 2023	**1,184,602,521**	**387,968,465**	**264,775,677**	**1,837,346,663**	**15,838,265**	**2,750,526**	**69,512,999**	**88,101,790**

12 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES (continued)

The movement in the allowance for expected credit losses on finance receivables is as follows:

	2023	*2022*
	SR	*SR*
At the beginning of the year	**76,723,615**	28,616,817
Provided during the year	**48,027,467**	51,054,992
Written off during the year	**(4,361,489)**	(2,948,194)
At the end of the year	**120,389,593**	76,723,615

The maturity of the gross investment in Islamic finance receivables as at 31 December 2023 and 2022 is as follows:

	Gross investment in Islamic finance receivables	*Unearned lease finance income*	*Net investment in Islamic finance receivables*
	SR	*SR*	*SR*
No later than one year	**1,746,713,715**	**343,226,545**	**1,403,487,170**
Later than one year but not later than five years	**2,021,644,030**	**340,914,162**	**1,680,729,868**
	3,768,357,745	**684,140,707**	**3,084,217,038**

	Gross investment in Islamic finance receivables	*Unearned lease finance income*	*Net investment in Islamic finance receivables*
	SR	*SR*	*SR*
No later than one year	1,108,172,560	193,694,822	914,477,738
Later than one year but not later than five years	1,526,212,368	227,055,805	1,299,156,563
	2,634,384,928	420,750,627	2,213,634,301

12.1 Current protion of the gross investment in Islamic finance receivables has been netted off against the ECL provision amouting to SR 120.3 million (2022: 76.7 million).

12.2 During the year, the Company has entered into a Musharakah agreement with a local Bank ("Musharakah Partner") for Ijara and Tawarruq receivables. In accordance with the terms of this agreement, the partners are participating in the underlying Ijarah and Tawarruq transactions on agreed basis allocating 20% for the Company and the remaining 80% for the other Musharakah Partner. Such receivables represent instruments initially originated by the Company and subsequently transferred to a third party. The Company assumes credit risk to the extent of its share in the agreement, a similar transactions was entered into by the Company during 2022 and 2021.

During the year, the Company has derecognised net investment in Islamic finance receivables amounting to SR 250 million which represents 80% of the Musharaka agreement (2022: SR 313.5 million). As of the reporting date, the total outstanding balances related to the Musharkah Partner and the Company were SR 499.09 million and SR 124.8 million, respectively (31 December 2022: SR 313.65 million and SR 78.41 million, respectively).

12 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES (continued)

12.3 During 2022, the Company has entered into an agreement to sell a tranche of its net investment in Islamic finance receivables amounting to SR 50 million of the gross value of the net investment in Islamic finance receivables outstanding balance to a commercial bank (the "Purchaser") within the Kingdom of Saudi Arabia. Such receivables represent instruments initially originated by the Company and subsequently sold to a third party. The Company acts as an Agent to collect the outstanding amounts on behalf of the Purchaser and is entitled to collect a fee, this is dependent on the performance of the Company in the collection of the receivables. The Company has a restricted cash amounting to SR 4.6 million representing 10% of the collected amount against the sold net investment in Islamic finance receivables. As of 31 December 2023 the balance outstanding of the transaction amounted to SR 29.5(2022: 45.7).

13 RIGHT-OF-USE ASSETS

	2023	*2022*
	SR	*SR*
Cost:		
At the beginning of the year	**15,633,902**	6,358,505
Additions	**-**	9,275,397
At the end of the year	**15,633,902**	15,633,902
Accumulated depreciation:		
At the beginning of the year	**7,395,931**	3,868,062
Charge for the year (note 9)	**3,640,642**	3,527,869
At the end of the year	**11,036,573**	7,395,931
Net carrying amounts:		
At 31 December 2023	**4,597,329**	
At 31 December 2022		8,237,971

The following had been recognised in the statement of profit or loss and other comprehensive income:

	2023	*2022*
	SR	*SR*
Depreciation expenses for right-of-use assets	**3,640,642**	3,527,869
Expenses related to short-term and low-value leases	**33,000**	33,000
Finance cost on lease liabilities	**184,397**	332,134
	3,858,039	3,893,003

Right-of-use assets constitute the offices rented by the Company for its branches and head office.

14 INTANGIBLE ASSETS

Intangible balance represents software and licenses with useful lives ranging from 1 to 5 years.

	2023	*2022*
	SR	*SR*
Cost:		
At the beginning of the year	**6,720,133**	5,760,147
Transfer from advances to suppliers	**786,064**	236,250
Additions	**695,656**	723,736
At the end of the year	**8,201,853**	6,720,133
Accumulated amortisation:		
At the beginning of the year	**4,819,544**	3,646,519
Charge for the year (note 9)	**945,416**	1,173,025
At the end of the year	**5,764,960**	4,819,544
Net book value :		
At 31 December 2023	**2,436,893**	
At 31 December 2022		1,900,589

15 PROPERTY AND EQUIPMENT

	Leasehold Improvements	*Office furniture and fixtures*	*Computers*	*Total*
	SR	*SR*	*SR*	*SR*
Cost:				
At 1 January 2022	3,652,296	1,407,134	1,274,195	6,333,625
Transfer from advances to suppliers	-	-	20,528	20,528
Additions	612,396	1,351,761	562,523	2,526,680
Disposals		(17,188)	(6,260)	(23,448)
At 31 December 2022	4,264,692	2,741,707	1,850,986	8,857,385
Additions	194,411	489,608	924,341	1,608,360
Disposals	-	(76,203)	(34,067)	(110,270)
At 31 December 2023	4,459,103	3,155,112	2,741,260	10,355,475
Accumulated depreciation :				
At 1 January 2022	1,955,171	678,594	456,118	3,089,883
Charge for the year (note 9)	404,692	427,600	317,615	1,149,907
Disposals	-	(1,390)	(3,091)	(4,481)
At 31 December 2022	2,359,863	1,104,804	770,642	4,235,309
Charge for the year (note 9)	465,663	408,323	649,110	1,523,096
Disposals	-	(40,991)	(21,687)	(62,678)
At 31 December 2023	2,825,526	1,472,136	1,398,065	5,695,727
Net book value:				
At 31 December 2023	**1,633,577**	**1,682,976**	**1,343,195**	**4,659,748**
At 31 December 2022	1,904,829	1,636,903	1,080,344	4,622,076

16 EQUITY INVESTMENTS HELD AT FVOCI

The Company made an investment amounting to SR 892,850 for 89,285 shares at SR 10 each share representing a 2% ownership in the share capital of, "Saudi Leasing For Contract Registration Company". The registration Company has been formed for registration of contracts relating to financial leases, amendments registration and transfer of the title deeds of the assets under finance leases. Equity investment designated at fair value is classified under level 3 of the fair value hierarchy.

17 PREPAYMENTS AND OTHER RECEIVABLES

	2023	*2022*
	SR	*SR*
Amounts due from customers	**32,122,835**	18,479,954
Advance to suppliers (note 17.1)	**31,277,238**	172,560,536
Insurance claims	**5,599,647**	4,429,920
Prepayments	**1,369,917**	1,486,289
Others	**346,145**	58,508
	70,715,782	197,015,207

17.1 The advanes to suppliers include advances to related parties amounted to SR 11.8 as of 31 December 2023 (31 December 2022: 152.5). Refer to note 24 for further details.

18 BANK BALANCES AND CASH

	2023	*2022*
	SR	*SR*
Bank balances	**26,304,771**	21,626,376

19 SHARE CAPITAL

The authorised, issued and paid up capital consists of 50 million shares (2022: same) of SR 10 share.

Basic and diluted earnings per share for the year ended 31 December 2023 and 2022 is calculated on a weighted average basis by dividing the net income for the year by the outstanding number of shares during the year. Ownership percentage and amount of share capital are as follows:

	Ownership %			
Name of shareholders	***2023***	*2022*	***2023***	*2022*
			SR	*SR*
Al Kifah Holding Company	**100%**	100%	**500,000,000**	500,000,000

During 2022, the Shareholder of the Company has increased the share capital of the Company from SR 250 million to SR 500 million by way of cash injection.

20 LOANS AND BORROWINGS

	2023	*2022*
	SR	*SR*
Loans and borrowings		
SAMA - Kafalah program (note 20.1)	**1,547,256,182**	1,327,265,342
Tawaruq and murabaha financing (note 20.2)	**256,636,197**	88,647,023
Bai Ajel (note 20.2)	**199,920,941**	79,166,667
SME's Bank	**150,000,000**	-
Social development bank financing (note 20.3)	**34,876,430**	80,972,056
Less: Modification gain on deferment (note 20.4)	**-**	(5,067,389)
Net loans and borrowings	**2,188,689,750**	1,570,983,699

Analyzed as follows:	***2023***	*2022*
	SR	*SR*
Non-current portion	**1,042,276,907**	687,418,487
Current portion	**1,146,412,843**	883,565,212
	2,188,689,750	1,570,983,699

20.1 During the year, the Company has obtained funds from SAMA under the loans guarantee program ("Kafalah") amounting to SR 1.2 billion (the year ended 31 December 2022: SR 830 million) to finance its activities. These loans are repayable in equal monthly instalment with the final instalment is due in Febuary 2026.

The loans are carried at fair value using internal rate of return equivalent to the prevailing market rate. The difference between carrying value and face value as of initial recognition date, is treated as government grant, which is amortised over the duration of the related loans.

20.2 The Company has obtained Tawarruq, Muarabaha, and Bai Ajel financing facilities from local commercial banks to finance the purchase of assets for leasing services. All the loans are of both long-term and revolving nature. The long-term loan is repayable within a 5-year period. The revolving loans are payable within the next 12 months. All the loans carry financial charges at prevailing market borrowing costs plus SIBOR. These loans are secured by promissory notes issued by the shareholder. The Company is required to comply with certain covenants under the facility agreements which includes maintenance of certain leverage ratios. The Company had no breach of covenants during the period.

20.3 During 2018, the Company obtained long-term loans from Social Development Bank ("SDB"), a governmental agent, to finance the purchase of assets for leasing services for small and medium sized entities ("SMEs") with 3-month grace period. The Company has entered into similar agreements during 2020, 2021 and 2022 with all having 3-month grace period, except for one loan obtained during 2020 which had a 6-month grace period due to COVID-19 related extension. The loans are repayable in equal monthly instalments commencing from January 2019 with the final instalment due in October 2025.

The loans agreements do not include any covenants to maintain financial ratios during the loan period. Social Development Bank financing are carried at present value using internal rate of return equivalent to the prevailing market rate. The difference between carrying value and face value as of initial recognition date, is treated as government grant, which is amortised over the duration of the related loans.

20 LOANS AND BORROWINGS (continued)

20.3 The loans received from SDB, carry special commission at rates significantly lower than the currently prevailing market rates. These loans carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of the "lower than market value" loans obtained by the Company has been identified and accounted for as "government grant" and has initially been recorded as income and such benefit is being recognised in statement of comprehensive income of the Company.

20.4 This represents the modification gain recognised as a result of carrying the loans obtained from SAMA under the Deferred Payment Program ("DPP") at present value using internal rate of return equivalent to the prevailing market rate to mitigate the impacts of COVID-19 during 2020, 2021 and 2022 . The difference between carrying value and face value as of initial recognition date, is treated as government grant, which is amortised over the duration of the related loans.

21 LEASES

Movement in lease liabilities is as follows:

	2023	*2022*
	SR	*SR*
At 1 January	**7,591,303**	1,612,389
Additions during the year	**-**	9,275,397
Finance costs for the year (note 7)	**184,397**	332,134
Payments during the year	**(4,313,586)**	(3,628,617)
At 31 December	**3,462,114**	7,591,303
Classified as:		
Current	**2,237,625**	3,640,643
Non-current	**1,224,489**	3,950,660
	3,462,114	7,591,303

Maturity analysis - contractual undiscounted cash flows

	2023	*2022*
	SR	*SR*
Less than 1 year	**2,122,708**	3,987,605
Later than one year to five years	**1,392,383**	4,487,739
	3,515,091	8,475,344

22 EMPLOYEES' DEFINED BENEFITS LIABILITIES

Post employments benefits

The management has carried out an exercise to assess the present value of its employees' defined benefits liabilities at the reporting date in respect of employees' defined benefits liabilities under relevant local regulations and contractual arrangements. The following tables summaries the components of net benefit expense recognised in the statement of profit or loss and other comprehensive income and balances reported in the statement of financial position:

22 EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

Present value of end of service benefits (statement of financial position)

	2023	*2022*
	SR	*SR*
Present value of employees' defined benefits liabilities	**8,621,072**	7,014,045

The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and other comprehensive income and amounts recognized in the statement of financial position.

Net benefit expense recognised in income statement:

	2023	*2022*
	SR	*SR*
Current service cost for the period	**1,586,364**	1,209,019
Interest cost on benefit obligation for the period	**323,421**	136,132
Actuarial gain	**779,628**	298,543
	2,689,413	1,643,694

The movement in employees' defined benefits liabilities is as follows:

	2023	*2022*
	SR	*SR*
As at 1 January	**7,014,045**	5,527,667
Current service cost	**1,586,364**	1,209,019
Interest cost (note 7)	**323,421**	136,132
Actuarial gain	**779,628**	298,543
Payments during the year	**(1,082,386)**	(157,316)
As at 31 December	**8,621,072**	7,014,045

Actuarial loss/(gain) are due to:

	2023	*2022*
	SR	*SR*
Change in financial assumptions	**(147,130)**	(515,573)
Experience adjustments	**926,758**	814,116
	779,628	298,543

The principal assumptions used in determining employee benefit obligations for the Company's plans are shown below:

	2023	*2022*
Discount rate:	**5.8%**	5.0%
Future salary increase	**5.0%**	4.5%
Rate of employee turnover	**Moderate**	Moderate

22 EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

A quantitative sensitivity analysis for significant assumption on the employees' terminal benefits as at reporting date is as shown below:

	2023	*2022*
	SR	*SR*
Increase in discount Rate 1%	**(549,355)**	(449,382)
Decrease in discount Rate - 1%	**624,473**	511,592
Increase in salary 1%	**622,902**	509,003
Decrease in salary -1%	**(558,025)**	(455,488)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

	2023	*2,022*
	SR	*SR*
1	**1,106,621**	881,557
2	**1,030,372**	819,446
3	**919,817**	806,395
4	**815,024**	658,509
5	**932,763**	578,276
6-10	**2,822,276**	2,372,277
Total expected payments	**7,626,873**	6,116,460

The weighted average duration of the defined benefit obligation is 7.3 years (2022: same). The expected maturity analysis of undiscounted defined benefit obligation is as follows (time in years):

23 TRADE PAYABLES

Trade payables are non-interesting bearing and are normally settled on 30 to 120 days terms. For explanations on the Company's liquidity risk management processes, refer to note 28).

24 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include partners and entities controlled, jointly controlled or significantly influenced by such parties (affiliates). Pricing policies and terms of payments of transactions with related parties are approved by the Company's management. Following is the list of related parties of the Company:

Names of related parties	*Nature of Relationship*
Al Kifah Holding Company	Shareholder
Al Kifah Trading Company	Other related party
Al Kifah for Building Material Company	Other related party
Al Kifah Contracting Company	Other related party
Al Motaweroon Company	Other related party
Al Kifah Real Estate Company	Other related party
Al Kifah Real Estate Company - Branch	Other related party
Al Kifah Paper Products Company	Other related party
Al Kifah Precast Company	Other related party
Al Kifah Holding Company - Branch	Other related party
Al Kifah Information Technology Company	Other related party
KiCe Construction Equipment Company	Other related party
Green Vision Paper Products Company	Other related party
Medical Infection Control Company	Other related party
Al Kifah Ready Mix Factory Company	Other related party
Al Kifah Ready Mix Factory Company - Branch	Other related party
Optimal Supply for Catering Services Company	Other related party
Enar Renewable Energy	Other related party
Alafouq Alareed Trading Company	Other related party

Following are the details of the major related party transactions occurred during the year:

Related party	***Nature of transactions***	***Amounts of transactions***	
		2023	*2022*
		SR	*SR*
Shareholder			
Al Kifah Holding Company	Value added tax paid on behalf of the Company	**1,669,159**	3,819,273
	Services provided	**2,088,368**	1,319,692
	Dividends paid	**60,000,000**	33,000,000
Oher related parties			
Al Kifah Contracting Company	Amount collected against Islamic financing receivables	**(4,176,274)**	(5,568,366)
	Financing	**30,000,000**	-
Al Kifah for Building Material Company	Amount collected against Islamic financing receivables	**(3,483,396)**	(7,219,665)
	Financing	**9,000,000**	-
	Services provided	**5,000**	150

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	***Nature of transactions***	***Amounts of transactions*** ***2023*** ***SR***	*2022* *SR*
Oher related parties (continued)			
KiCe Construction Equipment Company	Heavy machinery and equipment sales financed by the Company	**6,923,000**	43,512,500
	Financing	**-**	42,500,000
	Amount collected against Islamic financing receivables	**(14,466,666)**	(5,786,667)
Al Motaweroon Company	Amount collected against Islamic financing receivables	**(17,890,667)**	(11,906,933)
	Financing	**11,395,000**	29,200,000
Al Kifah Holding Company - Branch	Amount collected against Islamic financing receivables	**(1,366,833)**	(3,750,986)
Al Kifah Real Estate Company	Amount collected against Islamic financing receivables	**(15,459,347)**	(15,996,776)
	Financing	**-**	10,000,000
	Services provided	**3,978,596**	3,170,431
Al Kifah Real Estate Company - Branch	Amount collected against Islamic financing receivables	**(5,273,334)**	(513,333)
	Financing	**7,500,000**	17,500,000
Al Kifah Paper Products Company	Amount collected against Islamic financing receivables	**-**	(32,036,117)
	Financing	**-**	-
	Amounts paid against rent	**-**	-
	Services provided	**-**	-
Al Kifah Precast Company	Amount collected against Islamic financing receivables	**(13,158,959)**	(17,639,845)
	Financing	**-**	30,000,000
Al Kifah Information Technology Company	Information technology fee	**383,357**	440,490
Green Vision Paper Products Company	Financing	**15,000,000**	46,154,709
	Amount collected against Islamic finance receivables	**(15,959,890)**	(11,237,236)
Medical Infection Control Company	Financing	**15,000,000**	22,500,000
	Amount collected against Islamic finance receivables	**(5,880,000)**	(1,493,333)

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	***Nature of transactions***	***Amounts of transactions***	
		2023	*2022*
		SR	*SR*
Oher related parties (continued)			
Al Kifah Ready Mix Factory Company			
	Financing	**15,000,000**	10,000,000
	Amount collected against Islamic finance receivables	**(3,540,555)**	(1,860,319)
Al Kifah Ready Mix Factory Company - Branch	Financing	**-**	10,000,000
	Amount collected against Islamic finance receivables	**(3,540,555)**	(1,860,319)
Optimal Supply for Catering Services Company	Financing	**25,000,000**	7,500,000
	Amount collected against Islamic finance receivables	**(5,693,333)**	-
Enar Renewable Energy	Financing	**700,000**	
Alafouq Alareed Trading Company	Financing	**15,000,000**	-
	Amount collected against Islamic finance receivables	**(560,000)**	
	Vehicles financed by the Company	**758,310**	-

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The breakdown of amounts due from/to related parties are as follows:

Amounts due from related parties - (presented under net investment in Islamic finance receivables note 12):

	2023	*2022*
	SR	*SR*
Al Motaweroon Company	**42,740,358**	47,329,543
KiCe Construction Equipment Company	**40,569,167**	53,677,298
Green Vision Paper Products Company	**37,810,604**	37,114,880
Al Kifah Precast Company	**33,768,345**	45,841,814
Al Kifah Contracting Company	**32,196,009**	6,011,412
Medical Infection Control Company	**31,383,821**	21,658,881
Optimal Supply for Catering Services Company	**27,762,382**	7,500,000
Al Kifah Ready Mix Factory Company	**20,939,268**	8,972,695
Al Kifah Real Estate Company - Branch	**20,236,089**	17,133,900
Alafouq Alareed Trading Company	**14,552,098**	-
Al Kifah Real Estate Company	**12,858,098**	26,847,817
Al Kifah for Building Material Company	**9,306,439**	3,625,222
Al Kifah Ready Mix Factory Company - Branch	**5,939,268**	8,972,695
Enar Renewable Energy	**700,000**	-
Al Kifah Holding Company - Branch	**-**	1,329,765
	330,761,946	286,015,922

Advances to related parties - (presented under prepayments and other receivables):

	2023	*2022*
	SR	*SR*
Al Kifah Holding Company - Branch	**1,961,330**	-
KiCe Construction Equipment Company	**9,837,500**	152,563,977
	11,798,830	152,563,977

Amounts due to related parties - (presented under liabilities):

	2023	*2022*
	SR	*SR*
Al Kifah Real Estate Company	**3,220,294**	3,234,597
Al Kifah Holding Company	**-**	439,335
Al Kifah Contracting Company	**-**	32,926
Al Kifah for Building Material Company	**13,018**	12,718
Al Kifah Information Technology Company	**-**	6,750
	3,233,312	3,726,326

24 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Compensation and remuneration (including salaries and other benefits) for key management personnel is disclosed as follows:

	2023	*2022*
	SR	*SR*
Short-term employee benefit	**5,344,848**	2,599,653
Post-employment benefits	**661,185**	566,371
	6,006,033	3,166,024

Prices and terms of payments of the above transactions with related parties have been approved by Company's management. Financing limits provided to related parties are approved by the Board of Directors.

25 ACCRUED EXPENSES AND OTHER LIABILITIES

	2023	*2022*
	SR	*SR*
Accrued expenses	**22,412,200**	16,706,654
Accrued employees' cost	**12,893,107**	2,563,831
Amounts due to customers	**11,339,753**	23,837,077
	46,645,060	43,107,562

26 ZAKAT

The zakat base computed in accordance with the formula specified in the zakat regulations is also subject to thresholds for minimum and maximum liability.

	2023	*2022*
	SR	*SR*
Charge for the year	**14,680,591**	9,280,400
Prior period adjustments	**-**	(37,341)
	14,680,591	9,243,059

26 ZAKAT (continued)

The significant components of zakat base for the Company are as follows:

	2023	*2022*
	SR	*SR*
Shareholders' equity	**681,089,452**	614,168,052
Liabilities	**416,228,552**	127,878,779
Total sources of fund	**1,097,318,004**	742,046,831
Total assets	**3,193,824,411**	2,447,929,370
Total assets not subject to zakat	**(1,693,316,688)**	(1,314,810,049)
Total assets subject to zakat	**1,500,507,723**	1,133,119,321
Assets not subject for zakat / Total Assets	**47%**	46%
Zakat base	**515,536,839**	343,485,238

The differences between the financial and the zakatable results are mainly due to provisions which are not allowed in the calculation of zakatable results.

Movements in zakat provision

	2023	*2022*
	SR	*SR*
At the beginning of the year	**9,280,400**	5,145,697
Provided during the year	**14,680,591**	9,243,059
Paid during the year	**(9,280,400)**	(5,108,356)
At the end of the year	**14,680,591**	9,280,400

Zakat assessments

Zakat returns for the years 2016 through 2018 have been submitted to ZATCA as part of Al Kifah Holding Company (referred to as the "Group") as part of a consolidated zakat return. The Company is not liable for any additional liability related to those years. The zakat return for the years 2019 through 2022 has been submitted, however, the assessment has not yet been raised by ZATCA. The Company has a valid zakat certificate till 30 April 2024.

Zakat has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations and new zakat regulations have been issued by ZATCA for financing companies. The assessments to be raised by ZATCA could be different from the declarations filed by the Company.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

At statement of financial position date all of the financial assets and financial liabilities are measured at amortised cost, except equity instrument which is classified under FVOCI and categorised under level 3 of fair value hierarchy. Fair value of financial assets does not significantly differ from the carrying value included in the financial statements.

28 RISK MANAGEMENT

The Company’s significant financial liabilities include, loans and borrowings, government grant and trade and other payables, and are initially measured at fair value and thereafter stated at their amortized cost. Financial assets comprises of bank balances and net investment in Islamic finance receivables and equity investment at fair value through other comprehensive income are initially measured at fair value and thereafter stated at cost or amortized cost or as reduced by allowance for expected credit losses and impairment fair value through OCI, if any.

The Company is exposed to interest rate risk, liquidity risk, credit risk and currency risk. The Company’s senior management is supported by a risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

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 commodity risk. Financial instruments affected by market risk include leasing activities, loans and borrowings.

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 average effective interest rate on short-term deposits is 4.62% (31 December 2022: 2.72 %).

As of 31 December 2023, the Company has loans from SAMA, Social Development Bank which are interest-free loans or below market rate. The Company has loans from local banks bearing interest, an assumed increase of 100 basis points in profit/ interest rates would increase the Company's expenses for the year by SR 5,453,841 (2022: SR 4,882,694). A decrease of 100 basis points in profit/interest rates would have an equal and opposite effect.

Currency and commodity risk

The Company is not exposed to either currency nor commodity risks.

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 bank balances and net investment in Islamic finance receivables. The Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collaterals such as down payments and personal guarantees. Individual Islamic financing contracts generally are for term not exceeding sixty-month.

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 exposures. However, the Company mitigates its credit risk through evaluation of credit worthiness 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 expected credit loss is maintained at a level which, in the judgment of management, is adequate to provide for impairment losses on delinquent receivables.

28 RISK MANAGEMENT (continued)

Credit risk (continued)

All investment in Islamic finance receivables 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.

Expected credit loss assessment for investment in Islamic finance receivables

The investment in Islamic finance receivables generally exposed to significant credit risk, therefore, the Company has established a number of procedures to manage credit risk exposure including evaluation of the lessees' credit worthiness, formal credit approvals, assigning credit limits obtaining collateral and personal guarantees.

The Company follows a credit classification mechanism, primarily driven by the day's delinquency as a tool to manage the quality of credit risk of investment in Islamic finance receivables. Further, the Company has categorised its investment in Islamic finance receivables into sub-categorised on the basis of similar credit risk characteristic. Exposures within each credit risk category are segmented by industrial classification and an ECL is calculated for each segment based on the delinquency status and actual credit loss experience over the past years. These rates are multiplied by scaler factors to reflect differences between economic conditions, current conditions and the Company's view of economic conditions over the expected lives of the investment in Islamic financing receivables.

Set out below is the information about the credit risk exposure on the Company’s investment in Islamic finance receivables using a provision matrix at the reporting date:

	31 December 2023				
	ECL Coverage	***Gross carrying amount***	***Net carrying amount***	***Loss allowance***	***Credit impaired***
Corporates & SMEs	**1%**	**2,451,401,011**	**2,189,873,906**	**16,763,885**	No
Retail	**2%**	**923,342,900**	**576,761,335**	**13,056,195**	No
Doubtful	**17%**	**198,173,507**	**170,614,117**	**28,556,065**	No
Loss	**23%**	**315,829,920**	**267,357,273**	**62,013,448**	Yes
		3,888,747,338	**3,204,606,631**	**120,389,593**	

	31 December 2022				
	ECL Coverage	*Gross carrying amount*	*Net carrying amount*	*Loss allowance*	*Credit impaired*
Corporates & SMEs	1%	1,604,262,954	1,459,185,949	10,857,601	No
Retail	1%	586,375,453	376,993,457	2,365,761	No
Doubtful	14%	110,660,620	90,764,569	13,092,205	No
Loss	14%	409,809,518	363,413,941	50,408,048	Yes
		2,711,108,545	2,290,357,916	76,723,615	

28 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company 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. The Company manages its liquidity risk by ensuring that the bank facilities and shareholders' support are

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

As of 31 December 2023

	Within 1 year	*1 to 5 years*	*Total*
	SR	*SR*	*SR*
Accounts payable	**184,494,416**	**-**	**184,494,416**
Amounts due to related parties	**3,233,312**	**-**	**3,233,312**
Loans and borrowings	**1,146,412,843**	**1,042,276,907**	**2,188,689,750**
Lease liabilities	**2,122,708**	**1,392,383**	**3,515,091**
	1,336,263,279	**1,043,669,290**	**2,379,932,569**

As of 31 December 2022

	Within 1 year	*1 to 5 years*	*Total*
	SR	*SR*	*SR*
Accounts payable	135,487,171	-	135,487,171
Amounts due to related parties	3,726,326	-	3,726,326
Loans and borrowings	-	1,570,983,699	1,570,983,699
Lease liabilities	3,987,605	4,487,739	8,475,344
	143,201,102	1,575,471,438	1,718,672,540

Changes in liabilities arising from financing activities:

As of 31 December 2023

	1 January 2023	*Cash outflow*	*Cash inflow / Other*	*31 December 2023*
	SR	*SR*	*SR*	*SR*
Lease liabilities	**7,591,303**	**(4,313,586)**	**184,397**	**3,462,114**
Loans and borrowings	**1,570,983,699**	**(1,257,611,080)**	**1,875,317,131**	**2,188,689,750**
Total liabilities from financing activities	**1,578,575,002**	**(1,261,924,666)**	**1,875,501,528**	**2,192,151,864**

As of 31 December 2022

	1 January 2022	*Cash outflow*	*Cash inflow / Other*	*31 December 2022*
	SR	*SR*	*SR*	*SR*
Lease liabilities	1,612,389	(3,628,617)	9,607,531	7,591,303
Loans and borrowings	1,364,929,417	(773,801,718)	979,856,000	1,570,983,699
Total liabilities from financing activities	1,366,541,806	(777,430,335)	989,463,531	1,578,575,002

28 RISK MANAGEMENT (continued)

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.

No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2023.

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Companies' law and SAMA. SAMA requires Finance Companies engaged in financing other than real estate, to not exceed aggregate financing to capital ratio of three times. However, during the year, the Company has obtained exemption from SAMA to exceed the three times ratio limit.

	2023	*2022*
	SR	*SR*
Aggregate financing to capital ratio		
(Total financing (net investment in Islamic finance receivables) divided by total shareholders' equity)	**4.53 times**	3.6 times

29 COMMITMENTS AND CONTINGENCIES

As of the date of the statement of financial position, the Company did not have any outstanding commitments or contingencies.

30 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

30 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

31 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comply with the current period presentation. Such reclassification have not resulted in any additional impact on equity or total comprehensive income for the comparative period.

32 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the year ended 31 December 2023 that would have a material impact on the financial position of the Company as reflected in these financial statements.