SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)
Financial Statements
For the year ended 31 December 2022
together with the
Independent auditor's report

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the Year Ended 31 December 2022

Independent auditor's report to the shareholder of Saudi Fransi for Finance Leasing Company

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saudi Fransi for Finance Leasing Company (the "Company") as at December 31, 2022, 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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2022;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholder's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of the board of directors and those charged with governance for the financial statements

The board of directors 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 issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as they determine 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, the board of directors 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 the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

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Independent auditor's report to the shareholder of Saudi Fransi for Finance Leasing 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' 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.

We communicate with the Audit Committee 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.

PricewaterhouseCoopers

Bader I. Benmohareb
License No. 471
March 15, 2023
(23 Sha'ban 1444H)

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022 and 2021
(SAR '000)

	Notes	2022	2021
ASSETS			
Cash and cash equivalents	*4*	**477,570**	15,630
Net investment in finance leases	*5.1*	**3,644,218**	3,306,260
Continuing involvement asset	*5.1.3*	**38,274**	-
Personal financing	*5.2*	**2,297**	-
Positive fair value of derivatives	*8*	**44,750**	4,034
Prepayments		**89,736**	62,553
Other assets	*6*	**134,705**	68,400
Investments at fair value through other comprehensive income (FVOCI)	*7*	**893**	893
Intangible assets	*9*	**842**	1,312
Property, equipment and right of use assets	*10*	**4,376**	4,245
Total assets		**4,437,661**	3,463,327
SHAREHOLDER'S EQUITY AND LIABILITIES			
Liabilities			
Accounts payable	*13*	**360,928**	294,707
Advance from customers		**80,895**	85,785
Due to a related party	*11.b*	**1,109**	10,738
Negative fair value of derivatives	*8*	**700**	16,878
Continuing involvement liability	*5.1.3*	**17,306**	-
Provision, accrued expenses and other liabilities	*14*	**33,305**	15,716
Provision for zakat	*16*	**11,670**	26,380
Saudi Central Bank (SAMA) deposit	*22*	**222**	16,102
Long-term tawarruq financing	*12*	**2,884,722**	2,078,696
Employees' end of service benefits (EOSB)	*15*	**10,182**	8,572
Total liabilities		**3,401,039**	2,553,574
Shareholder's equity			
Share capital	*17*	**500,000**	500,000
Statutory reserve	*18*	**53,710**	46,717
Other reserve		**43,770**	(13,164)
Retained earnings		**439,142**	376,200
Total shareholder's equity		**1,036,622**	909,753
Total shareholder's equity and liabilities		**4,437,661**	3,463,327

For

Mohammed Al Shaeikh
Chairman

Mashhor Al Masudi
Chief Executive Officer

Abdullah AlSultan
Chief Financial Officer

The accompanying notes (1) through (29) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)
STATEMENT OF INCOME
For the year ended 31 December 2022 and 2021
(SAR '000)

	Notes	2022	2021
Lease finance income		**169,752**	144,573
Fees income	*19*	**106,748**	176,373
Fees expenses	*19*	**(73,768)**	(126,286)
Fees income, net		**32,980**	50,087
Special commission income	*8*	**20,174**	-
Total operating income		**222,906**	194,660
Salaries and employee-related expenses		**(50,211)**	(34,891)
Depreciation	*10*	**(1,114)**	(929)
Amortization	*9*	**(566)**	(287)
Other general and administration expenses	*20*	**(18,367)**	(8,405)
Financial charges		**(83,281)**	(46,247)
Reversal of expected credit losses, net	*5.1.1*	**6,363**	4,578
Total operating expenses		**(147,176)**	(86,181)
Net operating income		**75,730**	108,479
Loss on disposal of net investment in finance lease	*5.1.3*	**(8,011)**	-
Provision for financial guarantee on lease receivables sold	*5.1.3*	**(15,768)**	-
Other income	*21*	**16,965**	8,050
		(6,814)	8,050
Net income for the year before zakat		**68,916**	116,529
Reversal / (charge) for Zakat	*16*	**1,019**	(23,972)
Net income for the year		**69,935**	92,557

For Mohammed Al Shaeikh
Chairman

for Mashhor Al Masudi
Chief Executive Officer

Abdullah Alsultan
Chief Financial Officer

The accompanying notes (1) through (29) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 December 2022 and 2021
(SAR '000)

	Notes	2022	2021
Net income for the year		**69,935**	92,557
Other comprehensive income:			
Items that will be reclassified to statement of income in subsequent years:			
Cash flow hedges:			
- Effective portion of net change in fair value	*8*	**77,068**	29,503
- Net amount transferred to statement of income	*8*	**(20,174)**	-
Items that will not be reclassified to statement of income in subsequent years:			
Remeasurement gain / (loss) on EOSB	*15*	**40**	(825)
Total other comprehensive income		**56,934**	28,678
Total comprehensive income for the year		**126,869**	121,235

for

Mohammed Al Shaeikh Chairman	for Mashhor Al Masudi Chief Executive Officer	Abdullah Alsultan Chief Financial Officer

The accompanying notes (1) through (29) form an integral part of these financial statements

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
For the year ended 31 December 2022
(SAR '000)

For the year ended 31 December 2022	**Share Capital**	**Statutory reserve**	**Other reserves**	**Retained earnings**	**Total**
Balance as at 1 January 2022	**500,000**	**46,717**	**(13,164)**	**376,200**	**909,753**
Net income for the year	-	-	-	**69,935**	**69,935**
Other comprehensive income	-	-	**56,934**	-	**56,934**
Total comprehensive income	-	-	**56,934**	**69,935**	**126,869**
Transfer to statutory reserve *(note 18)*	-	**6,993**	-	**(6,993)**	-
Balance as at 31 December 2022	**500,000**	**53,710**	**43,770**	**439,142**	**1,036,622**

For the year ended 31 December 2021	Share Capital	Statutory reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2021	500,000	37,461	(41,842)	292,899	788,518
Net income for the year	-	-	-	92,557	92,557
Other comprehensive income	-	-	28,678	-	28,678
Total comprehensive income	-	-	28,678	92,557	121,235
Transfer to statutory reserve *(note 18)*	-	9,256	-	(9,256)	-
Balance as at 31 December 2021	500,000	46,717	(13,164)	376,200	909,753

For

Mohammed Al Shaeikh
Chairman

For

Mashhor Al Masudi
Chief Executive Officer

Abdullah Alsultan
Chief Financial Officer

The accompanying notes (1) through (29) form an integral part of these financial statements.

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(SAR '000)

	Notes	2022	2021
Cash flows from operating activities			
Net income for the year before zakat		**68,916**	116,529
Adjustments to reconcile net income to net cash generated from operating activities:			
Depreciation	*10*	**1,114**	929
Amortization	*9*	**566**	287
Loss on disposal of Net investment in finance lease	*5.1.3*	**8,011**	-
Provision for financial guarantee on lease receivables	*5.1.3*	**15,768**	-
Reversal for expected credit losses, net	*5.1*	**(6,363)**	(4,578)
Employees' end of service benefits	*15*	**2,073**	1,544
Financial charges		**83,281**	46,247
Gain on disposal of motor vehicle		**-**	(11)
Operating income before changes in operating assets and liabilities		**173,366**	160,947
Net change in operating assets			
Net investment in finance leases		**(908,432)**	(794,192)
Personal financing		**(2,312)**	-
Prepayments		**(27,183)**	(51,158)
Other assets		**(66,305)**	7,187
Net change in operating liabilities			
Accounts payable		**66,221**	214,080
Due to a related party		**(9,629)**	(20,213)
Advance from customers		**(4,890)**	10,659
Provision, accrued expenses and other liabilities		**2,097**	(2,572)
Cash used in operations		**(777,067)**	(475,262)
Zakat and income tax paid	*16*	**(13,691)**	(21,165)
EOSB paid	*15*	**(423)**	(679)
Net cash used in operating activities		**(791,181)**	(497,106)
Cash flows from investing activities			
Purchase of intangibles	*9*	**(96)**	(1,351)
Purchase of property and equipment	*10*	**(1,245)**	(2,263)
Proceeds from sale of motor vehicle		**-**	11
Net cash used in investing activities		**(1,341)**	(3,603)
Cash flows from financing activities			
Drawdown of long-term loan	*12*	**1,193,967**	930,000
Payments of long-term loan	*12*	**(400,000)**	(379,167)
SAMA deposit received		**222**	8,162
SAMA deposit repayment		**(16,102)**	(2,296)
Financial charges paid		**(71,222)**	(47,473)
Lease rental's paid		**(276)**	(441)
Proceeds from the disposal of Net investment in finance lease	*5.1.3*	**547,873**	-
Net cash generated from financing activities		**1,254,462**	508,785
Net increase in cash and cash equivalents		**461,940**	8,076
Cash and cash equivalents at the beginning of the year		**15,630**	7,554
Cash and cash equivalents at the end of the year	4	**477,570**	15,630

SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)
STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2022
(SAR '000)

	Notes	2022	2021
Supplemental non-cash information:			
Net changes in the fair value of cash flow hedges and transfers to the statement of income	*8*	**56,894**	29,503
Actuarial gain / (loss) on defined benefit plans	*15*	**40**	(825)
Continuing involvement asset in relation to lease receivables sold	*5.1.3,14*	**38,274**	-

For

Mohammed Al Shaeikh
Chairman

for

Mashhor Al Masudi
Chief Executive Officer

Abdullah Alsultan
Chief Financial Officer

The accompanying notes (1) through (29) form an integral part of these financial statements.

1. THE COMPANY AND NATURE OF OPERATIONS

Saudi Fransi for Finance Leasing ("the Company") is a Closed Joint Stock Company ("CJSC") established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010320273 dated 24 Dhul Hijjah 1432H (corresponding to 21 November 2011).

As per the Saudi Central Bank ("SAMA") directive, the Company obtained a license no. 201511/ ٣٨/أش to practice finance activities.

The Company's head office is located in Riyadh at the following address:

Saudi Fransi for Finance Leasing
Prince Abdulaziz Ibn Musaid Ibn Jalawi Road
P.O. Box 56006,
Riyadh 11554
Kingdom of Saudi Arabia

The objective of the Company is to provide lease financing for assets and personal financing.

2. BASIS OF PREPARATION

a) *Statement of compliance*

The financial statements of the Company are prepared in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"); and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Company.

b) *Basis of measurement*

These financial statements have been prepared on a going concern basis under the historical cost convention except for the measurement of commission rate swaps and financial assets held at fair value through other comprehensive income–equity instruments, which are carried at fair value. Further, employees' end-of-service benefits are measured at the present value of future obligations using the Projected Unit Credit Method.

The Company does not present current and non-current assets and liabilities separately in the statement of financial position, instead, assets and liabilities are presented in order of their liquidity. Generally, net investment in finance lease, personal financing, intangible assets, property, equipment and right of use assets, long-term tawarruq financing, Employees' end of service benefits (EOSB) are considered as non-current in nature, all other assets and liabilities are considered as current.

c) *Functional and presentation currency*

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Arabian Riyals ("SAR") which is the Company's functional and presentation currency. All financial information presented has been rounded-off to the SAR in thousand unless otherwise stated.

d) *Going Concern*

These financial statements have been prepared on a going concern basis. 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 upon the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION (CONTINUED)

e) Critical Accounting Judgements, Estimates, and Assumptions

The preparation of the financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Such judgments, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses and significant judgment in relation to the assessment of derecognition of financial assets.

i) Derecognition of financial assets

For transactions that qualify for derecognition of financial assets, management assesses the contractual terms of the agreement to determine whether the transaction meets derecognition criteria under IFRS 9. The Company derecognise the financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset or in case of partial derecognition where it retains control of the financial asset and accounts for its continuing involvement in the derecognised financial asset. The management exert judgment in assessing the above derecognition criteria.

ii) Expected credit losses ("ECL") on financial assets

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgment, 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 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 judgments and estimates include:

1. The selection of an estimation technique or modelling methodology, covering below key judgments and assumptions:
   a. The Company's internal credit grading model, which assigns Probability of Default ('PDs') to the individual grades
   b. The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
   c. The segmentation of financial assets when their ECL is assessed on a collective basis
   d. Development of ECL models, including the various formulas
   e. Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.
   f. Detailed information about the judgments and estimates by the Company in respect of the above is set out in note 3(c)
2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

iii) Employee's end of service benefits- refer to note 3(k) and 15

iv) Fair value measurement – refer to note 3(n) and 23

(SAR '000)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

a) Change in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended 31 December 2021.

(i) New standards, interpretations and amendments adopted by the Company

Based on the adoption of new standards and in consideration of the current economic environment, the following accounting policies are applicable effective 01 January 2022, replacing, amending or adding to the corresponding accounting policies set out in 2021 annual financial statements.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Following standard, interpretation or amendment are effective from the current year and are adopted by the Company, however, the management has assessed that the amendments have no significant impact on the Company's financial statements.

Standard, interpretation, amendments	Description	Effective Date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
Reference to the Conceptual Framework – Amendments to *IFRS 3*	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	January 1, 2022
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.	Annual periods beginning on or after 1 January 2022.

(SAR '000)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Change in accounting policies (continued)

(i) New standards, interpretations and amendments adopted by the Company (continued)

Standard, interpretation, amendments	Description	Effective Date
	Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	

(ii) New standards or amendments issued but are not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments and revisions which are effective from periods on or after January 1, 2023. The Company has opted not to early adopt these pronouncements and currently assessing the impact of these standards on the financial statements.

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 1, 2023.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Change in accounting policies (continued)

(ii) New standards or amendments issued but are not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

b) Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash in hand and term deposits having original maturity of three months or less at the date of acquisition.

c) Net investment in finance leases

Net investment in finance lease represents leasing contracts that are receivable from customers on account of finance leases. Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees at the end of the contract are classified as finance leases. Net investment in finance leases is recorded at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

All leased vehicles are under the Company's name, and the contract signed with customer represents lease contract with irrevocable promise to transfer the ownership, where the legal title of the asset will be passed to the lessee once all lease instalments are settled. Based on the criteria as laid out in IFRS 16, these contracts meet the definition of a finance lease, even though the legal ownership of these underlying properties is not transferred as of the reporting date.

Gross investment in finance leases include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease income and for presentation purposes, is deducted from the gross investment in finance leases.

d) Impairment

The Company recognizes loss allowances for ECL on investment in finance lease.

No impairment loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the financial instruments on which credit risk has not increased significantly since their initial recognition, these loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Impairment (continued)

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

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

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

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and

If the expected restructuring will result in the 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 yield of the existing financial asset.

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

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 lease by the Company on terms that the Company would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

Presentation of allowance for ECL in the statement of financial position
Impairment allowances 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.

Write-off
Investment in finance leases are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment charge for credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments

All financial assets and financial liabilities are initially recognized on the trade date i.e. the date which the Company becomes party to the contractual provisions of the instrument. Financial assets comprises of cash and cash equivalents, investments, net investment in finance lease, derivative and other receivables. Financial liabilities comprises of long-term loan, accounts payable, advance from customers, due to related parties, negative fair value of derivatives and accrued expenses and other liabilities.

Classification of financial assets
On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or fair value through profit or loss (FVTPL

Financial asset at amortised cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial asset at FVOCI
Debt instrument: A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit and foreign exchange gains and losses are recognised in profit or loss.

Equity instrument: On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by- instrument basis.

Financial asset at FVTPL
All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset, that otherwise meets the requirements to be measured at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit:
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

Classification of financial liabilities
The Company classifies its financial liabilities, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium to issue the funds, and other cost that are integral part of the effective profit rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

Derecognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and
(ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Modifications of financial assets and financial liabilities

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

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

Financial liabilities
The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

Offsetting of financial instruments
Financial assets and liabilities are offset and are reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) *financial instruments (continued)*

Derivative financial instruments and hedge accounting

The Company designates certain derivatives (i.e. commission rate swaps) as hedging instruments in qualifying hedging relationships to manage exposures to commission rate. In order to manage particular risk, the Company applies hedge accounting for transactions that meet specific criteria.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which is recognised in the statement of comprehensive income.

For the purpose of cash flow hedge which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Company will assess the effectiveness of the hedging relationship. At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness, if any, is recognized in the statement of income.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Company revokes the designation then hedge accounting is discontinued prospectively.

At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in shareholders' equity is transferred to the statement of profit or loss for the period.

f) *Income and expenses recognition*

Income and expenses

Finance lease income and special commission expense are recognized in profit or loss using the effective profit method. The 'effective profit rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortized cost of the financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Income and expenses recognition (continued)

When calculating the effective profit rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective profit rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective profit rate includes transaction costs and fees and points paid or received that are an integral part of the effective profit rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Insurance income
Insurance income is recognized in the statement of income over the lease term.

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

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating profit, the effective profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, profit is calculated by applying the effective profit rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of profit reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, profit is calculated by applying the credit-adjusted effective profit rate to the amortized cost of the asset. The calculation of profit does not revert to a gross basis, even if the credit risk of the asset improves.

g) *Property and equipment*
Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized and the asset so replaced is retired from use. All other repairs and maintenance expenditures are charged to the statement of profit or loss during the period in which they are incurred.

Depreciation is charged to statement of profit or loss using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Leasehold improvements	10
Furniture and fixtures	10
Equipment	7
Computer hardware	4
Motor vehicles	4

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) ***Intangible assets***

Intangible assets that are acquired by the Company have finite useful lives and are measured at cost less accumulated amortisation and impairment, if any.

These are amortised on a straight-line basis in the statement of profit or loss over their estimated useful lives from the date that they are available for use.

The intangible assets comprise of computer software and their estimated useful life is 3 years.

i) ***Provisions***

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

j) ***Accrued expenses and other current liabilities***

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

k) ***Employees' end of service benefits***

The Company operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service cost are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognises related restructuring costs

Interest cost is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income: Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administrative expenses), Net special commission expense or income (under general and administrative expenses)

l) ***Zakat and income tax***

The Company's shareholders are subject to zakat in accordance with the regulations of the Zakat, Tax and Custom Authority ("ZATCA") as applicable in the Kingdom of Saudi Arabia.

Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

m) ***Long-term loan***

Long-term loan includes special commission bearing borrowing which is recognized initially at fair value. Subsequent to the initial recognition, special commission bearing borrowings are stated at amortized cost with any difference between cost (including transaction cost) and redemption value being recognized in the statement of profit or loss over the period of the borrowing on an effective special commission rate basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) *Fair value measurement*

The Company measures certain financial instruments, such as, derivatives and equity instruments at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 23.

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value 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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

o) *Foreign currencies*

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss. The gains or losses on foreign currency transactions are included in the statement of profit or loss during the year.

p) *Segment reporting*

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

q) *Value Added Tax ("VAT")*

The Company collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the GAZT representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Company and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

r) *Impairment of non-financial assets*

An assessment is made at each reporting date to determine 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 cash-generating units (CGU), fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) *Impairment of non-financial assets*
A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

s) *Government grant*
The Company recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS9.

The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in statement of income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grant is intended to compensate.

t) *Accounting for leases*
On initial recognition at inception of the contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of use assets
The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

Generally, right of use assets would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right of use assets’ value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company’s incremental borrowing rate.

After the commencement date, the Company measures the lease liability by:
1. Increasing the carrying amount to reflect interest on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(SAR '000)

4. CASH AND CASH EQUIVALENTS

	2022	2021
Cash at bank	**57,570**	15,630
Term Deposits with original maturity of 3 months or less from the date of acquisition	**420,000**	-
	477,570	15,630

5.1. NET INVESTMENT IN FINANCE LEASES

	Note	**31 December 2022** Not later than one year	Later than one year and less than five years	Total
Lease contract receivables		**1,366,589**	**3,039,071**	**4,405,660**
Unearned finance income		**(218,211)**	**(480,203)**	**(698,414)**
Net receivable from finance lease		**1,148,378**	**2,558,868**	**3,707,246**
Provision for expected credit losses	*5.1.2*	**(20,927)**	**(42,101)**	**(63,028)**
Net investment in finance leases		**1,127,451**	**2,516,767**	**3,644,218**

	Note	31 December 2021 Not later than one year	Later than one year and less than five years	Total
Lease contract receivables		1,249,837	2,753,999	4,003,836
Unearned finance income		(195,982)	(429,296)	(625,278)
Net receivable from finance lease		1,053,855	2,324,703	3,378,558
Provision for expected credit losses	*5.1.1*	(22,838)	(49,460)	(72,298)
Net investment in finance leases		1,031,017	2,275,243	3,306,260

These leased assets carry profit rates ranging from 3% to 9.99% per annum (2021: 3% to 7%) and lease rentals are determined on the basis of implicit rate of profit based on the cash flows of the lease. The Company holds the title of the leased assets as a collateral against the finance leases.

5.1.1 ECL (Charge) / reversal of impact on expected credit losses, net

	2022	2021
ECL reversal for the year for Net investment in finance lease	**(6,378)**	(4,578)
ECL charge for the year for Personal financing	**15**	-
	6,363	(4,578)

5.1.2 The movement in the allowance for expected credit losses is as follows:

	2022	2021
Balance as at 1 January	**72,298**	91,875
Reversal for the year (5.1.1)	**(6,378)**	(4,578)
Write off for the year	**(2,892)**	(14,999)
Balance as at 31 December	**63,028**	72,298

(SAR '000)

5.1. NET INVESTMENT IN FINANCE LEASES (CONTINUED)

5.1.3 The Company sold finance lease receivables amounting to SR 699 million (December 31, 2021: SR Nil) a to local commercial bank "BSF", Parent for SR 569 million (December 31, 2021: Nil) in pursuant to a portfolio sale agreement with the commercial bank, where the Company retained maximum 3% of the risk of transferred portfolio. These finance lease receivables have been derecognised from the statement of financial position. The Company is liable to the repayments of its assigned receivables to the local commercial bank in case of customers' default up to 3% of receivable amount. As a result the Company has recorded continuing involvement assets of SR 38.274 million (2021: Nil), corresponding continuing involvement liability of SR 17.306 million (2021: Nil) and financial guarantee of SR 15.768 million (Note 14) in the Statement of financial position. Loss on disposal of finance lease receivable amounting to SAR 8.011 million and financial guarantee provision amounting to SAR 15.768 million is included in the Statement of income. The amount received of SAR 547.873 million on assignment of finance lease receivables has been recognised as sale proceeds in the Statement of financial position.

Pursuant to the terms of the transfer agreement, the Company is not allowed to repledge those receivable, and the financial institution has recourse only to the receivables in the event the Company defaults its obligation. The carrying value of these receivables and its liability ("the related liability") approximate their fair value.

5.2. PERSONAL FINANCING, NET

		31 December 2022		
	Note	**Not later than one year**	**Later than one year and less than five years**	**Total**
Contract receivables		**644**	**2,311**	**2,955**
Unearned income		**(140)**	**(503)**	**(643)**
		504	**1,808**	**2,312**
Provision for expected credit losses	*5.2.1*	**(3)**	**(12)**	**(15)**
Personal financing		**501**	**1,796**	**2,297**

The Company introduced a new product Personal Finance (Tawarruq) during the year to meet customer's financial needs by providing immediate cash in accordance with the provisions of Islamic Sharia so that the customer can meet his personal and family needs.

5.2.1 The movement in the allowance for expected credit losses is as follows:

	2022
Balance as at 1 January	**-**
Provision for the year and as at 31 December	**15**

6. OTHER ASSETS

	Note	2022	2021
VAT receivable, net		**75,669**	40,778
Insurance receivable, net	6.2	**33,649**	-
Dealers receivable		**12,979**	16,211
Assets held for sale		**763**	2,920
Other receivables	6.1	**11,645**	8,491
		134,705	68,400

6.1 This account mainly includes insurance receivables amounting to SAR 1.9 million and receivables for customers against fee receivables from customer care services amounting to SAR 2.2 million net of expected credit loss amounting to SAR 1.5 million.

6. OTHER ASSETS (CONTINUED)

6.2 Insurance receivable represents amount receivable from BSF on finance lease receivables sold.

7. INVESTMENT AT FVOCI

Pursuant to Article 18/1 of the financial leasing law, Saudi Financial Lease Contract Registry Company (SIJIL) was established on 3/2/1439, corresponding to 23 October 2017, under CR No. 1010612415, and SAMA approval no. 381000124076 dated 23/12/1438, corresponding to 14 September 2017.

This Company has been set up by SAMA as a means to further regulate the market and facilitate transfer of leases between suppliers of finance and counterparties. SIJIL has 700,000 shares of SR 10 each. These 700,000 shares have been divided between finance lease companies registered and operating in Saudi Arabia. The Company purchased 89,285 shares at SR 10 each, amounting to SR 893 thousand (2021: SR 893 thousand).

As at the date of these financial statements, the carrying value of this investment is not materially different to its fair value.

8. DERIVATIVE

8.1 Nature/type of derivatives held

Swaps

Swaps are commitments to exchange one set of cash flows for another. For profit rate swaps, counterparties generally exchange fixed and floating rate profit payments in a single currency without exchanging principal.

8.2 Purpose of derivatives

Held for hedging purposes

The Company uses Shari'ah compliant derivatives for hedging purposes in order to reduce its exposure to profit rate risk.

The Company has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Company's exposure to fluctuations in profit rates to reduce its exposure to profit rate risks to acceptable levels as determined by the Board of Directors within the guidelines issued by SAMA.

As part of its asset and liability management, the Company uses derivatives for hedging purposes in order to adjust its own exposure to profit rate risk.

Cash flow hedges

The Company is exposed to variability in future cash flows on long term tawarruq financing which bear profit rate risk. The Company uses profit rate swaps as hedging instruments to hedge against these profit rate risks. The table below sets out the positive and negative fair values of the Company's derivative financial instruments, together with their notional amounts. The notional amounts, which provide an indication of the volume of transactions outstanding at the year end, do not necessarily reflect the amount of future cash flows involved. The notional amounts, therefore, are neither indicative of the Company's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

8. DERIVATIVE (CONTINUED)

Cash flow hedges (continued)

			Notional amount			
SR in 000'	Positive fair value of derivative	Negative fair value of derivative	Within 3 months	3-12 months	1-5 years	Total
2022	**44,750**	**(700)**	**88,542**	**405,625**	**1,397,500**	**1,891,667**
2021	4,034	(16,878)	119,792	359,375	1,166,666	1,645,833

	2022	2021
Balance at the beginning of the year	**(12,844)**	(42,347)
Gains from change in fair value recognised directly in equity, net (effective portion)	**77,068**	29,503
Amount transferred to statement of income	**(20,174)**	-
Balance at the end of the year	**44,050**	(12,844)

The Company entered into commission rate swaps with its parent, Banque Saudi Fransi (BSF). The fair value of commission rate swaps is calculated using discounted cash flow model using a risk-free discount rate adjusted for appropriate risk margin for counterparty risk including the entity's own credit risk.

9. INTANGIBLE ASSETS

	2022	2021
Cost at the beginning of the year	**6,436**	5,085
Additions during the year	**96**	1,351
Cost at the end of the year	**6,532**	6,436
Opening amortization balance	**(5,124)**	(4,837)
Amortization charge for the year	**(566)**	(287)
Accumulated amortization at end of the year	**(5,690)**	(5,124)
Net book value	**842**	1,312

9.1 Intangible assets include computer software related to loan origination, loan management and related licenses.

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10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS

Movement in the property and equipment and right of use assets during the year is as follows:

For the year ended 31 December 2022	**Lease hold improvements**	**Furniture and fixtures**	**Equipment's**	**Motor vehicles**	**Computer hardware**	**Right of use assets ***	**Total**
Cost:							
Balance at beginning of the year	**1,559**	**495**	**1,234**	**352**	**980**	**2,387**	**7,007**
Additions	**10**	**156**	**-**	**-**	**889**	**190**	**1,245**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at the end of the year	**1,569**	**651**	**1,234**	**352**	**1,869**	**2,577**	**8,252**
Accumulated depreciation:							
Balance at beginning of the year	**146**	**80**	**630**	**350**	**565**	**991**	**2,762**
Charge for the year	**155**	**57**	**140**	**2**	**163**	**597**	**1,114**
Disposal	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at the end of the year	**301**	**137**	**770**	**352**	**728**	**1,588**	**3,876**
Net book value at 31 December 2022	**1,268**	**514**	**464**	**-**	**1,141**	**989**	**4,376**

For the year ended 31 December 2021	Lease hold improvements	Furniture and fixtures	Equipment's	Motor vehicles	Computer hardware	Right of use assets *	Total
Cost:							
Balance at beginning of the year	232	182	1,057	377	534	2,387	4,769
Additions	1,327	313	177	-	446	-	2,263
Disposal	-	-	-	(25)	-	-	(25)
Balance at the end of the year	1,559	495	1,234	352	980	2,387	7,007
Accumulated depreciation:							
Balance at beginning of the year	14	48	498	370	534	394	1,858
Charge for the year	132	32	132	5	31	597	929
Disposal	-	-	-	(25)	-	-	(25)
Balance at the end of the year	146	80	630	350	565	991	2,762
Net book value at 31 December 2021	1,413	415	604	2	415	1,396	4,245

* Right of use assets pertains to lease of premises of the Company's branches.

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11. RELATED PARTY TRANSACTIONS

The related parties of the Company comprises BSF and its affiliated entities and certain key management personnel. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken in light of applicable rules and regulations.

The Company in its ordinary course of business transacts with the following related parties. The terms of those billings and charges are on an agreed basis with these related parties:

Name	Relationship
Banque Saudi Fransi (BSF)	Parent
Sofinco Saudi Fransi (SSF)	Affiliate

In addition to the related party transactions and balances disclosed elsewhere in these financial statements, significant transactions and balances arising from transactions with related parties are as follows:

a) Transactions with related parties

Nature of transactions	*Related parties*	**For the year ended 31 December 2022**	For the year ended 31 December 2021
Lease rental collected	SSF	**180**	366
IT maintenance and network related expenses	BSF	**(5,355)**	(1,055)
Financial charges on long-term loan and commission rate swaps including bank charges	BSF	**(83,281)**	(46,091)
Salaries and employee related expenses	BSF	**(2,567)**	(3,162)
Finance Lease disbursed	BSF and certain member of the BOD	**-**	1,743
Draw down of long-term tawarruq financing	BSF	**1,193,967**	930,000
Payments of long-term tawarruq financing	BSF	**(400,000)**	(379,167)
Cash received for end of service benefit	BSF	**-**	1,107
Special commission income-murabaha deposit	BSF	**507**	-
Profit paid – long term tawarruq financing	BSF	**69,467**	47,473
Liabilities taken for Sofinco Saudi Fransi	SSF	**-**	1,787
Guarantee issued by BSF in favor of SFL	BSF	**30,200**	30,200
Proceeds from the disposal of Net investment in finance lease	BSF	**547,873**	-
Financial guarantee on lease receivables sold	BSF	**15,786**	-
Cashflow hedge (nominal amount)	BSF	**1,891,667**	1,645,833
Positive fair value of derivatives	BSF	**44,750**	40,34
Negative fair value of derivatives	BSF	**700**	16,878

Certain expenses paid by BSF on behalf of the Company were not charged by BSF to the Company; these expenses mainly included provision of rent free premises, telephone expenses and electricity expenses. The Company has also entered into a servicing agreement for the finance lease receivables sold to BSF. Also refer note 5.1.3 for continued involvement asset and liability and loss on disposal of finance lease receivables.

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11. RELATED PARTY TRANSACTIONS (CONTINUED)

The above transactions mainly resulted in the following balances:

b) Due to a related party (excluding term loan):

	2022	2021
BSF	**1,109**	10,738

c) Other balances with a related party:

Nature of balances	*Related party*	2022	2021
Cash and cash equivalents	Banque Saudi Fransi	**57,570**	15,630
Term deposit	Banque Saudi Fransi	**420,000**	-
Long-term tawarruq financing	Banque Saudi Fransi	**2,884,722**	2,078,696

d) The Company considers chief executive officer, chief financial officer, chief risk officer, chief business development officer, chief sales officer, chief information technology officer and chief governance and legal officer as key management personnel. The compensation of the key management personnel is listed below:

	2022	2021
Salaries	**1,818**	3,347
End of service benefits	**28**	202
Other allowances	**-**	-
	1,846	3,549

e) As at 31 December 2022, the Company had Nil lease contract (2021: 1 lease contract) with Banque Saudi Fransi with an aggregate outstanding principal amounting to SAR Nil (2021: SAR 14 thousand).

12. LONG -TERM TAWARRUQ FINANCING

The Company has a shariah-compliant facility "Al Tawarruq" with a limit of SAR 2,800 million from its parent company Banque Saudi Fransi ("BSF"). There was an additional one-time special approval of SAR 100 million from BSF.

As at 31 December, the outstanding / utilized amounts from the above facility which are as follows:

	2022	2021
Current portion	**509,089**	482,029
Non-current portion	**2,375,633**	1,596,667
	2,884,722	2,078,696

The long-term loans carry special commission rate equal to SIBOR plus bank margins payable on quarterly basis. The management have provided BSF with promissory notes against this facility.

The movement in borrowings for the year ended 31 December was as follows:

	2022	2021
Balance at beginning of the year	**2,078,696**	1,529,245
Borrowings during the year	**1,193,967**	930,000
Principal repayments during the year	**(400,000)**	(379,167)
Profit accrued during the year	**81,526**	46,091
Profit repayments during the year	**(69,467)**	(47,473)
Balance at end of the year	**2,884,722**	2,078,696

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13. ACCOUNTS PAYABLE

	2022	2021
Dealers payable	**257,135**	256,104
Insurance payable	**88,521**	22,568
Commission payable	**6,166**	5,990
Third-party insurance collected	**5,485**	5,558
Government fee payable	**1,736**	845
Customer verification expense payable	**1,458**	3,215
Others	**427**	427
	360,928	294,707

14. PROVISION, ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	**2022**	2021
Salaries and employee related expenses		8,686	9,039
Payable to service providers		7,172	2,828
Lease liability		1,115	1,391
Financial guarantee provision	*5.1.3*	15,768	-
Legal and professional charges		524	636
Liabilities taken over from Sofinco Saudi Fransi	*14.1*	-	1,787
Others		40	35
		33,305	15,716

14.1 The details of liabilities taken over 2013 from Sofinco Saudi Fransi, a related party on account of portfolio transfer of finance lease contracts to the Company, are as follows:

	2022	2021
Legal and professional charges	-	1,070
Advance from customer	-	443
Third party insurance	-	184
Others	-	90
	-	1,787

15. EMPLOYEES' END OF SERVICE BENEFITS

The following tables summaries the components of employee benefits recognized in the statements of financial position, statement of income and statement of comprehensive income.

a) Amount recognised in the statement of financial position as at 31 December:

	2022	2021
Present value of defined benefit obligation	**10,182**	8,572

b) Benefit expense (recognized in the statement of income):

	For the year ended 31 December 2022	For the year ended 31 December 2021
Current service cost	**1,810**	1,364
Interest cost	**263**	180
Benefit expense	**2,073**	1,544

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15. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

c) Amount recognized in statement of comprehensive income:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Remeasurement (loss) / gain on EOSB	**(40)**	825

d) Movement in the present value of defined benefit obligation:

	For the year ended 31 December 2022	For the year ended 31 December 2021
Present value of defined benefit obligation at beginning of the year	**8,572**	6,882
Charge recognised in the statement of income:		
Current service cost	**1,810**	1,364
Interest cost	**263**	180
	2,073	1544
Remeasurement (loss) / gain on EOSB	**(40)**	825
Benefits paid	**(423)**	(679)
Present value of defined benefit obligation at end of the year	**10,182**	8,572

e) Principal actuarial assumptions:

	31 December 2022	31 December 2021
Discount rate	**5.10%**	2.85%
Salary increase rate	**5.10%**	2.85%
Plan duration	**11.72 years**	10.79 years

f) Sensitivity analysis

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

	31 December 2022		31 December 2021	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(550)**	**601**	(443)	484
Future salary growth (0.5% movement)	**601**	**(550)**	481	(445)

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16. ZAKAT

The movement in the provision for zakat for the years ended 31 December is as follows:

	31 December 2022	31 December 2021
Opening zakat and tax	**26,380**	23,573
Charge for the year:		
Current	**6,892**	22,038
Prior years (Note 16.1)	**(7,911)**	1,934
(Reversal) / charge for the year	**(1,019)**	23,972
Payment during the year	**(13,691)**	(21,165)
Closing zakat and tax	**11,670**	26,380

16.1 The company reversed zakat provision for the year 2021 by SR 7.9 million during 2022, as a result of refund allocated by the parent, since zakat return has started to be filed on consolidated basis from 2021.

Status of assessments
The Company has submitted its zakat returns for the years ended 31 December 2012 to 2021 with the zakat, tax and customs authority ("ZATCA").

2012 to 2015
The Company has received zakat and tax assessments for the years from 2012 to 2015 from the zakat, tax and custom authority ("ZATCA") requesting to settle additional Zakat liability of SR 8.570 million. The Company filed an objection against these assessments with the ZATCA. However, the ZATCA raised revised assessment for the period from 2012 to 2015 requesting to settle additional Zakat liability of SR 9.828 million.

The additional liability was primarily due to disallowance of provision of lease losses and provision for performance related bonus and not allowing Company's claim "net investment in finance leases" from the Zakat base. The Company then filed an appeal against the revised assessment to the General Secretariat of Tax Committees ("GSTC"). GSTC scheduled hearing session on 14 March 2022, however, GSTC dismissed the case on 3 April 2022 due to non-availability of authorized representative of the Company. The Company filed an appeal again with GSTC within statutory timeline against the decision. No notification for hearing session has been received by the Company yet. Management of the Company is of the view that the case will be in company's favour, and recorded a provision of SAR 3.7 million as its best estimate of the additional tax and zakat liability.

2015 to 2017
The Company has reached settlement agreement with ZA TCA for the years 2015 to 2017. During the year, the Company has settled a yearly instalment of SAR 1.03 million for the year 2022. The Company will settle the last instalment of SAR 1.03 million by 31 December 2023.

2019 to 2020
ZATCA issued assessment for the years 2019 and 2020 and claimed additional zakat liability of SAR 0.386 million and SAR 1.547 million respectively. The differences mainly resulted from the amendment made by ZA TCA relating to equity, long term finance lease receivables and deferred tax assets. The Company accepted ZATCA assessment and settled the liability.

Starting from 2021, zakat assessment was made on a consolidated basis and paid by BSF on behalf of the Company. The charge for the Company was billed by BSF at the end of the year. There has been no significant development in the status of the Company's zakat assessments from the status disclosed in the annual audited financial statements of the Company for the year ended 31 December 2021. No assessments have been raised by ZATCA for the year 2021.

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17. SHARE CAPITAL

The authorised, issued and paid-up share capital of the Company is SAR 500 million (2021: SAR 500 million) divided into 50 million (2021: 50 million) shares of SAR 10 (2021: SAR 10) each and 100% owned by BSF.

18. STATUTORY RESERVE

The Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia require the Company to allocate 10% of its net income each year to form a statutory reserve until such reserve equals 30% of the Company's share capital. The statutory reserve is not available for distribution. During the year, the Company has transferred SR 6.9 million (2021: SR 9.3 million).

19. FEE INCOME AND EXPENSES

Fee income	**2022**	2021
Insurance income	**79,346**	157,268
Processing fee	**21,640**	16,317
Other operating income	**5,762**	2,788
	106,748	176,373
Fee expenses		
Insurance expenses	**(50,977)**	(101,555)
Commission	**(18,179)**	(18,147)
Registration fee	**(683)**	(3,790)
Verification expenses	**(3,929)**	(2,794)
	(73,768)	(126,286)

20. GENERAL AND ADMINISTRATION EXPENSES

	2022	2021
IT maintenance and network related expenses	**5,425**	1,616
Collection expenses	**3,000**	1,137
Advertising and promotion expenses	**2,991**	1,686
Board remuneration	**1,276**	125
Consultancy fees	**904**	581
Legal and professional charges	**642**	924
Communication expenses	**520**	674
Printing and stationery	**310**	280
Penalty paid to SAMA	**290**	-
Repair and maintenance	**191**	169
Traveling expenses	**183**	170
General insurance expense	**43**	183
Other expenses	**2,592**	860
	18,367	8,405

21. OTHER INCOME

	2022	2021
Recoveries against previously written off lease receivables	**3,079**	2,421
Gain on sale of motor vehicle	**-**	11
Special commission income - murabaha deposit	**507**	-
Other (21.1)	**13,379**	5,618
	16,965	8,050

21.1 The other income includes fee for regulatory authority to drive, ownership transfer, istamarah renewal and various other services charged to customers during the year.

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22. SAMA Deposit

During the year 2022 the Company received profit free deposit from SAMA of SAR 0.222 million and repaid SR 16.1 million with varying maturities. The impact of difference in fair value and the proceeds of deposits is not material to the financial statements.

23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer and those prices represent actual and regularly occurring market transactions between market participants.
When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets (including lease receivables) and financial liabilities are measured at amortized cost except for derivative financial instruments and equity instruments which are measured at fair value. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values due to being short term in nature except for net investments in finance leases.

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

		--------------Fair Value--------------			
31 December 2022	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Net investment in finance lease	**3,707,246**	**-**	**-**	**4,057,269**	**4,057,269**
Personal financing	**2,312**	**-**	**-**	**2,312**	**2,312**
Investment at FVOCI	**893**	**-**	**-**	**893**	**893**
Continuing involvement asset	**38,274**	**-**	**-**	**38,274**	**38,274**
Other Assets	**58,273**	**-**	**-**	**58,273**	**58,273**
Positive fair value of derivative	**44,750**	**-**	**44,750**	**-**	**44,750**
Financial liabilities:					
Negative fair value of derivative	**700**	**-**	**700**	**-**	**700**
Long term tawarruq financing	**2,884,722**	**-**	**-**	**2,884,722**	**2,884,722**
Continuing involvement liability	**17,306**	**-**	**-**	**17,306**	**17,306**
Due to a related party	**1,109**	**-**	**-**	**1,109**	**1,109**

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23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

31 December 2021	Carrying Value	Fair Value Level 1	Level 2	Level 3	Total
Financial assets:					
Net investments in finance leases	3,378,558	-	-	3,717,071	3,717,071
Investment at FVOCI	893	-	-	893	893
Other assets	24,702	-	-	24,702	24,702
Positive fair value of derivative	4,034	-	4,034	-	4,034
Financial liabilities:					
Negative fair value of derivative	16,878	-	16,878	-	16,878
Long term tawarruq financing	2,078,696	-	-	2,078,696	2,078,696
Due to a related party	10,738	-	-	10,738	10,738

The fair value of net investment in finance lease is determined using discounted cash flow technique considering the credit adjusted market rates. The rates are determined based on the risk profile of lease receivables and current commission rates.

Fair value of long-term loan is not significantly different from the carrying values included in the financial statements since the current market commission rates for similar financial instruments are not significantly different from the contracted rates.

Fair value of financial assets held at fair value through other comprehensive income – equity instruments is not significantly different from the carrying values included in the financial statements.

There had been no inter-level transfers during the year.

24. FINANCIAL RISK MANAGEMENT

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has nominated the risk management head, who has the responsibility to monitor the overall risk process within the Company and for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The risk management head is responsible for managing risk decisions and monitoring on risk levels and reports on a quarterly basis to the Risk Management Committee.

1) Credit risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to investment in finance lease receivables.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Company's risk management policies are designed to identify, to set appropriate risk limits, and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on regularly basis.

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24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

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

The Company seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. Further, the Company holds the title of the leased assets as a collateral against the finance leases and in case of default by the customer, the outstanding amount is recovered through the disposal of the leased assets.

The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position:

	31 December 2022	31 December 2021
Cash and cash equivalent	**477,570**	15,630
Net investment in finance lease	**3,644,218**	3,306,260
Personal financing	**2,297**	7,022
Positive fair value of derivatives	**44,750**	4,034
Other assets	**58,273**	24,702
	4,227,108	3,357,648

a) Credit quality analysis

The following table sets out information about the credit quality of investment in finance lease as at 31 December 2022. The amounts in the table represent gross carrying amounts.

		31 December 2022			
Gross investment in finance leases and personal financing	**PD range**	**12 Month ECL (Stage1)**	**Life time ECL not credit impaired (Stage2)**	**Lifetime ECL credit impaired (Stage3)**	**Total**
Very strong quality (A+ to B)	**0-0.05%**	**4,195,918**	**-**	**-**	**4,195,918**
Good quality (C+ to C)	**0.05-0.22%**	**23,256**	**102,875**		**126,131**
Satisfactory quality (C- to E +)	**0.22-3.62%**	**-**	**48,128**		**48,128**
Impaired	**100%**	**-**	**-**	**38,438**	**38,438**
Total		**4,219, 174**	**151,003**	**38,438**	**4,408,615**

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24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

a) Credit quality analysis (continued)

		31 December 2021			
Gross investment in finance leases and personal financing	PD range	12 Month ECL (Stage 1)	Life time ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
Very strong quality (A+ to B)	0-0.05%	3,826,303	8,150	-	3,834,453
Good quality (C+ to C)	0.05-0.22%	42,350	44,659	-	87,009
Satisfactory quality (C- to E +)	0.22-3.62%	532	46,686	-	47,218
Impaired	100%	-	-	35,156	35,156
Total		3,869,185	99,495	35,156	4,003,836

b) Amounts arising from ECL – Significant increase in credit risk

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

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

- the 12 month probability of default (PD) as at the reporting date; with
- the 12 month probability of default (PD) at the time of initial recognition of the exposure

i) Credit risk grades

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

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

Each exposure is allocated to a credit risk grade at initial recognition based on available information of the borrower. Exposures are subject to ongoing monitoring which may result in an exposure being moved to a different credit risk grade. The monitoring of exposures involves use of the following:

Corporate exposures	Retail exposures	All exposures
• Information obtained during periodic review of customer files. • Data from credit reference agencies and changes in external credit ratings. • Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	• Internally collected data and customer behavior • Affordability metrics • External data from credit reference agencies including industry-standard credit scores	• Payment record – this includes overdue status as well as a range of variables about payment ratios • Requests for and granting of forbearance • Existing and forecast changes in business, financial and economic conditions

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FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

ii) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. Company collects performance and default information about its credit risk exposures separately for the corporate and retail portfolios.

The Company analyses the relationships between its historical default rates and macro-economic factors. For both the corporate and retail portfolios, the key macro-economic indicator is un employment rate, share price index, and balance of payments.

iii) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency is based on the Company's quantitative modelling.

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

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- the criteria do not align with the point in time when an asset becomes 30 days past due;

iv) Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from economic experts and consideration of a variety of forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables. The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting.

The Company considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Company's credit portfolios in determining them.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past seven years. The Company has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic indicators	**Forecast calendar years used in 2022 ECL_model**			Forecast calendar years used in 2021 ECL_model		
	2023	**2024**	**2025**	2022	2023	2024
General govt. dept to GDP Ratio	**23.75**	**23.28**	**23.14**	45.19	47.97	49.46
Share Price Index	**11,144**	**11,580**	**11,768**	10,880	11,293	11,516
Government Bond Yield 1 Year	**3.21**	**2.88**	**2.86**	1.37	2.08	3.03

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

v) Definition of 'Default'

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to Company.

In assessing whether a borrower is in default, the Company considers indicators that are quantitative- e.g. overdue status and non-payment on another obligation of the same customer to the Company.

vi) Measurement of ECL

The key inputs into the measurement of ECL are the following risk estimates:

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

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored for company's portfolio. These rating models are based on both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. Further the PD term structure is estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. Company estimates LGD based on the history of recovery rates of claims against defaulted counterparties. LGD model considers the structure, any sale of collateral, and recovery costs of any collateral that is integral to the financial asset.

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

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period.

Sensitivity of ECL allowance:

The table below illustrates the sensitivity of ECL to the key macroeconomic factor used in determining it as at the year end:

Assumption sensitized	Impact on expected credit losses (2022)
Macro-economic factors:	
Increase in Dept to GDP by 15%	71,804
Decrease in TADAWAL Stock Index by 15%	54,685

(SAR '000)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)
b) Amounts arising from ECL – Significant increase in credit risk (continued)

vii) Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- The risk of default at the reporting date (based on modified contractual terms) and
- The risk of default occurring at initial recognition (based on original, unmodified contractual terms).

If the modification results in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of the following:

- risk of default at the reporting date (based on modified contractual terms); and
- the risk of default based on the modified terms.

The modified terms usually include extending the maturity, changing the timing of profit payments and amending the terms of loan covenants. Both retail and corporate loans are subject to modification.

For financial assets, which are modified, the estimate of PD reflects whether the modification has improved or restored the Company ability to collect profit and principal. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired / default or the risk of default is considered to have decreased.

c. Loss allowance

The following table shows reconciliations from the opening to the closing balance of the carrying amount of the investment in finance lease and the related loss allowance account for the year ended 31 December 2022.

Gross investments in finance lease and personal financing	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2022	**3,268,406**	**81,875**	**28,276**	**3,378,557**
Transfer from 12 Month ECL	(88,344)	76,677	11,667	-
Transfer from Lifetime ECL not credit impaired	14,694	(23,216)	8,522	-
Transfer from Lifetime ECL credit – impaired	1,012	443	(1,455)	-
Net repayment received during the year	(1,021,515)	(69,913)	(16,281)	(1,107,709)
Sale of lease Portfolio	(576,852)	-	-	(576,852)
New finance lease receivables originated during the year	1,954,398	60,311	3,745	2,018,454
Write Off	-	-	(2,892)	(2,892)
Balance at 31 December 2022	**3,551,799**	**126,177**	**31,582**	**3,709,558**

(SAR '000)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

c. Loss allowance (continued)

Expected credit losses	**12 Month ECL**	**Lifetime ECL (not credit impaired)**	**Lifetime ECL (credit impaired)**	**Total**
Balance at 1 January, 2022	**33,654**	**14,567**	**24,077**	**72,298**
Transfer from 12 Month ECL	(1,681)	1,510	171	-
Transfer from Lifetime ECL not credit – impaired	4,792	(5,982)	1,190	-
Transfer from Lifetime ECL credit – impaired	1,704	713	(2,417)	-
Net re-measurement of loss allowance	(19,851)	321	7,758	(11,772)
Financial assets that have been derecognized during the year	(3,498)	(4,699)	(5,059)	(13,256)
Reversal of ECL on lease receivables sold	(5,376)	-	-	(5,376)
New finance lease receivables originated during the year	13,946	8,410	1,685	24,041
Write Off	-	-	(2,892)	(2,892)
Balance at 31 December 2022	**23,690**	**14,840**	**24,513**	**63,043**

The following table shows reconciliations from the opening to the closing balance of the carrying amount of the investment in finance lease and the related loss allowance account for the year ended 31 December 2021.

Gross investments in finance lease	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2021	2,486,969	58,473	53,925	2,599,367
Transfer from 12 Month ECL	(75,335)	63,300	12,035	-
Transfer from Lifetime ECL not credit impaired	16,601	(21,670)	5,069	-
Transfer from Lifetime ECL credit – impaired	3,979	1,664	(5,643)	-
Net repayment received during the year	(999,271)	(43,602)	(38,540)	(1,081,413)
New finance lease receivables originated during the year	1,835,464	23,710	1,445	1,860,619
Write Off	-	-	(15)	(15)
Balance at 31 December 2021	3,268,407	81,875	28,276	3,378,558

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

c. Loss allowance (continued)

Expected credit losses	12 Month ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	Total
Balance at 1 January, 2021	33,060	5,752	53,063	91,875
Transfer from 12 Month ECL	(1,854)	1,443	411	-
Transfer from Lifetime ECL not credit – Not impaired	818	(1,157)	339	-
Transfer from Lifetime ECL credit – impaired	3,119	1,382	(4,501)	-
Net re-measurement of loss allowance	(11,616)	4,192	3,981	(3,443)
Financial assets that have been derecognized during the year	(7,939)	(1,129)	(3,0123)	(39,191)
New finance lease receivables originated during the year	18,065	4,084	923	23,072
Write Off			(15)	(15)
Balance at 31 December 2021	33,653	14,567	24,078	72,298

2) Market rate risk

a) Special commission rate risk

Special commission rate risk is the uncertainty of future earnings resulting from fluctuations in special commission rates. The risk arises when there is a mismatch in assets and liabilities, which are subject to special commission rate adjustment within a specified period. The most important source of such rate is the Company's borrowing where fluctuations in special commission rates, if any, are reflected in the results of its operations.

The sensitivity to a 50 basis points change in financial charges on long term loans, with all other variable constant on the Company's financial charges for the year are mentioned below:

	2022		2021	
	Change in basis points	**Impact on financial charges**	Change in basis points	Impact on financial charges
Saudi Riyals in '000	**+50**	**(28,547)**	+50	(28,547)
Saudi Riyals in '000	**-50**	**(28,547)**	-50	(28,547)

b) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars.

As US Dollar is pegged with Saudi Riyal, therefore, Company does not have any currency risk in these transactions.

3) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

(SAR '000)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

3) Liquidity risk (continued)

Management monitors the maturity profile of the Company's assets and liabilities based on the remaining period at the statement of financial position date to the contractual maturity date to ensure that adequate liquidity is maintained. All liabilities other than end of service benefits and long-term Tawarruq financing are contractually payable on a current basis. The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled. The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligation. The contractual maturities of the liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective expected maturities.

The maturity profile of the Company's financial assets and liabilities is as follows:

31 December 2022	Within 3 months	3 to 12 months	1 to 5 years	No fixed maturity	Total
Assets					
Cash and cash equivalents	477,570	-	-	-	477,570
Net investment in finance leases	404,754	961,835	3,039,071	-	4,405,660
Net investment in personal finance	158	486	2,311		2,955
Investment at FVOCI				893	893
Continuing Involvement assets	38,274	-	-	-	38,274
Positive FV for Derivative	44,750	-	-	-	44,750
Other assets	18,662	39,611	-	-	58,273
	984,168	1,001,932	3,041,382	893	5,028,375
Liabilities and Shareholders' equity					
Accounts payable	324,263	36,665	-	-	360,928
Provision, accrued expenses and other liabilities	31,667	1,638	-	-	33,305
Continuing Involvement Liabilities	17,306				17,306
Due to a related party		1,109	-	-	1,109
SAMA Deposit	-	222	-	-	222
Negative fair value of derivatives	700	-	-	-	700
Long term Tawarruq financing	103,374	420,836	2,731,978	-	3,256,188
Advance from customer	-	80,895	-	-	80,895
	477,310	541,365	2,731,978	-	3,750,653
Maturity gap	506,858	460,567	309,404	893	
Cumulative maturity gap	506,858	967,425	1,276,829	1,277,722	

(SAR '000)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

3) Liquidity risk (continued)

31 December 2021	Within 3 months	3 to 12 months	1 to 5 years	No fixed maturity	Total
Assets					
Cash and cash equivalents	15,630	-	-	-	15,630
Net investment in finance leases	363,864	885,973	2,753,999	-	4,003,836
Investment at FVOCI				893	893
Other asset	24,702	-	-	-	24,702
	404,196	885,973	2,753,999	893	4,045,061
Liabilities and Shareholders' equity					
Accounts payable	266,582	28,125	-	-	294,707
Provision, Accrued expenses and other liabilities	12,538	3,178	-	-	15,716
Due to a related party		10,738	-	-	10,738
SAMA Deposit Net	-	16,028	74	-	16,102
Negative fair value of derivatives	16,878	-	-	-	16,878
Long term loan	122,654	368,808	1,764,317	-	2,255,779
Advance from customer	-	85,785	-	-	85,785
	418,652	512,662	1,764,391	-	2,695,705
Maturity gap	-14,456	373,311	989,608	893	
Cumulative maturity gap	-14,456	358,855	1,348,463	1,349,356	

25. GEOGRAPHICAL CONCENTRATION

The Company's operations are restricted to the Kingdom of Saudi Arabia only.

27. COMMITMENTS

The Company has finance lease contracts approved but not utilised, indicative offers issued which are under consideration of the customers as of the reporting date which have the potential to convert into financing amounting to SAR 17.8 million (2021: SR 70.91 million).

As at 31 December 2022, the Company has an outstanding guarantee of SR 30.2 million (2021: SR 30.2 million) submitted in favour of Abdul Latif Jameel Retail Company Limited against purchases of vehicle for onward leasing to customers.

28. SUBSEQUENT EVENTS

There were no subsequent events after the statement of financial position date which require adjustments to / or disclosure in the financial statements.

29. BOARD OF DIRECTORS' APPROVAL

The financial statements have been approved by the Board of Directors on 15 March 2023 (corresponding to 23 Sha'ban 1444H)