AL YUSR LEASING AND FINANCING COMPANY

(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023 AND INDEPENDENT AUDITOR'S REPORT

AL YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Independent auditor's report to the shareholders of Al Yusr Leasing and Financing Company

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Yusr Leasing and Financing Company (the "Company") and its subsidiary (together the "Group") as at December 31, 2023, and its consolidated financial performance and its consolidated 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 Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information 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 Consolidated 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 Group 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 consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated 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 the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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Independent auditor's report to the shareholders of Al Yusr Leasing and Financing Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

Date: March 4, 2024

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محاسبون قانونيون
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Lic No. 323/11/25/2
C.R. 2051062384

AL YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2023	As at December 31, 2022
ASSETS			
Cash at banks and short-term deposits	5	**3,691,105**	186,887,752
Prepayments, advances and other receivables	7	**76,676,612**	87,750,385
Investment in Islamic financings held for sale	10.1	**120,362,243**	-
Repossessed vehicles held for sale	10.9	**2,469,761**	2,558,650
Due from related parties	8.1.1	**500,697,022**	516,559,447
Margin deposits – restricted	6	**7,240,756**	15,270,395
Investment in Islamic financings, net	9	**2,192,161,875**	1,702,552,058
Investment in equity instruments carried at fair value through other comprehensive income ("FVOCI")	11	**7,401,563**	892,875
Intangible assets	14	**17,664,316**	13,932,931
Right-of-use assets	13.1	**17,884,093**	20,533,101
Investment properties	12	**6,000,000**	8,550,087
Property and equipment	15	**3,585,683**	5,640,804
Total assets		**2,955,835,029**	2,561,128,485
LIABILITIES AND EQUITY			
Liabilities			
Trade payables		**21,351,374**	35,513,814
Accruals, provisions and other liabilities	16	**52,712,834**	49,128,504
Due to related parties	8.1.2	**3,034,255**	7,931,794
Zakat payable	17.3	**23,693,039**	26,957,665
Lease liabilities	13.2	**17,530,905**	22,289,358
Employees' end of service benefits "EOSB" obligation	18.1	**10,955,000**	12,133,000
Borrowings	19	**1,979,277,639**	1,568,539,988
Total liabilities		**2,108,555,046**	1,722,494,123
Equity			
Share capital	20	**500,000,000**	500,000,000
Statutory reserve	21	**123,715,275**	122,906,896
Retained earnings		**217,214,638**	209,939,224
End of service benefits reserve		**6,350,070**	5,788,242
Total equity		**847,279,983**	838,634,362
Total liabilities and equity		**2,955,835,029**	2,561,128,485

Chief Financial Officer | Chief Executive Officer | Chairman

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

AL YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2023	2022
Revenue			
Income from investment in Islamic financing, net	22	**322,387,857**	252,839,160
Other income	23	**30,355,169**	25,151,264
Total revenue		**352,743,026**	277,990,424
Operating expenses			
Salaries, wages and other employee related costs	24	**(108,999,844)**	(105,303,906)
Depreciation and amortisation	25	**(10,312,493)**	(9,733,216)
Other operating expenses	26	**(109,421,296)**	(72,096,570)
Reversal of / (charge for) impairment on financial assets, net	27	**7,460,886**	(731,731)
Total operating expenses		**(221,272,747)**	(187,865,423)
Operating profit		**131,470,279**	90,125,001
Finance costs, net	28	**(122,542,545)**	(70,686,198)
Profit before zakat		**8,927,734**	19,438,803
Zakat expense	17.3	**(843,941)**	(4,009,059)
Net profit for the year		**8,083,793**	15,429,744
Other comprehensive income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss			
Gain on the re-measurements of employees' end of service benefits obligation	18.2	**561,828**	2,615,169
Other comprehensive income for the year		**561,828**	2,615,169
Total comprehensive income for the year		**8,645,621**	18,044,913

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

AL YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	Share capital	Statutory reserve	Retained earnings	End of service benefit reserve	Total equity
Balance at January 1, 2022		500,000,000	121,363,922	180,791,057	3,173,073	805,328,052
Net profit for the year		-	-	15,429,744	-	15,429,744
Other comprehensive income for the year		-	-	-	2,615,169	2,615,169
Total comprehensive income for the year		-	-	15,429,744	2,615,169	18,044,913
Transfer to a statutory reserve	21	-	1,542,974	(1,542,974)	-	-
Modification gain on rescheduling the loan with Parent Company	29	-	-	15,261,397	-	15,261,397
Balance as at December 31, 2022		500,000,000	122,906,896	209,939,224	5,788,242	838,634,362
Net profit for the year		-	-	**8,083,793**	-	**8,083,793**
Other comprehensive income for the year		-	-	-	**561,828**	**561,828**
Total comprehensive income for the year		-	-	**8,083,793**	**561,828**	**8,645,621**
Transfer to a statutory reserve	21	-	**808,379**	**(808,379)**	-	-
Balance as at December 31, 2023		**500,000,000**	**123,715,275**	**217,214,638**	**6,350,070**	**847,279,983**

Chief Financial Officer

Chief Executive Officer

Chairman

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements.

AL YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31, 2023	2022
Cash flows from operating activities			
Profit before zakat		**8,927,734**	19,438,803
Adjustments to reconcile profit before zakat to net cash flows provided by operating activities:			
Depreciation and amortisation	25	**10,312,493**	9,733,216
ECL charge on financial assets	9.7	**33,852,073**	20,131,946
Income from margin deposits	23	**(21,009)**	(2,029,606)
Finance income on receivable against portfolio sold to Parent Company	29	**(9,135,103)**	(9,459,833)
Gain on profit free borrowing		**-**	(4,840,912)
Finance loss on transfer of receivable to related parties		**-**	9,084,164
Fair value loss on investment properties	12	**2,550,087**	301,413
Finance costs, net	28	**122,542,545**	70,686,198
reversal of long outstanding unidentified deposits	23	**(7,810,174)**	(4,818,228)
Gain on modification of investment in Islamic financing, net		**(8,721,550)**	(994,359)
Gain on derecognition of lease liabilities		**-**	(143,866)
Provision for employees' end of service benefits	18.1	**1,848,000**	2,270,000
Changes in working capital:		**154,345,096**	109,358,936
Change in operating assets and liabilities			
Prepayments, advances and other receivables		**11,073,773**	(26,445,184)
Repossessed assets held for sale		**88,889**	27,540,186
Due from related parties		**24,367,781**	55,215,943
Margin deposit – restricted		**8,050,649**	79,653,093
Investment in Islamic financing, net		**(635,102,583)**	(9,616,601)
Trade payables		**(10,969,105)**	(907,377)
Accruals, provisions and other liabilities		**11,394,504**	(26,413,636)
Due to related parties		**(7,461,130)**	(14,034,368)
Cash (used in) / generated from operating activities before zakat and employees' end of service benefits paid		**(444,212,126)**	194,350,992
Employees' end of service benefits paid	18.1	**(3,013,172)**	(4,473,831)
Zakat paid	17.3	**(4,108,567)**	(21,923,445)
Net cash (used in) / generated from operating activities		**(451,333,865)**	167,953,716
Cash flows from investing activities			
Investment in equity instruments carried at FVOCI	11	**(6,508,688)**	-
Purchase of property and equipment	15	**(1,048,971)**	(1,647,121)
Purchase of intangible assets	14	**(7,678,157)**	(7,273,402)
Net cash used in investing activities		**(15,235,816)**	(8,920,523)
Cash flows from financing activities			
Proceeds from borrowings		**994,560,032**	1,025,475,176
Repayment of borrowings		**(596,460,429)**	(909,517,914)
Repayment of lease liabilities	13.2	**(5,371,073)**	(3,266,624)
Finance cost paid		**(127,528,208)**	(60,081,169)
Net cash generated from financing activities		**265,200,322**	52,609,469
Net (decrease) / increase in cash and cash equivalents		**(201,369,359)**	211,642,662
Cash and cash equivalents at beginning of the year		**176,937,976**	(34,704,686)
Cash and cash equivalents at end of the year	5	**(24,431,383)**	176,937,976
Non-cash transactions			
Reversal of net present value discounting on receivable against portfolio sold to the Parent Company	29	**-**	(15,261,397)
Right-of-use assets	13.1	**612,621**	(547,128)
Lease liabilities	13.2	**(612,621)**	547,128
Due from related parties	8.4	**629,747**	-
Due to related parties	8.4	**2,563,591**	-
Accounts payable	8.4	**(3,193,338)**	-
Investment in Islamic financings held for sale	10.1	**120,362,243**	-
Gain on the re-measurements of EOSB obligation	18.2	**561,828**	2,615,169

The accompanying notes on page 1 to 34 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 Legal status and operations

Al-Yusr Leasing and Financing Company (the "Company") is a Saudi Closed Joint Stock Company registered in Riyadh in the Kingdom of Saudi Arabia under commercial registration ("CR") number 1010192058 issued on 20 Shawal 1424H corresponding to December 14, 2003.

The main activities of the Company are to engage in Islamic finance lease, financing of small and medium-sized enterprises, financing of productive assets and consumer finance under the Saudi Central Bank ("SAMA") license No. (10/AO/201403) issued on 27 Rabi' al-Thani 1435H corresponding to February 28, 2014.

The Company engages in these activities through the following active branches.

			Status of branch as at December 31,	
Branch name	**CR number**	**Date of issuance of CR**	**2023**	**2022**
Al Shifa Branch	7014428432	9 Jumada al-Ula 1443H	Active	Active
Exit -10 Branch- Riyad	7007215747	13 Rajab 1443 H	Active	Active
Al Jouf Branch	7012361163	9 Jumada al-Ula 1443H	Active	Active
Hail Branch	7012824483	19 Safar 1443H	Active	Active
Hafer Al Batin Branch	2511020230	22 Safar 1443H	Active	Active
Tabuk Branch	7014185297	9 Jumada al-Ula 1443H	Active	Active
Dammam Branch	7012370198	9 Jumada al-Ula 1443H	Active	Active
Jeddah Branch	7011801359	7 Thul-Qi`dah 1443H	Active	Active
Makkah Branch	7006513977	22 Safar 1443H	Active	Active
Madinah Branch	7011313850	9 Jumada al-Ula 1443H	Active	Active
Abaha Branch	7014490317	9 Jumada al-Ula 1443H	Active	Active
Jezan Branch	7012395286	9 Jumada al-Ula 1443H	Active	Active
Al Hassa Branch	2252034974	6 Muharram 1445H	Active	-

The Company's Head Office is located at the following address;

Salah Uddin Ayubi Street, Al Malaz
P.O. Box 25773
Riyadh 11476
Kingdom of Saudi Arabia

On Shawwal 26, 1444H (corresponding to May 16, 2023) the Company incorporated its subsidiary Manast Alraqamiah for Information Technology Company ("the Subsidiary"), a limited liability company in Riyadh with CR number 1010881199. The Subsidiary is owned 100% by the Company. The Subsidiary has not started its operations yet.

The Subsidiary is licensed to involve in

- wholesale and retail trade and repair of motor vehicles and motorcycles and
- information and communications.

These consolidated financial statements comprise the financial statements of the Company along with its branches and its Subsidiary (collectively referred to as "the Group").

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities, investment properties – measured at fair value;
- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell; and
- End of service benefits – measured using Projected Unit Credit Method under IAS-19.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals ("SR") which is the Group's functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Saudi Riyal, unless otherwise mentioned.

3 Critical accounting judgments, estimates and assumptions

The preparation of the consolidated 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 judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advices and expectations of future events that are believed to be reasonable under the circumstances.

The material estimates impacted by these forecasts and associated uncertainties are predominantly related to the following judgments, estimates and assumptions.

3.1 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 Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The management exert judgment in assessing the above derecognition criteria.

3.2 Determination of discount rate for present value calculations

Discount rate represents the current market assessment of the risks specific to the Group, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Group. The discount rate is an estimate of the weighted average cost of capital of the Group based on market rates adjusted to reflect management's estimate of the specific risks relating to its operations.

3.3 Actuarial valuation of employee's end of service benefits obligation

The cost of the employees' end of service benefits ("EOSB") under defined benefits plan is determined annually based on actuarial valuation by independent actuaries using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, employee turnover rates and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All these assumptions are reviewed on an annual basis or more frequently, if required, as part of overall assessment of employees' end-of-service termination benefits obligations.

3 Critical accounting judgments, estimates and assumptions (continued)

3.4 Economic useful lives of property, equipment and intangible assets

The Group's management determines the estimated useful lives of its property, equipment and intangible assets which are depreciated/amortised on a straight-line basis over their economic useful lives. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation/amortisation charges would be adjusted where the management believes the economic useful lives differ from previous estimates.

3.5 Right-of-use assets and lease liabilities

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

3.6 Measurement of expected credit loss allowance

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

Three-stage approach
The ECL model contains a three-stage approach that is based on the change in the credit quality of financial assets since initial recognition. The ECL model is forward-looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Stage 1: 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk ("SICR") since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months and Loss Given Default ("LGD") while the income on these financial assets is calculated on gross basis.

Stage 2: Stage 2 applies to all the financial assets wherein there has been a SICR since initial recognition, but the financial instruments are not considered credit impaired. An amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD and Exposure at Default ("EAD") while the income on these financial assets is calculated on gross basis. The provisions for ECL allowance are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months ECL in Stage 1.

Stage 3: Stage 3 applies to all those financial assets wherein there is objective evidence of impairment at the reporting date. These financial assets will be classified as credit-impaired and an amount equal to the lifetime ECL will be recorded for the financial assets. The income on these financial assets is henceforth calculated on net basis (i.e., net of ECL).

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

- Determining the criteria for a significant increase in credit risk.
- Choosing appropriate models and assumptions for measurement of ECL.

3 Critical accounting judgments, estimates and assumptions (continued)

3.6 Measurement of expected credit loss allowance (continued)

- Establishing the number and relative weighting of forward-looking scenarios for each type of industrial sector and associated ECL.
- Establishing a group of similar financial assets for the purpose of measuring ECL.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relates to the Group's core business operations.

Macroeconomic variables
The output of the PD model is through the cycle PD. These PDs are converted into Point-in-time PD by applying forward looking scenarios. This is done through deriving a Composite Index ("CI"). Correlation Analysis is used to create CI for input into models.

Portfolio Segmentation
The portfolio has been sliced into retail and non-retail segment. The retail portfolio is segmented on the basis of product type, nationality, and employment type. The non-retail portfolio is segmented on the basis of customer type (i.e., SMEs) and type of facility (i.e., construction and non-construction). The segmentation has been done considering shared risk characteristics of exposures.

During the year ended December 31, 2023, the Group enhanced the valuation technique to determine expected credit losses on investment in Islamic financings. The Group has segregated the investment in Islamic financings portfolio into two segments i.e. "new" and "legacy" portfolios considering the following:

a) New retail portfolio consists of loans disbursed starting from July 2020.

b) New corporate portfolio consists of loans disbursed starting from October 2020.

The dates been determined based on the effective dates of the new credit policies.

Had this change in accounting estimate not made, the net income for year ended December 31, 2023, would have been decreased by SR 28 million.

3.7 Fair value measurement and valuation process

Some of the Group's assets and liabilities are measured at fair value for the purpose of financial reporting. The Group's Chief Financial Officer is responsible to determine the appropriateness of the valuation techniques and inputs for the fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where the market-observable data is not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs for the fair value model.

3 Critical accounting judgments, estimates and assumptions (continued)

Critical accounting judgement

3.8 Going concern

Based on its analysis, the Group's management is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management of Group is not aware of any material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

3.9 Assessment of IFRS 5: Investment in Islamic financings held for sale

Principles of IFRS 5 are applied in determining whether the criterion for held for sale classification are met. These include determining if the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. The Group reclassifies assets and liabilities as "held for sale" which meet the above criterion as part of the Group's consolidated financial statements.

4 Material accounting policies

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below.

4.1 Change in accounting policies

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2022 except for the policies explained below in basis of consolidation, investment in Islamic financings held for sale and the new accounting policies introduced as part of adoption of the following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after January 1, 2023 replacing, amending or adding to the corresponding accounting policies set out in 2022 annual audited consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the financial statements of the subsidiary, as stated in note 1. The financial statements of the subsidiary is prepared for the same reporting period as that of the Group, using consistent accounting policies. Adjustments have been made to the consolidated financial statements of the subsidiary, where necessary, to align with the Group's consolidated financial statements.

Subsidiary is the investee that is controlled by the Group. The Group controls an investee only when it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The management has assessed that the below amendments have no material impact on the Group's consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

4 Material accounting policies (continued)
4.1 Change in accounting policies (continued)

Investment in Islamic financings held for sale

The Group classifies investment in Islamic financings as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. The investment in Islamic financings held for sale are measured in accordance with accounting policies disclosed in note 4.7.

New standards, interpretations and amendments adopted by the Group

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2023:

Standards, interpretations or amendments	Description	Effective date
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 consolidated financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 1, 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 January 1, 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.
Amendment to IAS 12 - International tax reform - pillar two model rules	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	Annual periods beginning on or after January 1, 2023.
Amendments to IAS 8	Definition of accounting estimates	Annual periods beginning on or after January 1, 2023.

(All amounts in Saudi Riyals unless otherwise stated)

4 Material accounting policies (continued)
4.1 Change in accounting policies (continued)

New standards, interpretations and amendments issued but not yet effective

The following standards and interpretations had been issued but were not mandatory for annual reporting periods commencing on or after January 1, 2023. The Group has opted not to early adopt these pronouncements and currently in process of assessing the impact of these pronouncements on the consolidated financial statements.

Standards, interpretations, amendments	Description	Effective date
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 1, 2024
Amendment to IFRS 16 – Leases on sale and leaseback	New requirements for sale and leaseback transactions in IFRS 16 to explain how entity accounts for a sale and leaseback after the date of transaction.	January 1, 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	Disclosure to enhance the transparency of supplier finance arrangement and their effects on a fund's liabilities, cash flow and exposure to liquidity risk.	January 1, 2024 (with transitional reliefs in the first year).
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	(Available for optional adoption/effective date deferred indefinitely)
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	Standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 1, 2024 (subject to endorsement by SOCPA)

4 Material accounting policies (continued)

4.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, at banks and other short-term highly liquid investments, with original maturities of three months or less from the purchase date, if any, which are available to the Group without any restrictions. Restricted cash and cash equivalents are not available for immediate use by the Group at its disposal and henceforth, are excluded from cash and cash equivalents for the purposes of the statement of cash flows. Restricted cash and cash equivalents are related to cash margin deposits with banks (note 4.3).

4.3 Margin deposits

Margin deposits are held with banks against borrowing facilities obtained and the tenor of such deposits is as per the maturity of the facility ranging up.

4.4 Leases

4.4.1 Lease arrangements where the Group is a lessor

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

Amounts due from lessees under finance leases are recognised as receivables at an amount equal to the net investment in the lease. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

4.4.2 Lease arrangements where the Group is a lessee

The Group leases certain buildings for its leasing and financing operations throughout the Kingdom of Saudi Arabia. Rental agreements are typically entered for fixed terms ranging from 1 upto 5 years but may have extension options.

Lease terms are negotiated on an individual lease agreement basis which contain a wide range of different terms and conditions. The lease agreements do not impose any financial covenants but the underlying leased assets cannot be pledged or used as collateral or security for the issuance of financing transactions.

At the lease commencement date, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets, for which the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. In general, the Group uses its incremental borrowing rate as the discount rate which has been used to measure all the lease liabilities recognised.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;

4 Material accounting policies (continued)

4.4 Leases (continued)
4.4.2 Lease arrangements where the Group is a lessee (continued)

- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position, classified as current and non-current within the notes.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.
The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

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

- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset.

If a lessor transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the economic useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

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

Extension and termination options
Extension and termination options are included in a number of lease contracts for buildings in which the Group is lessee. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

4 Material accounting policies (continued)

4.5 Revenue recognition

4.5.1 Income from Islamic financing

Income from Islamic financing receivables is recognised in statement of profit or loss and other comprehensive income using effective profit rate ("EPR"), on the outstanding balance over the term of the contract.

The calculation of the EPR includes transaction costs, fees and commission income received that are an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial asset.

Income from Islamic financing is calculated by applying the EPR to the carrying amount of financial assets, except for:

- Purchased or originated credit-impaired ("POCI") financial assets, for which the original credit-adjusted EPR is applied to the amortised cost of the financial asset;
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which income is calculated by applying the EPR to their amortised cost (i.e. net of the expected credit loss provision) starting from the subsequent reporting period.

4.5.2 Processing fee

Processing fees and other operating income represent administration fees which include Islamic financings initiation and customer risk assessment. Processing fee income is recognised over the period of Islamic financings using the effective profit rate method, which results in a constant periodic rate of return over the net investment outstanding over the term of the contract.

4.5.3 Other operating income

Other operating income is recorded as when incurred.

4.6 Investment in Islamic financing

The investment in Islamic financing includes receivables against the following categories of the financial assets:

4.6.1 Ijara receivables

Ijara finance is an agreement where the gross amounts due under originated Ijara include the total of future payments on Ijara finance, plus estimated residual amounts receivable (against an option to purchase the asset by the lessee from the Group at the end of the respective lease term through an independent sale contract).

4 Material accounting policies (continued)

4.6 Investment in Islamic financing (continued)

4.6.1 Ijara receivables (continued)

The difference between the Ijara contracts receivable and the cost of the Ijara assets is recorded as unearned Ijara finance income and, for presentation purposes, is deducted from the gross amounts due under Ijara finance.

4.6.2 Murabaha receivables

Murabaha is an agreement whereby the Group sells to a customer an asset, which the Group has purchased or acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. The gross amounts due under the Murabaha sale contract include the total of future installment receipts under the Murabaha agreement (i.e., Murabaha sale contract receivable). The difference between the Murabaha sale contract receivable and the cost of the sold asset is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha sale contract receivable.

4.6.3 Tawarruq receivables

Tawarruq is an agreement whereby the Group sells to a customer an asset, which the Group has purchased and after such sale, arranges to sell the underlying asset and disburses the sale proceeds to the customer. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contract include the total sale payments on the Tawarruq agreement (Tawarruq sale contract receivable). The difference between the Tawarruq sale contract receivable and the cost of the sold asset is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the Tawarruq sale contract receivable.

4.7 Financial instruments

The Group initially recognise the financial assets and liabilities when it becomes a party to the contractual provisions of the financial instrument.

4.7.1 Financial assets

4.7.1.1 Initial measurement

At initial recognition, the Group recognises all the financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

4.7.1.2 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value either fair value through other comprehensive income (“FVOCI”); or
- those to be measured subsequently at fair value either fair value through profit or loss (“FVTPL”)

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

4 Material accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.2 Classification (continued)

If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

SPPP test: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' contractual cash flows represent solely payment of principal and profit (the "SPPP" test).

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Based on these factors, the Group classifies its debt instruments into either amortised cost or FVTPL model for subsequent measurement.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

4.7.1.3 Business model assessment

The Group assesses 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:

- 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 realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group'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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.
- 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 Group's original expectations, the Group 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.

4 Material accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.4 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 risks 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 Group 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 Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group’s claim to the 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.

4.7.1.5 Subsequent measurement

After initial recognition, the financial assets can be measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”).

Subsequent measurement of debt instrument

It depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. The Group classifies its debt instruments into three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit from these financial assets is calculated based on the effective yield method. Accordingly, net investment in leases and investment in Islamic financings has been classified as financial assets under amortised cost.
- Fair value through other comprehensive income (“FVOCI”): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (“FVOCI”). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, profit on financial instruments (finance income) and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.
- Fair value through profit or loss (“FVTPL”): Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment, that is subsequently measured at FVTPL and is not part of a hedging relationship, is recognised in profit or loss.

Subsequent measurement of equity instruments

The Group subsequently measures all equity investments at FVTPL, except where the Group has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade.
When this election is opted for at the time of initial recognition, fair value gains or losses against such financial assets are recognised in other comprehensive income and are not subsequently reclassified to

4 Material accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.5 Subsequent measurement (continued)

Subsequent measurement of equity instruments (continued)

profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Group's right to receive payments is established. Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Group changes its business model for managing financial assets.

4.7.1.6 Derecognition of financial assets

The Group derecognises 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 Group 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 in its entirety, the difference between:
- the carrying amount (measured at the date of derecognition); and
- the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

4.7.1.7 Modification of financial assets

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

4.7.1.8 Reclassification

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset over a short term or long term basis.

4.7.1.9 Impairment of financial assets

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

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

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

4 Material accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.9 Impairment of financial assets (continued)

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

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

The Group, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available, to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

Measurement of ECL
ECL is 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 Group expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a 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:

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

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

4.7.1.10 Presentation of allowance for ECL in the statement of financial position

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

Financial assets are written off only when:

(i) the debt is at least one year past due;
(ii) the Group has attempted to recover and engaged in all relevant legal enforcement activities,
(iii) it is concluded that there is no reasonable expectation of recovery, and

4 Material accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.10 Presentation of allowance for ECL in the statement of financial position (continued)

(iv) the write-off is approved by the Board of Directors, or management to the extent delegated by the Board of Directors, at the recommendation of collections department based on conclusion above.

Where financial assets are written off, the Group continues to engage in enforcement activities to attempt to recover the amount due from customers. The recoveries made, after the respective financial assets has been write-off, are recognised as 'other income' in profit or loss in the period in which the said recoveries are made.

4.7.1.11 Regular way contracts

All regular way purchase and sales of financial assets are recognised and derecognised on the trade date i.e. the date on which the Group commits to purchase or sell the assets. Regular way purchase or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

4.7.2 Financial liabilities

4.7.2.1 Classification of financial liabilities

The Group designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a Group of financial liabilities is managed and its performance is evaluated on a fair value basis.

These amounts represent liabilities for goods and services provided to the Group before the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

4.7.2.2 Initial measurement

At initial recognition, the Group recognises the financial liability at its fair value

4.7.2.3 Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the EPR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4.7.2.4 Derecognition of financial liabilities

Financial liabilities are derecognised when the obligations specified in the contract is discharged, canceled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

4.7.2.5 Off-setting of financial assets and financial liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

4 Material accounting policies (continued)

4.7 Financial instruments (continued)

4.7.3 Effective profit rate ("EPR")

The effective profit rate method is a method of calculating the amortised cost of financial asset and liability and of allocating income and expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4.8 Investment properties

The investment properties are initially recognised at the fair value. Subsequent to the initial recognition, the Group continues to account for its investment properties at fair value. Any fair value gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.

The fair value of investment properties (as measured in the consolidated financial statements) is based on a valuation by an independent valuer, as engaged by the Group, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment. The gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss in the period of the retirement or disposal.

4.9 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses if any. Amortisation is charged as disclosed in note 14 applying the straight-line method over the useful life or 5 years. Amortisation is charged from the month in which the asset is available for use, while no amortisation is charged for the month in which the asset is disposed-off.

The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

Subsequent costs are included in the asset's carrying amounts 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 Group and the cost of the item can be measured reliably.

Gains and losses on disposals, if any, are taken to profit or loss in the period in which they arise.

4.10 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

4 Material accounting policies (continued)

4.10 Property and equipment (continued)

Depreciation is charged using the straight-line method over its estimated useful life as mentioned below, after taking into account residual value.

Furniture & fixtures	5 years
Office equipment	5 years
Leasehold improvements	3 to 5 years
Office equipment – IT	4 years
Vehicles	3 years

Depreciation on additions is charged from the month the assets are available for the intended use. No depreciation is charged in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains/losses on disposal of fixed assets, if any, are taken to profit or loss account in the period in which they arise.

Assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each reporting date.

4.11 Impairment of non-financial assets

At each statement of financial position date, the carrying amounts of non-financial assets are reviewed regularly to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognised as an expense in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the assets or cash-generating unit in the prior year. The reversal of an impairment loss is recognised in profit or loss immediately.

4.12 Trade payables

Trade payable includes the amounts against liabilities for goods and services provided to the Group before the end of the financial year which are unpaid at the period end. The amounts are unsecured and non-profit-bearing against the purchase of assets and associated services received thereof in the ordinary course of business. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

4 Material accounting policies (continued)

4.13 Provisions

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

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

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

4.14 Zakat and value added tax

Zakat is provided in accordance with the Zakat, Tax and Customs Authority ('ZATCA") in the Kingdom of Saudi Arabia and on an accruals basis. Zakat charge for the year is charged directly to profit or loss with a corresponding liability recognised in the financial position.

Value added tax
The Group is subject to VAT in accordance with the regulations in the Kingdom of Saudi Arabia. Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of assets / services to customers or (c) the invoice date. Input VAT is recoverable to the extent of taxable supplies and upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT receivable or VAT payable is recognised in the statement of financial position on a net basis and disclosed as an asset or a liability. Input VAT that is not recoverable is charged to profit or loss.

4.15 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss of the period of the financial facilities using the EPR. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4 Material accounting policies (continued)

4.16 Employees' end-of-service benefits

This represents the end of service benefits plan. Employees' post-employment benefits, as required by Saudi Arabian Labor Law, are required to be provided based on the employees' length of service with the Group.

The Group's net obligations in respect of defined benefit plans (post-employment benefits obligations) are calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The liability recognised in the statement of financial position, in respect of the defined post-employment benefits obligation, is the present value of the employees' post-employment benefits obligation at the end of the reporting period. The discount rate used to determine present value is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefit plans is calculated annually by independent actuaries using the projected unit credit method.

The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognised and any unrecognised actuarial gains/losses. The finance cost is calculated by applying the discount rate to the net balance of the employees' post-employment benefits obligations. This cost is included in employee benefit expense in profit or loss. Changes in the present value of the employees' end-of-service termination benefits obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income within equity under end of service benefits reserve.

4.17 Other operating expenses

Other operating expenses includes all the expenses incurred during the period which are directly or indirectly associated with business and operational activities other than employees' related cost as well as periodic cost recognised either based on depreciation, amortisation or on the basis of EPR method.

4.18 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the statement of financial position date are considered as non-adjusting events and are recorded in the consolidated financial statements in accordance with the requirements of International Accounting Standard ("IAS") 10, 'Events after the Reporting Period' in the year in which they are approved / transfers are made.

4.19 Government grants

The Group recognises a government grant related to income, if there is a reasonable assurance that it will be received and the Group 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 IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair 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 profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants is intended to compensate.

4.20 Fair value measurement

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

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

4 Material accounting policies (continued)

4.20 Fair value measurement (continued)

The fair value of an asset/liability is measured using the assumptions that market participants would use when pricing those assets, with the assumption that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets for which fair value is disclosed in the annual consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

To measure the fair value of investment properties, the Group engages an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the asset being valued. Management reviews valuer's report and assesses appropriateness of assumptions and valuation techniques and the overall reasonableness of valuation. For the purpose of fair value disclosures, the Group has determined classes of assets based on the nature, characteristics and risks of the asset and the level of the fair value hierarchy, as explained above.

4.21 Current vs. non-current classification

The presentation of assets and liabilities in the statement of financial position is driven by liquidity. As per the management assessment, the Group does not supply goods or services within a clearly identifiable operating cycle and such presentation provides the information that is reliable and is more relevant in the circumstances of the Group. Therefore, all the assets and liabilities are presented broadly in order of liquidity.

However, the Group discloses the amounts that are expected to be recovered or settled within 12 months of the reporting period (current portion) and the amounts expected to be recovered or settled after more than 12 months (non-current portion) within the respective disclosures of respective consolidated financial statements line items.

An asset is current when it is:
1. Expected to be realised or intended to be sold or consumed in the normal operating cycle;
2. Held primarily for the purpose of trading;
3. Expected to be realised within twelve months after the reporting period; or
4. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
1. It is expected to be settled in the normal operating cycle;
2. It is held primarily for the purpose of trading;
3. It is due to be settled within twelve months after the reporting period; or
4. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

4 Material accounting policies (continued)

4.22 Repossessed assets held for sale

The Group, in the ordinary course of business, acquires certain vehicles in settlement of due financing. Such vehicles are considered as assets held for sale and are initially stated at the lower of carrying amount of due financing and the current fair value of the related properties, less any costs to sell. No depreciation is charged on such vehicles.

Subsequent to initial recognition, any write down to fair value, less costs to sell, is charged to profit or loss. Any subsequent revaluation gains in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in profit or loss. Gains or losses on disposal are recognised in profit or loss.

4.23 Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as real estate, vehicles. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate and vehicles are valued based on data provided by third parties such as professional valuators or based on housing price indices.

4.24 Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

4.25 Net servicing asset or liability

Servicing asset or liabilities are initially recognised as either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset/liability is determined based on the present value of estimated future cash flows related to contractually specify servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset/liability are discount rates, estimates of servicing costs and the fixed servicing fees.

Discount rates
Discount rate represents the current market assessment of the risks specific to the Group, taking into consideration the expectation of an investor's return and the individual risks of the underlying assets.

Servicing costs
The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation. Also, the calculation of discount rate and servicing cost is sensitive to the expected default rate and prepayment risk, which are expected to be minimal.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing assets. Evaluation of impairment is performed on periodic basis taking into consideration historical trends, past experience and forecasts of defaults and prepayments.

(All amounts in Saudi Riyals unless otherwise stated)

5 Cash and cash equivalents

Cash at banks and short-term deposit:

	As at December 31,	
	2023	**2022**
Cash at banks	**3,691,105**	88,387,752
Short term deposits	**-**	98,500,000
	3,691,105	186,887,752

The Group does not earn profits on current accounts with banks in accordance with Sharia rules and principles.

In 2022, the Company placed a short-term deposit of SR 98.5 million with National Bank of Kuwait having profit rate of 4.5% with 7 days maturity.

Cash and cash equivalents - For the purpose of statement of cash flows:

	As at December 31,	
	2023	**2022**
Cash at banks	**3,691,105**	88,387,752
Short term deposits	**-**	98,500,000
Less: bank overdrafts (note 19)	**(28,122,488)**	(9,949,776)
	(24,431,383)	176,937,976

6 Margin deposits – restricted

		As at December 31,	
	Notes	**2023**	**2022**
Margin deposits with banks	6.1	**7,271,634**	15,322,282
Less: Effect of discounting	6.2	**(30,878)**	(51,887)
		7,240,756	15,270,395

6.1 This amount represents the margin deposits placed by the Group according to certain securitisation and agency agreements entered into with banks as borrowings (note 19) amounting SR 7.2 million as at December 31, 2023 (2022: SR 7.2 million). These margin deposits also include cash margin amounted to SR nil as at December 31, 2023 (2022: SR 8 million) with a bank against a letter of guarantee provided to Zakat, Tax and Customs Authority against a disputed VAT assessment related to prior years.

6.2 The movement in the effect of discounting in respect of present value margin deposits is as follow:

		As at December 31,	
	Note	**2023**	**2022**
Opening balance		**51,887**	2,081,493
Income during the year	23	**(21,009)**	(2,029,606)
		30,878	51,887

(All amounts in Saudi Riyals unless otherwise stated)

7 Prepayments, advances and other receivables

	Note	As at December 31, 2023	2022
Other receivables from customers	7.1	**86,710,677**	83,094,087
Insurance receivables		**3,582,245**	14,505,608
Service assets		**3,497,826**	3,497,826
VAT receivable		**8,783,509**	9,725,886
Advance to suppliers – unsecured		**1,876,547**	4,342,715
Advances to employees		**587,957**	644,051
Prepaid rentals		**513,178**	660,717
Prepaid insurance		**5,728,110**	8,061,325
Other prepayments and receivables		**12,641,285**	10,462,892
		123,921,334	134,995,107
Less: ECL allowance on other receivables from customers	7.1	**(47,244,722)**	(47,244,722)
Total		**76,676,612**	87,750,385

7.1 Other receivables from customers represent receivables against additional services provided by the Group to its customers such as payment of legal charges, traffic violations, extra mileage, insurance on expired financing etc. on their behalf. Based on the aging of the other receivables from customers and their respective ECL staging classification, the Group provides for ECL allowance on these balances. The movement in the provision for ECL allowance against other receivables from customers during the year is as follows:

	Note	As at December 31, 2023	2022
As at January 1		**47,244,722**	45,742,771
Charge for ECL allowance	9.7	**-**	1,501,951
As at December 31		**47,244,722**	47,244,722

(All amounts in Saudi Riyals unless otherwise stated)

8 Related parties' balances and transactions

Related parties represent associated companies, major shareholders, directors, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

8.1 Related parties' balances

In the ordinary course of the Group's activities, the Group enters into business transactions with related parties. The following balances are outstanding at the years ended December 31, 2023 and 2022 in relation to transactions with related parties:

	Notes	Nature of relationship	As at December 31, 2023	2022
8.1.1 Due from related parties				
Abdullatif Alissa Group Holding Company	29	Parent Company	**412,341,577**	423,341,228
Best Trading Company	8.4	Affiliate	**-**	629,747
National Automotive Trading Company		Affiliate	**264,651**	264,651
Alissa Universal Motor Company	8.3	Affiliate	**86,599,762**	90,831,289
General Automotive Company (GACO)		Affiliate	**1,491,032**	1,492,532
			500,697,022	516,559,447
8.1.2 Due to related parties				
Abdullatif Alissa Group Holding Company	29	Parent Company	**-**	7,311,129
Best Trading Company	8.4	Affiliate	**2,563,591**	-
Aqar and Memar Real Estate Company		Affiliate	**470,664**	620,665
			3,034,255	7,931,794
8.1.3 Key management personnel (KMP)*				
(No. of KMP in 2023: 15 (2022: 14))				
Accruals, provisions and other liabilities		Accrued directors' meeting attendance fee	**453,040**	439,856

(All amounts in Saudi Riyals unless otherwise stated)

8 Related parties' balances and transactions (continued)

8.2 Related parties' transactions made during the year

Name of related party	Nature of relationship	Nature of transaction	For the year ended December 31, 2023	2022
Abdullatif Alissa Group Holding Company	Parent Company	Net collections against the portfolio sold to the Parent Company	**(43,461,580)**	(46,352,780)
		IT cost allocated by the Parent Company and expensed out during the year	**(5,400,000)**	(1,350,000)
		Expense incurred by the Group on behalf of the Parent Company	**4,897,816**	1,475,381
		Expenses incurred by the Parent Company on behalf of the Group	**(793,692)**	(1,309,426)
		Finance cost charged	**-**	(1,000,000)
		Modification gain (note 29.1)	**-**	15,261,397
		Finance income during the year (note 29)	**9,135,103**	9,459,833
Abdullatif Alissa Automotive Company	Affiliate	Transfer of related party receivable (note 8.3)	**-**	(99,734,255)
		Modification loss on transfer of related party balances (note 8.3)	**-**	(9,084,164)
Alissa Universal Motor Company	Affiliate	Expenses incurred by affiliate on behalf of the Group	**-**	62,527
		Transfer of related party receivable (note 8.3)	-	99,734,255
		Principal received	**6,059,718**	-
		Finance income earned	**2,001,863**	-

(All amounts in Saudi Riyals unless otherwise stated)

8 Related parties' balances and transactions *(continued)*

8.2 Related parties' transactions made during the year *(continued)*

Name of related party	Nature of relationship	Nature of transaction	For the year ended December 31, 2023	For the year ended December 31, 2022
General Automotive Company	Affiliate	Vehicles purchased from the affiliate for Islamic financing to the customers	**-**	280,500
		Expenses incurred by the Group on behalf of the affiliate	**1,500**	-
Best Trading Company	Affiliate	Settlement with respect to the insurance company payable (note 8.4)	**3,193,338**	-
Key management personnel*	-	Salaries and other short-term employee benefits	**8,979,352**	10,431,442
		End of service benefits charged to profit or loss	**1,698,071**	1,777,157
		Directors' meeting attendance fee (note 24)	**3,936,504**	2,262,571

(All amounts in Saudi Riyals unless otherwise stated)

8 Related parties' balances and transactions *(continued)*

8.2 Related parties' transactions made during the year *(continued)*

8.3 During 2022, the Group entered into three parties agreement whereby the parties agreed to transfer the receivable amounting to SR 99.73 million from Abdullatif Alissa Automotive Company to Alissa Universal Motor Company with no profit payable semi-annually over 8 years with first installment due on July 31, 2023. The Group used the discount rate of 2.2% which is preferable profit rate to arrive at the present value of the transaction.

8.4 During the year, the Group offset an amount of SR 3.2 million payable to the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the "insurance company") against a receivable amount of SR 0.6 million from Best Trading Company through a tri-party agreement which resulted in a payable amount of SR 2.6 million payable to Best Trading Company.

* Key management personnel of the Group include all members of the board of directors, chief executive officer and senior management. Short-term employee benefits of the Group's key management personnel include salaries, allowances, cash and non-cash benefits, bonuses and contributions to General Organization for Social Insurance.

9 Investment in Islamic financings, net

	Note	As at December 31, 2023	As at December 31, 2022
Gross investment in Islamic financings		**3,165,472,113**	2,449,124,038
Unearned Islamic financings income		**(798,971,284)**	(456,169,017)
Deferred origination expenses net of unearned origination fee		**5,477,612**	-
	9.1	**2,371,978,441**	1,992,955,021
Less: Provision for ECL allowance		**(179,816,566)**	(290,402,963)
		2,192,161,875	1,702,552,058

9.1 Product-wise classification of investment in Islamic financings

	As at December 31, 2023	As at December 31, 2022
Financial assets carried at amortised cost		
Murabaha	**255,723,720**	417,436,953
Tawarruq	**1,890,064,762**	1,053,585,084
Ijara	**226,189,959**	521,932,984
	2,371,978,441	1,992,955,021

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

9.2 Details of investment in Islamic financings, net

	Murabaha		Tawarruq		Ijara		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Gross investment in Islamic financings	**262,484,753**	438,989,560	**2,660,423,567**	1,448,617,500	**242,563,793**	561,516,978	**3,165,472,113**	2,449,124,038
Unearned Islamic financings income	**(6,761,033)**	(21,552,607)	**(775,836,417)**	(395,032,416)	**(16,373,834)**	(39,583,994)	**(798,971,284)**	(456,169,017)
	255,723,720	417,436,953	**1,884,587,150**	1,053,585,084	**226,189,959**	521,932,984	**2,366,500,829**	1,992,955,021
Deferred origination expenses net of unearned origination fee	**-**	-	**5,477,612**	-	**-**	-	**5,477,612**	-
Total	**255,723,720**	417,436,953	**1,890,064,762**	1,053,585,084	**226,189,959**	521,932,984	**2,371,978,441**	1,992,955,021

	2023	2022
Provision for ECL	**(179,816,566)**	(290,402,963)
Investment in Islamic financing, net	**2,192,161,875**	1,702,552,058
Current portion	**854,943,131**	878,501,894
Non-current portion	**1,337,218,744**	824,050,164
	2,192,161,875	1,702,552,058

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

9.3 The maturity of the investment classified as an Ijara (lease receivable) is as follows:

	As at December 31, 2023	2022
Year 1	**208,940,602**	436,847,285
Year 2	**23,638,064**	101,883,571
Year 3	**6,518,732**	17,125,089
Year 4	**2,450,090**	4,380,264
Year 5 onwards	**1,016,305**	1,280,769
Gross investment in Ijara	**242,563,793**	561,516,978
Less: unearned income	**(16,373,834)**	(39,583,994)
Less: Unearned origination fees	**-**	-
Net investment in Ijara	**226,189,959**	521,932,984

9.4 Portfolio provision analysis for gross investment in Islamic financings:

December 31, 2023	Investment in Islamic financings	Expected credit losses	Expected loss rates
Not yet due	**1,636,069,852**	19,254,439	**1%**
1-90 days	**347,708,081**	38,446,665	**11%**
91-180 days	**44,558,493**	19,340,644	**43%**
181-365 days	**55,738,739**	26,524,620	**48%**
Above 365 days	**287,903,276**	76,250,198	**26%**
	2,371,978,441	179,816,566	**8%**

December 31, 2022	Investment in Islamic financings	Expected credit losses	Expected loss rates
Not yet due	736,581,166	14,465,271	2%
1-90 days	636,517,402	58,128,958	9%
91-180 days	31,544,691	10,156,053	32%
181-365 days	42,011,943	18,314,311	44%
Above 365 days	546,299,819	189,338,370	35%
	1,992,955,021	290,402,963	15%

9.5 Stage wise analysis of Islamic financing receivables for each product is as follows:

9.5.1 Murabaha:

December 31, 2023	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Investment in Islamic financing receivables	**75,676,161**	**711,539**	**179,336,020**	**255,723,720**
Less: Provision for ECL allowance	**8,876,354**	**124,751**	**39,309,406**	**48,310,511**
Investment in Islamic financing receivables, net	**66,799,807**	**586,788**	**140,026,614**	**207,413,209**

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

9.5 Stage wise analysis of Islamic financing receivables for each product is as follows: (continued)

9.5.1 Murabaha (continued)

December 31, 2022	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Investment in Islamic financing receivables	94,674,754	21,248,538	301,513,661	417,436,953
Less: Provision for ECL allowance	10,773,719	8,919,025	101,638,835	121,331,579
Investment in Islamic financing receivables, net	83,901,035	12,329,513	199,874,826	296,105,374

9.5.2 Tawarruq:

December 31, 2023	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Investment in Islamic financing receivables	**1,699,616,245**	**83,337,959**	**107,110,558**	**1,890,064,762**
Less: Provision for ECL allowance	**19,076,534**	**27,702,600**	**50,615,562**	**97,394,696**
Investment in Islamic financing receivables, net	**1,680,539,711**	**55,635,359**	**56,494,996**	**1,792,670,066**

December 31, 2022	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Investment in Islamic financing receivables	927,686,200	72,950,277	52,948,607	1,053,585,084
Less: Provision for ECL allowance	23,938,768	20,900,421	24,695,043	69,534,232
Investment in Islamic financing receivables, net	903,747,432	52,049,856	28,253,564	984,050,852

9.5.3 Ijara finance lease:

December 31, 2023	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Investment in Islamic financing receivables	**116,411,025**	**8,025,004**	**101,753,930**	**226,189,959**
Less: Provision for ECL allowance	**1,338,346**	**582,519**	**32,190,494**	**34,111,359**
Investment in Islamic financing receivables, net	**115,072,679**	**7,442,485**	**69,563,436**	**192,078,600**

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

9.5 Stage wise analysis of Islamic financing receivables for each product is as follows (continued):

9.5.3 Ijara finance lease (continued):

December 31, 2022	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Investment in Islamic financing receivables	211,670,517	44,868,283	265,394,184	521,932,984
Less: Provision for ECL allowance	5,039,774	3,022,522	91,474,856	99,537,152
Investment in Islamic financing receivables	206,630,743	41,845,761	173,919,328	422,395,832

9.6.1 The movement in Investment in Islamic financing receivables is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
As at January 1, 2023	**1,236,572,355**	**138,829,843**	**617,552,823**	**1,992,955,021**
Transfers from performing	**(59,865,370)**	**23,241,618**	**36,623,752**	**-**
Transfers from under-performing	**61,409,833**	**(84,287,823)**	**22,877,990**	**-**
Transfer from non-performing	**26,549,323**	**4,467,064**	**(31,016,387)**	**-**
Financial assets settled	**(292,221,877)**	**(47,004,600)**	**(427,308,720)**	**(766,535,197)**
Financial assets originated	**1,255,784,021**	**-**	**-**	**1,255,784,021**
Transfers from financial assets originated	**(108,968,423)**	**63,923,600**	**45,044,823**	**-**
Changes in PDs/LGDs/EADs	**(227,556,431)**	**(7,095,200)**	**(4,305,977)**	**(238,957,608)**
Financial assets - written off	**-**	**-**	**(71,299,553)**	**(71,299,553)**
Financial assets held for sale	**-**	**-**	**200,031,757**	**200,031,757**
As at December 31, 2023	**1,891,703,431**	**92,074,502**	**388,200,508**	**2,371,978,441**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
As at January 1, 2022	1,060,080,754	269,632,324	841,664,664	2,171,377,742
Transfers from performing	(103,988,113)	72,549,201	31,438,912	-
Transfers from under-performing	59,091,660	(88,406,466)	29,314,806	-
Transfer from non-performing	22,799,042	7,612,335	(30,411,377)	-
Financial assets settled	(319,754,893)	(140,487,614)	(62,072,454)	(522,314,961)
Financial assets originated	688,574,837	47,840,078	15,511,653	751,926,568
Changes in PDs/LGDs/EADs	(170,230,932)	(29,910,015)	(5,145,219)	(205,286,166)
Financial assets - written off	-	-	(202,748,162)	(202,748,162)
As at December 31, 2022	1,236,572,355	138,829,843	617,552,823	1,992,955,021

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

9.6.2 The movement in allowance for ECL for Islamic financing receivables is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
As at January 1, 2023	**39,358,598**	**32,517,680**	**218,526,685**	**290,402,963**
Transfer from performing	**(2,906,399)**	**1,451,909**	**1,454,490**	**-**
Transfer from under-performing	**14,216,920**	**(19,897,624)**	**5,680,704**	**-**
Transfer from non-performing	**9,981,706**	**1,302,422**	**(11,284,128)**	**-**
Financial assets - settled	**(7,548,848)**	**(11,044,441)**	**(21,313,857)**	**(39,907,146)**
Financial assets originated	**56,928,492**	**-**	**-**	**56,928,492**
Transfers from financial assets originated	**(43,440,280)**	**22,384,170**	**21,056,110**	**-**
Changes in PDs/LGDs/EADs	**(37,298,955)**	**1,695,754**	**22,139,563**	**(13,463,638)**
Financial assets – written off	**-**	**-**	**(71,299,553)**	**(71,299,553)**
Financial assets held for sale	**-**	**-**	**(79,669,514)**	**(79,669,514)**
Additional ECL on financial assets written-off			**29,645,894**	**29,645,894**
Management overlay	**-**	**-**	**2,500,000**	**2,500,000**
ECL on income in suspense	**-**	**-**	**4,679,068**	**4,679,068**
As at December 31, 2023	**29,291,234**	**28,409,870**	**122,115,462**	**179,816,566**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
As at January 1, 2022	47,728,499	86,592,920	326,485,230	460,806,649
Transfer from performing	(5,058,007)	2,512,236	2,545,771	-
Transfer from under-performing	7,653,998	(11,884,875)	4,230,877	-
Transfer from non-performing	4,920,318	1,322,641	(6,242,959)	-
Financial assets - settled	(20,436,001)	(66,015,781)	(15,824,401)	(102,276,183)
Financial assets – written off	-	-	(202,748,162)	(202,748,162)
Financial assets originated	18,355,948	14,043,496	13,510,628	45,910,072
Changes in PDs/LGDs/EADs	(13,806,157)	5,947,043	52,681,047	44,821,933
Additional ECL on financial assets written-off	-	-	50,074,681	50,074,681
ECL on income in suspense	-	-	(6,186,027)	(6,186,027)
As at December 31, 2022	39,358,598	32,517,680	218,526,685	290,402,963

9.7 Reversal of / (charge for) ECL allowance on financial assets during the year, net

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
(Charge for) / reversal of ECL allowance - investment in Islamic financings		**(1,706,179)**	31,444,686
Additional ECL on financial assets written-off		**(32,145,894)**	(50,074,681)
Charge for ECL allowance - other receivables from customers	7.1	**-**	(1,501,951)
Charge for the year		**(33,852,073)**	(20,131,946)

(All amounts in Saudi Riyals unless otherwise stated)

Recoveries from written off loans	9.7.1	**41,312,959**	19,400,215
Net reversal / (charge)		**7,460,886**	(731,731)

9 Investment in Islamic financings, net (continued)

9.7 Reversal of / (charge for) ECL allowance on financial assets during the year, net (continued)

9.7.1 This includes recoveries from written-off balances in the previous years. The effect of 'recoveries after write-off', on calculating the LGD and consequently on the loss factor, has been considered consistently in the expected credit loss model. Considering the recoveries from previously written off balances, write-off to the extent of 0.0029% from outstanding balance which was past due for more than 2 years of respective contracts was recorded during the year ended December 31, 2023.

9.8 Assignment of Islamic financing receivables

The Group assigned Islamic financing receivables amounting to SR 1,958 million (December 31, 2022: SR 1,529 million) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 1,615 million (December 31, 2022: SR 1,180 million). These Islamic financing receivables have not been derecognised from the statement of financial position as the Group retains substantially all the risks and rewards, primarily credit risk. The Group is liable to the repayments of its assigned receivables to local commercial banks in case of customers' default. The amount received on assignment of Islamic financing receivables has been recognised as borrowing in the statement of financial position.

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

9.9 Amounts written off still subject to enforcement activity

During the year ended December 31, 2023, the receivables amounting to SR 71.29 million (2022: SR 202.7 million) have been written off which are still subject to enforcement activity. These written off were approved by the Board of Directors.

9.10 Reconciliation of gross receivables:

The movement in gross receivables for Islamic financing receivables is as follows:

	2023	**2022**
Gross carrying amount as at January 1	**2,449,124,038**	2,579,930,537
Financial assets originated during the year (all stage 1)	**1,895,282,985**	1,089,501,590
Financial assets collections	**(896,583,195)**	(1,014,441,427)
Investment in Islamic financings held for sale (note 10.1)	**(209,436,344)**	-
Written off during the period	**(72,915,371)**	(205,866,662)
Gross carrying amount as at December 31	**3,165,472,113**	2,449,124,038

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

9.11 Changes in assumptions including incorporation of forward looking information

The Group 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.

The Group has used Government revenue and crude oil as key economic factors with weightages as follows:

Key macroeconomic factors	Weightage	
	2023	**2022**
Old retail portfolio		
Government revenue	**58%**	58%
Crude oil	**42%**	42%
New retail portfolio		
Government revenue	**45%**	-
Crude oil	**55%**	-
Old non-retail portfolio		
Government revenue	**40%**	40%
Crude oil	**60%**	60%
New non-retail portfolio		
Government revenue	**56%**	-
Crude oil	**44%**	-

The macroeconomic factors have been updated based on the latest available information (as issued by IMF October 2023 forecasts.

The Group has incorporated the forecasts from IMF which are representatives of the current and projected macro-economic outlook.

Further, the Group has also considered different scenarios with the different weightage for macroeconomic scenarios as adopted by SAMA for IFRS9 ECL computation, where scenario weightages of 40% to Baseline scenario, 30% to upturn scenario, and 30% to downturn scenario were considered.

Sensitivity analysis:
The increase or decrease of 10% change in macroeconomic factors will result in SR 4.25 million (2022: SR 7.89 million) decrease or SR 5.10 million (2022: SR 20.86 million) increase in the ECL provision.

The increase or decrease of 10% change in loss rates (PDs and LGDs) assuming macroeconomic factors remain the same will result in SR 17.90 million (2022: 37.69) increase or SR 17.10 million (2022: SR 36.08) decrease in the ECL provision.

The sensitivity analysis has been conducted by changing macroeconomic factors/PD's/LGD's and analysing the impact on the baseline ECL of SR 155.06 million (2022: SR 266.27 million).

9.12 Collateral

The Group in the ordinary course of its business holds collateral in respect of the Islamic financing (being the title of assets leased out) to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults. As at December 31, 2023, the Group held vehicles as collateral amounting to SR 143.1 million (2022: SR 283.9 million) and real estate collateral of SR 262.9 million (2022: SR 283.8 million).

9.13 Finance leases agreements

The title of the assets sold under finance leases agreements is held in the name of the Group. Further, all investments in finance leases are secured through personal guarantees.

(All amounts in Saudi Riyals unless otherwise stated)

10 Assets held for sale

10. 1 Investment in Islamic financings held for sale, net

	As at December 31,	
	2023	**2022**
Investment in Islamic financings held for sale, net	**120,362,243**	-

On December 27, 2023, the Board of Directors approved the sale of investment in Islamic financings with no recourse to Parent Company amounting to the net of SR 120.3 million (gross Islamic financing receivables amounting to SR 239.4 less portfolio written off SR 39.4 million less ECL provision amounting to SR 79.6 million).

Subsequent to year ended December 31, 2023, the Group obtained no objection certificate from SAMA on February 1, 2023 to sell the portfolio to Parent Company. On February 4, 2023, the Group entered into agreement with Parent Company to sell the above portfolio against consideration of SR 120.3 million. As per the agreement, the Parent Company is required to settle SR 120.3 million over 16 semi-annually instalments starting from July 2024 over a period of nine years at preferable rate of 0.75% per annum. The management is in process of determining the impact of this transaction on the consolidated financial statements of the subsequent period.

10.2 Product-wise classification of investment in Islamic financings held for sale

	As at December 31, 2023
Financial assets carried at amortised cost	
Murabaha	**42,786,134**
Tawarruq	**42,305,621**
Ijara	**114,940,002**
	200,031,757

(All amounts in Saudi Riyals unless otherwise stated)

10 Assets held for sale (continued)

10.3 Details of investment in Islamic financings held for sale, net

	Murabaha	Tawarruq	Ijara	Total
Gross investment in Islamic financings	**42,786,255**	**51,670,573**	**114,979,516**	**209,436,344**
Unearned Islamic financings income	**(121)**	**(9,364,952)**	**(39,514)**	**(9,404,587)**
	42,786,134	**42,305,621**	**114,940,002**	**200,031,757**
Provision for ECL				**(79,669,514)**
Investment in Islamic financings held for sale, net				**120,362,243**

10.4 The maturity of the investment classified as an Ijara (lease receivable) held for sale is as follows:

	As at December 31, 2023
Year 1	**114,979,516**
Gross investment in Ijara	**114,979,516**
Less: unearned income	**(39,514)**
Net investment in Ijara held for sale	**114,940,002**

10.5 Portfolio provision analysis for gross investment in Islamic financings held for sale:

December 31, 2023	Investment in Islamic financings	Expected credit losses	Expected loss rates
Aging			
91-180 days	**98,196**	35,528	**36%**
181-365 days	**16,155,697**	7,613,004	**47%**
Above 365 days	**183,777,864**	72,020,982	**39%**
	200,031,757	79,669,514	**40%**

10.6 Stage wise analysis of Islamic financing receivables held for sale for each product is as follows:

10.6.1 Murabaha:

December 31, 2023	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Investment in Islamic financing receivables	-	-	**42,786,134**	**42,786,134**
Less: Provision for ECL allowance	-	-	**21,320,333**	**21,320,333**
Investment in Islamic financing receivables, net	-	-	**21,465,801**	**21,465,801**

(All amounts in Saudi Riyals unless otherwise stated)

10 Assets held for sale (continued)

10.6.2 Tawarruq:

December 31, 2023	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Investment in Islamic financing receivables	-	-	42,305,621	42,305,621
Less: Provision for ECL allowance	-	-	18,449,851	18,449,851
Investment in Islamic financing receivables, net	-	-	23,855,770	23,855,770

10.6.3 Ijara finance lease:

December 31, 2023	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Investment in Islamic financing receivables	-	-	114,940,002	114,940,002
Less: Provision for ECL allowance	-	-	39,899,330	39,899,330
Investment in Islamic financing receivables, net	-	-	75,040,672	75,040,672

10.7 Movement in Investment in Islamic financings held for sale receivables:

10.7.1 The movement in Investment in Islamic financing receivables held for sale is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
As at January 1, 2023	-	101,658	229,969,724	230,071,382
Transfers from under-performing	-	(101,658)	101,658	-
Financial assets written-off	-	-	(30,039,625)	(30,039,625)
As at December 31, 2023	-	-	200,031,757	200,031,757

(All amounts in Saudi Riyals unless otherwise stated)

10 Assets held for sale (continued)

10.7.2 The movement in allowance for ECL for Islamic financing receivables held for sale is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
As at January 1, 2023	**-**	**29,498**	**105,466,907**	**105,496,405**
Transfer from under-performing	**-**	**(29,498)**	**29,498**	**-**
Changes in PDs/LGDs/EADs	**-**	**-**	**(10,469,862)**	**(10,469,862)**
Additional ECL on financial assets written-off	**-**	**-**	**14,682,596**	**14,682,596**
Financial assets – written off	**-**	**-**	**(30,039,625)**	**(30,039,625)**
As at December 31, 2023	**-**	**-**	**79,669,514**	**79,669,514**

10.9 Reconciliation of gross receivables held for sale

The movement in gross receivables for Islamic financing receivables is as follows:

	2023
Gross carrying amount as at January 1	**239,475,969**
Financial assets written off	**(30,039,625)**
Gross carrying amount as at December 31	**209,436,344**

10.9 Repossessed vehicles held for sale

	Notes	As at December 31, 2023	As at December 31, 2022
Vehicles repossessed against investment in Islamic financing (Ijarah)			
Fair value of vehicles repossessed against in-books Islamic financings	10.9.1	**525,261**	2,558,650
Fair value of vehicles repossessed against written off Islamic financings		**1,944,500**	-
Repossessed vehicles held for sale	10.9.4	**2,469,761**	2,558,650

10.9.1 Details of provision against in-books Islamic financings

		As at December 31, 2023	As at December 31, 2022
Gross investment in Islamic financing	10.9.2	**1,171,511**	5,932,962
Less: Provision for impairment on financial assets	10.9.3	**(274,842)**	(2,204,139)
Net carrying amount		**896,669**	3,728,823
Fair value of vehicles repossessed	10.9.4	**(525,261)**	(2,558,650)
Additional provision for impairment on repossessed vehicles	10.9.5	**371,408**	1,170,173

(All amounts in Saudi Riyals unless otherwise stated)

10 Assets held for sale (continued)

10.9 Repossessed assets held for sale (continued)

10.9.2 This represents gross investment in Islamic financing receivables pertaining to customers whose past due balances (principal plus profit) exceed 150 days without any payments. These gross amounts include the unpaid principal amount due under the contract plus unpaid income.
10.9.3 These represent provisions for expected credit loss allowance determined and accounted in the consolidated financial statements till the date of repossession of the vehicles and classification as held-for-sale.
10.9.4 These amounts represent the fair value of repossessed vehicles which are based on the independent valuations by an independent valuer, as engaged by the Group, who hold a recognised and relevant professional qualification and have recent experience in the category of the vehicles being valued. These fair values of these vehicles will be recovered principally through a sale transaction rather than through continuing use by the Group.
10.9.5 These amounts represent the additional provision for impairment allowance against the remaining exposures under the contracts with those customers from whom these vehicles, which are classified as held-for-sale, are repossessed as a consequence of foreclosures.

11 Investment in equity instruments carried at FVOCI

		As at December 31,	
Name of the equity investments	**Notes**	**2023**	**2022**
Saudi Financial Lease Contract Registry Company	11.1	**892,875**	892,875
HyperPay Inc.	11.2	**6,508,688**	-
		7,401,563	892,875

11.1 During 2017, in accordance with instructions issued by Saudi Central Bank ("SAMA"), the Group has made an investment of SR 892,875 in 89,288 shares of Saudi Financial Lease Contract Registry Company (SIJIL) at the rate of SR 10 per share. This investment is not held for trading. Instead, it is held for the medium to long-term purposes. Accordingly, the Group has elected to designate this investment in equity instruments as at FVOCI. Due to the non-availability of the financial information relating to SIJIL in order to determine the fair value of investment in the aforementioned investee, the cost of the investment is considered to be the reasonable estimate of its fair value. As at December 31, 2023, the Group still holds 892,288 numbers of shares (December 31, 2022: 892,288 shares).

11.2 On August 8, 2023, the Subsidiary of the Group entered into an agreement with HyperPay Inc. to subscribe 10,294 preferred A shares against consideration of USD 3,500,000 (primary transaction). On same date, the Subsidiary of the Group entered into shares sale and purchase agreement with the parties as follows:

	No of Shares		Purchase
Name of seller	**Preferred A**	**Common**	**consideration in USD**
HyperPay Inc.	1,167	-	338,430
Abdulrahman Abdulaziz Alali	1,056	-	306,240
ACP Investments 1 LP	3,542	319	1,119,690
Integrated Networks Company	4,804	1,181	1,735,650
	10,569	1,500	3,500,010

On December 31, 2023, the Subsidiary purchased 5,675 preferred A shares amounting to USD 1.67 million (SAR equivalent: 6.5 million) from HyperPay Inc., Abdulrahman Abdulaziz Alali and ACEP Investment 1 LP. This investment is not held for trading, instead, it is held for the medium to long-term purposes. Accordingly, the Group has elected to designate this investment in equity instruments as at FVOCI.

(All amounts in Saudi Riyals unless otherwise stated)

12 Investment properties

	Note	Real estate
Balance as of January 1, 2022		8,851,500
Fair value loss during the year	23	(301,413)
Balance as of December 31, 2022		**8,550,087**
Fair value loss during the year	23	**(2,550,087)**
Balance as of December 31, 2023		**6,000,000**

12.1 These amounts represent fair values of two real estate properties which were acquired through as a partial settlement of a due financing from one customer. These properties are held by the Group for unintended use. The fair value of investment properties is based on a valuation performed by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The Group has accounted for fair value loss of SR 2.5 million in profit or loss for the year ended December 31, 2023 (2022: fair value loss of SR 0.3 million).

13 Right-of-use assets and lease liabilities

13.1 Right-of-use assets

	Note	Buildings
Cost		
Balance as at January 1, 2022		43,328,971
Right-of-use assets derecognized		(547,128)
Balance as at December 31, 2022		**42,781,843**
Addition to right-of-use assets		**612,621**
Balance as at December 31, 2023		**43,394,464**
Accumulated Depreciation		
Balance as at January 1, 2022		(18,242,158)
Depreciation charge for the year	25	(4,150,450)
Accumulated depreciation on right-of-use assets derecognized		143,866
Balance as at December 31, 2022		**(22,248,742)**
Depreciation charge for the year	25	**(3,261,629)**
Balance as at December 31, 2023		**(25,510,371)**
Net book value as at December 31, 2022		20,533,101
Net book value as at December 31, 2023		**17,884,093**

13.2 Lease liabilities

The following table set outs the carrying amounts of lease liabilities and the movements during the year including changes arising from financing activities:

	2023	2022
Balance as at January 1	**22,289,358**	26,101,890
Additions	**612,621**	-
Interest on lease liabilities	**700,928**	944,596
Payments against lease liabilities (principal)	**(5,371,073)**	(3,266,624)
Payments against lease liabilities (interest)	**(700,929)**	(943,376)
Derecognition	**-**	(547,128)
Balance as at December 31	**17,530,905**	22,289,358

(All amounts in Saudi Riyals unless otherwise stated)

13 Right-of-use assets and lease liabilities (continued)

13.2 Lease liabilities (continued)

The liabilities and deferred financing cost resulting from these contracts is as follows:

	As at December 31, 2023		
	Current	**Non-current**	**Total**
Lease contracts obligations	3,732,000	15,842,000	**19,574,000**
Deferred financing cost	(587,545)	(1,455,550)	**(2,043,095)**
	3,144,455	**14,386,450**	**17,530,905**

	As at December 31, 2022		
	Current	**Non-current**	**Total**
Lease contracts obligations	5,990,000	19,020,000	25,010,000
Deferred financing cost	(700,067)	(2,020,575)	(2,720,642)
	5,289,933	16,999,425	22,289,358

The minimum future lease payments as at the date of the statement of financial position as a whole are as follows:

	2023	**2022**
Minimum lease payments		
Year		
Year 1	**3,732,000**	5,990,000
Year 2	**3,342,000**	3,390,000
Year 3	**2,500,000**	3,130,000
Year 4	**2,500,000**	2,500,000
Year 5 and onwards	**7,500,000**	10,000,000
Finance cost	**(2,043,095)**	(2,720,642)
	17,530,905	22,289,358

13.3 The Group has charged short-term and low values leases amounted to SR 2 million as lease expenses directly to the statement of profit or loss and other comprehensive income during the year ended December 31, 2023 (2022: SR 2.2 million).

14 Intangible assets

	Note	**Computer Softwares**
Cost		
Balance as at January 1, 2022		20,520,695
Additions		7,273,402
Balance as of December 31, 2022		**27,794,097**
Additions		**7,678,157**
Balance as of December 31, 2023		**35,472,254**
Accumulated amortisation		
Balance as at January 1, 2022		(11,281,356)
Charge for the year	25	(2,579,810)
Balance as of December 31, 2022		**(13,861,166)**
Charge for the year	25	**(3,946,772)**
Balance as of December 31, 2023		**(17,807,938)**
Net book value as at December 31, 2022		13,932,931
Net book value as at December 31, 2023		**17,664,316**

(All amounts in Saudi Riyals unless otherwise stated)

15 Property and equipment

	Note	Furniture & Fixture	Office equipment	Leasehold improvements	Office Equipment – IT	Vehicles	Total
Cost							
Balance as at January 1, 2022		8,097,269	7,484,892	10,685,239	13,978,310	198,690	40,444,400
Additions during the year		74,227	613,992	-	958,902	-	1,647,121
Balance as of December 31, 2022		**8,171,496**	**8,098,884**	**10,685,239**	**14,937,212**	**198,690**	**42,091,521**
Additions during the year		**18,089**	**342,185**	**536,662**	**152,035**	**-**	**1,048,971**
Balance as of December 31, 2023		**8,189,585**	**8,441,069**	**11,221,901**	**15,089,247**	**198,690**	**43,140,492**
Accumulated Depreciation							
Balance as at January1, 2022		(7,759,502)	(6,961,249)	(9,830,417)	(8,723,948)	(172,645)	(33,447,761)
Charge for the year	25	(153,351)	(239,255)	(205,133)	(2,379,172)	(26,045)	(3,002,956)
Balance as of December 31, 2022		**(7,912,853)**	**(7,200,504)**	**(10,035,550)**	**(11,103,120)**	**(198,690)**	**(36,450,717)**
Charge for the year	25	**(97,388)**	**(285,027)**	**(251,773)**	**(2,469,904)**	**-**	**(3,104,092)**
Balance as of December 31, 2023		**(8,010,241)**	**(7,485,531)**	**(10,287,323)**	**(13,573,024)**	**(198,690)**	**(39,554,809)**
Net book value:							
As at December 31, 2022		258,643	898,380	649,689	3,834,092	-	5,640,804
As at December 31, 2023		**179,344**	**955,538**	**934,578**	**1,516,223**	**-**	**3,585,683**

(All amounts in Saudi Riyals unless otherwise stated)

16 Accruals, provisions and other liabilities

	Notes	As at December 31, 2023	2022
Liabilities related to customers	16.1	**22,207,664**	31,866,512
Accrued salaries, wages and other benefits		**3,572,748**	6,604,360
VAT accrual		**1,412,333**	1,299,872
Accrued key management bonus and board remuneration	8.1.3	**453,040**	439,856
Other accruals, provisions and liabilities	16.2	**25,067,049**	8,917,904
		52,712,834	49,128,504

16.1 'Liabilities related to customers' include unclaimed recoveries against insurance, advances from customers as well as unidentified deposits from customers. The Group recognised balances outstanding for a long period of time as other income with an amount of SR 7.8 million as at December 31, 2023 (2022: SR 4.82 million).

16.2 These include legal provision of SR 9.5 million as at December 31, 2023 (2022: SR 3 million) made against the legal cases filed against the Group.

17 Zakat payable

Zakat is calculated at 2.5% on the higher of approximate zakat base or adjusted net income. Zakat is calculated based on the consolidated financial statements of the Group.

17.1 Component of zakat base

The components of the zakat base of the Group under zakat regulations are as follows:

	As at December 31, 2023	2022
***Balance at beginning of the year*:**		
Share capital	**500,000,000**	500,000,000
Equity and its equivalent and internal fund sources	**380,086,764**	375,894,071
Long-term loans and its equivalent	**1,254,843,752**	524,885,926
Sources of funds	**2,134,930,516**	1,400,779,997
Deductions- balances at the end of the year		
Property and equipment	**3,585,683**	5,640,804
Intangible assets	**17,664,316**	13,932,931
Investments properties	**6,000,000**	8,550,087
Right-of-use assets	**17,884,091**	20,533,101
Long-term debts and its equivalent	**1,919,385,594**	1,326,781,388
Non-zakatable assets	**1,964,519,684**	1,375,438,311
Total assets	**2,955,835,029**	2,561,128,485
Zakatable assets ("total assets" less "non-zakatable assets")	**991,315,345**	1,185,690,174
Zakat base (sources of funds * zakatable assets / total assets)	**716,003,891**	648,499,709
Zakat due at 2.578% "Provision for zakat during the year"	**1,841,256**	4,009,059

In accordance with zakat regulations applicable to zakat years starting from January 1, 2019, zakat base, excluding the adjusted net income element, is subject to zakat at 2.5% adjusted by ratio of Gregorian to Hijri year number of days (e.g., 2.5% * 365/354). Zakat is calculated at 2.5% on the adjusted net income element.

(All amounts in Saudi Riyals unless otherwise stated)

17 Zakat payable (continued)

17.2 Adjusted net income

	As at December 31,	
	2023	**2022**
Income before zakat and income tax	**8,927,734**	19,438,803
<u>Adjustments:</u>		
Provisions during the year	**843,941**	2,270,000
Adjusted net income for the year	**9,771,675**	21,708,803

17.3 The movement in the zakat provision for the year is as follows:

	As at December 31,	
	2023	**2022**
Balance at the beginning of the year	**26,957,665**	44,872,051
Charge for the year	**1,841,256**	4,009,059
Reversal for prior years	**(997,315)**	-
Zakat expense for the year	**843,941**	4,009,059
Payment during the year	**(4,108,567)**	(21,923,445)
Balance at the end of the year	**23,693,039**	26,957,665
Less: non-current portion	**-**	6,650,344
Current portion	**23,693,039**	20,307,321

17.4 Status of zakat assessments

The Zakat, Tax and Customs Authority ("ZATCA") has finalised the assessments for the years till 2013, and there are no outstanding zakat dues. In 2018, the Group received zakat assessments from ZATCA for the years 2014 to 2017 where ZATCA raised demand of SR 170.45 million as compared to zakat paid for those years.

The Group objected to those assessments and filed an appeal letter in due time. Early 2019, the Group has entered into a settlement agreement with ZATCA whereby ZATCA has reduced the assessed zakat liability for 2013 until 2017 (as mentioned above) to SR 41.6 million. This amount, as per settlement agreement, is agreed to be paid in installments with 1st installment, being 20% of the above agreed amount due within 5 days of the settlement agreement while rest of the amount is payable in 5 equals annually installments falling due from December 1, 2019 until December 1, 2023.

Until the year ended December 31, 2023, the Group has made total agreed payments of SR 35.05 million (2022: SR 34.95 million) against the above-mentioned liability. The remaining amount has been paid by February 27, 2024.

The Company has filed the Zakat return with ZATCA for the year ended December 31, 2022 on May 16, 2023 and the Company has received zakat certificate for the year 2022.

18 End of service benefits obligation

The Group operates a termination benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia for each of the respective subsidiary entities. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligations are met when they are due.

(All amounts in Saudi Riyals unless otherwise stated)

18 End of service benefits obligation (continued)

18.1 Amounts recognised in the statement of financial position

The amounts recognised in the statement of financial position and the movements in the employees' end of service benefits obligation over the year are as follows:

	For the year ended December 31,	
	2023	**2022**
As at January 1	**12,133,000**	16,489,000
Current service cost	**1,848,000**	2,270,000
Finance cost	**549,000**	463,000
Total amount recognised in profit or loss	**2,397,000**	2,733,000
Gain from change in financial assumptions	**(319,000)**	(1,575,000)
Gain resulting from experience adjustments	**(242,828)**	(1,040,169)
Gain attributable to the re-measurements of employees' end of service termination benefits obligation	**(561,828)**	(2,615,169)
Settlements during the year	**(3,013,172)**	(4,473,831)
As at December 31	**10,955,000**	12,133,000

18.2 Amount recognized in the statement of other comprehensive income

	Year ended December 31, 2023	Year ended December 31, 2022
Gain attributable to the re-measurements of employees' end of service benefits obligation	**(561,828)**	(2,615,169)

18.3 Significant actuarial assumptions

The significant actuarial assumptions used in determining employees' end of service benefits obligation were as follows:

	December 31, 2023	December 31, 2022
Discount rate	**4.80%**	4.40%
Salary increase rate	**2.00%**	2.00%
Mortality table	**Saudi life table**	Saudi life table
Mortality rate	**0.28%**	0.26%
Employee turnover rate	**19.30%**	20.14%

(All amounts in Saudi Riyals unless otherwise stated)

18 End of service benefits obligation (continued)

18.4 Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Sensitivity level % increase	Impact on EOSB obligation	Sensitivity level % decrease	Impact on EOSB obligation
December 31, 2023				
Discount rate	**1%**	**(726,000)**	**1%**	**840,000**
Salary increase rate	**1%**	**856,000**	**1%**	**(752,000)**
Mortality rate	**+ 1 year**	**3,000**	**- 1 year**	**3,000**
Employee turnover rate	**1%**	**92,000**	**1%**	**(110,000)**
December 31, 2022				
Discount rate	1%	(822,000)	1%	953,000
Salary increase rate	1%	967,000	1%	847,000
Mortality rate	+ 1 year	3,000	- 1 year	3,000
Employee turnover rate	1%	(68,000)	1%	85,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employees' end of service termination benefit obligation to significant actuarial assumptions the same method (present value of the employees' end of service benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the employees' end of service benefit obligation recognised in the statement of financial position.

18.5 Effect of employees' end of service benefits obligation on entity's future cash flows

The weighted average duration of the employees' end of service termination benefits obligation is 7 years. The expected maturity analysis of undiscounted employees' end of service termination benefits obligation is as follows:

	December 31, 2023	December 31, 2022
Year 1	**1,924,351**	1,844,675
Year 2	**1,378,688**	1,777,950
Year 3	**1,445,324**	1,514,331
Year 4	**1,359,368**	1,540,857
Year 5	**1,579,263**	1,893,636
Year 6 and thereafter	**43,071,949**	44,482,738
Total	**50,758,943**	53,054,187

(All amounts in Saudi Riyals unless otherwise stated)

19 Borrowings

	Note	As at December 31, 2023	2022
Bank borrowings		**1,953,178,889**	1,555,079,288
Bank overdrafts		**28,122,488**	9,949,776
Accrued finance cost		**8,934,625**	13,050,593
Present value gain on profit free borrowings	19.4	**(10,958,363)**	(9,539,669)
		1,979,277,639	1,568,539,988
Current portion		**741,854,593**	587,156,115
Non-current portion		**1,237,423,046**	981,383,873
Total borrowings		**1,979,277,639**	1,568,539,988

The Group has long-term financing facilities with banks to finance current and long-term funding needs, primarily to finance Islamic finance receivables, amounting to SR 2,555 million (2022 SR 2,460 million) of which SR 1,953 million was utilised as of December 31, 2023 (December 31, 2022: SR 1,568 million). These financing facilities, the majority of these financing facilities are repayable in three to four years in monthly, quarterly or six monthly installments. The Group is required to maintain margin deposits (as disclosed in note 6). The cash cannot be withdrawn or used by the Group for liquidity purposes whilst the borrowing is still outstanding.

19.1 The movement schedule of borrowings is as follows:

	As at December 31, 2023	2022
Borrowings balance as at January 1	**1,568,539,988**	1,486,884,319
Additions to bank borrowings during the year	**1,135,161,592**	1,096,336,626
Payments made during the year	**(723,005,247)**	(1,009,840,045)
Finance income on profit free borrowings	**(1,418,694)**	(4,840,912)
Borrowings balance as at December 31	**1,979,277,639**	1,568,539,988

19.2 Maturity profile

	As at December 31, 2023	2022
Year 1	**741,854,593**	587,156,115
Year 2	**552,185,556**	494,128,332
Year 3	**357,314,796**	314,515,541
Year 4	**259,180,285**	120,656,667
Year 5 and onwards	**68,742,409**	52,083,333
	1,979,277,639	1,568,539,988

19.3 Profit free borrowings - Unsecured

	Notes	As at December 31, 2023	2022
Opening balance		**170,515,057**	115,821,344
Add : Loans obtained during the year	**19.3.1**	**102,000,000**	145,540,558
Less : Principal repayment during the year		**(107,847,033)**	(90,846,845)
Closing balance		**164,668,024**	170,515,057
Present value gain on profit free borrowings	**19.4**	**(10,958,363)**	(9,539,669)
Net amount		**153,709,661**	160,975,388

These represent the borrowings from SAMA and Social Development Bank as profit free to provide necessary support to Micro Small and Medium Enterprises ("MSME").

(All amounts in Saudi Riyals unless otherwise stated)

19 Borrowings (continued)

19.3 Profit free borrowings – Unsecured (continued)

19.3.1 In order to provide the necessary support to the MSME by SAMA, the Group has received profit free loan from SAMA amounting to SR 102 million during the year which qualify as government grants. This profit free loan will be settled over 30 monthly installments started from August 21, 2023.

In 2022, the Group received 8 different profit free loans amounting to SR 140.5 million from SAMA to support the MSME which qualify as government grants. These loans are payable in 18 to 36 monthly installments.

During May 2022, the Group received SR 40 million as profit free from Social Development Bank to support the MSME which qualify as government grants. This profit free loan will be settled over 36 monthly installments started from September 01, 2022.

19.4 Gain / (loss) on profit free borrowings

	2023	2022
As at January 1	**9,539,669**	4,698,757
Additional – Government grant income	**12,816,812**	11,144,352
Finance cost incurred during the period	**(11,398,118)**	(6,303,440)
As at December 31	**10,958,363**	9,539,669

19.5 Working capital financing

The Group has obtained bank financial facilities from Islamic banks for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates ranging from 3.4% to 9.6% per annum.

19.6 Breach of covenants

The facility agreements include covenants which, among other things, require the Group to maintain certain financial ratios. The Group breached the net worth covenant during the current year with one bank (2022: One bank) for which a waiver for the year 2023 was obtained prior to the year end.

19.7 These facilities are collateralised against the guarantees of Abdullatif Alissa Group Holding Group.

20 Share capital

The Group's subscribed, issued and paid-up share capital of SR 500,000,000 is divided into 50,000,000 equity shares of SR 10 each which are fully subscribed, issued and paid, and are distributed among shareholders as follows:

	2023			2022		
	Holding %	**No. of Shares**	**Amount**	**Holding %**	**No. of Shares**	**Amount**
Abdullatif Alissa Group Holding Company ("Parent Company ")	99.8%	49,900,000	499,000,000	99.8%	49,900,000	499,000,000
Gulf Development Company	0.2%	100,000	1,000,000	0.2%	100,000	1,000,000
Total	100%	50,000,000	500,000,000	100%	50,000,000	500,000,000

(All amounts in Saudi Riyals unless otherwise stated)

21 Statutory reserve

As per article 47 of the articles of association of the Group, the Group is required to transfer 10% of its net income to a statutory reserve until such reserve equals to 30% of its share capital. Accordingly, SR 0.8 million (2022: SR 1.54 million) has been transferred from the net income for the year to the statutory reserve. This reserve is currently not available for distribution to the shareholders of the Group.

22 Income from Islamic financing, net

	For the year ended December 31,	
	2023	**2022**
Income from Murabaha	**10,662,864**	53,947,892
Income from Ijara	**31,795,174**	67,622,186
Income from Tawarruq	**270,794,716**	130,893,375
Income on portfolio sold to Parent Group	**9,135,103**	9,459,871
Modification loss on receivable transferred to related party	**-**	(9,084,164)
	322,387,857	252,839,160

23 Other income

	Notes	For the year ended December 31,	
		2023	**2022**
Income from legal charges, net		**9,523,120**	11,220,567
Commission on transfer of vehicles ownership		**1,908,543**	2,580,550
Reversal of long outstanding unidentified deposits	16	**7,810,174**	4,818,228
Income from margin deposits	6	**21,009**	2,029,606
Administration fee on additional services to customers, net		**1,727,604**	483,987
Fair value loss on investment properties	12	**(2,550,087)**	(301,413)
Others *		**9,738,101**	4,745,507
Additional other insurance income / (cost), net of collections		**2,176,705**	(425,768)
		30,355,169	25,151,264

* Others includes miscellaneous fee income such as vehicles valuation fees, ownership transfer fees and portfolio management fees.

24 Salaries, wages and other employee related costs

	Note	For the year ended December 31,	
		2023	**2022**
Salaries, wages and other employee related costs		**105,063,340**	103,041,335
Chairman, Directors and Board committee fees	8	**3,936,504**	2,262,571
		108,999,844	105,303,906

25 Depreciation and amortisation

	Notes	For the year ended December 31,	
		2023	**2022**
Depreciation on right-of-use assets	13	**3,261,629**	4,150,450
Depreciation on property and equipment	15	**3,104,092**	3,002,956
Amortisation of intangible assets	14	**3,946,772**	2,579,810
		10,312,493	9,733,216

(All amounts in Saudi Riyals unless otherwise stated)

26 Other operating expenses

	For the year ended December 31,	
	2023	**2022**
Insurance cost	**14,718,495**	29,483,965
Repair and maintenance	**13,217,551**	4,621,581
Legal and consultancy fees	**20,464,567**	3,078,146
Audit fee	**940,000**	2,856,750
Telephone and postage	**7,885,710**	7,395,704
Professional expenses	**21,014,398**	4,862,812
Collection service expenses	**690,109**	885,602
Non-refundable VAT expenses	**9,588,425**	7,401,078
Outsourcing - security & others	**2,413,266**	2,596,977
IT cost allocation	**5,400,000**	1,350,000
Rent expense	**2,039,539**	2,241,317
Advertising expenses	**7,783,375**	963,294
Stationery and printing	**239,826**	698,251
Other operating expenses	**3,026,035**	3,661,093
	109,421,296	72,096,570

27 Impairment on financial assets

	For the year ended December 31,	
	2023	**2022**
Charge for ECL allowance - investment in Islamic financing	**(33,852,073)**	(18,629,995)
Charge for ECL allowance - other receivables from customers	**-**	(1,501,951)
Recoveries after write-off	**41,312,959**	19,400,215
Net reversal / (charge for) ECL allowance	**7,460,886**	(731,731)

28 Finance costs, net

		For the year ended December 31,	
	Notes	**2023**	**2022**
Finance costs on borrowings		**120,331,679**	52,780,083
Finance cost on borrowings secured by Islamic financing receivables		**2,079,906**	12,838,115
Finance charges on overdraft		**150,825**	4,522,929
Finance cost charged by related party		**-**	1,000,000
Accretion of finance cost on lease liabilities	13.2	**700,928**	944,596
Finance cost on end of service benefits' obligations	18.1	**549,000**	463,000
Other finance cost		**148,900**	2,978,387
Finance income on profit free deposits		**(1,418,693)**	(4,840,912)
		122,542,545	70,686,198

29 Transaction with Parent Company

During the year ended December 31, 2020, the Company sold Islamic financing receivables with no recourse to Abdullatif Alissa Group Holding Company (the “Parent Company”) amounting to the net of SR 536 million (gross receivables sold amounted to SR 903 million less provision of ECL allowance against the sold portfolio of SR 362 million). As per the agreement, Parent Company is required to settle SR 536 million over ten monthly instalments starting from March 2021 over a period of six years. As a result, the Company incurred a loss of SR 27.9 million from the transaction sale date.

(All amounts in Saudi Riyals unless otherwise stated)

29 Transaction with Parent Group (continued)

Furthermore, the Company has collected two instalments amounting to SR 33.25 million during the year ended December 31, 2023 (2022: SR 55 million).

The discount rate used to arrive at the fair value of the service liabilities and service assets of 2.2%, is adjusted for defaults and prepayment rates based on publicly available market data.

	Note	As at December 31, 2023	2022
Balance as at January 1		**423,341,228**	453,619,998
Modification gain	29.1	**-**	15,261,397
Finance income during the period		**9,135,103**	9,459,833
Collection during the period		**(29,961,950)**	(55,000,000)
Balance as at December 31		**402,514,381**	423,341,228

Other transactions related receivables / (payables)

	As at December 31, 2023	2022
Other transactions related receivables / (payables)	**9,827,176**	(7,311,129)

29.1 During the year 2022, the Company rescheduled the agreement with the Parent Company to increase the tenure of above receivable to 8 years at preferable profit rate of 2.2%. Management considered the economic substance of the above transaction and judged that the difference between the carrying amount and fair value of the consideration to be received should be recognized in equity, as the Parent Company in its capacity as a shareholder, entered into the transaction to provide financial support to the Company. Accordingly, the Company has recognised the modification gain of SR 15.26 million and the amount is recognised directly in retained earnings within equity.

29.2 Collections payable

	As at December 31, 2023	As at December 31, 2022
Due to related parties:		
Collections payable to Parent Company against sold portfolio	-	5,683,352

30 Contingency and commitments

Contingency
The Group has certain legal cases pending in courts against it. However, based on management's best estimate the recorded provision of SR 11.3 million as at December 31, 2023 (December 31, 2022 SR 3 million) is sufficient to cover any future liabilities that might result for the legal cases.

The Group has cash margin amounted to SR nil as at December 31, 2023 (2022: 8 million) with a bank against a letter of guarantee provided to Zakat, Tax and Customs Authority against a disputed VAT assessment related to prior years.

Capital commitments
The Group has capital commitments of SR 20 million to buy the shares of HyperPay Inc. at the statement of financial position date (note 11).

Operating leases commitments
The Group's operating leases commitments are only for branches office premises and are not considered as significant. Commitments for short term leases amounts to SR 3.1 million (2022: SR 3.07 million).

31 Fair values of financial assets and financial 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability, or
b) 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 by the Group. 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.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair value.

31.1 Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

31.2 Fair value hierarchy of financial assets and liabilities

All financial assets and liabilities of the Group, except investment in equity instruments carried at FVOCI which is carried at fair value are categorised as held at amortised cost, approximate their fair values and accordingly fair value hierarchy disclosure has not been provided and their carrying value.

(All amounts in Saudi Riyals unless otherwise stated)

31 Fair values of financial assets and financial liabilities (continued)

31.3 Financial instruments by category

	Notes	As at December 31, 2023	As at December 31, 2022
Financial asset – at amortised cost			
Cash at banks and short term deposits	5	**3,691,105**	186,887,752
Margin deposits – restricted	6	**7,240,756**	15,270,395
Other receivables		**76,676,612**	87,750,385
Due from related parties	8.1.1	**500,697,022**	516,559,447
Investment in Islamic financing, net	9	**2,192,161,875**	1,702,552,058
Investment in Islamic financings held for sale	10.1	**120,362,243**	-
		2,900,829,613	2,509,020,037
Financial asset – at fair value through other comprehensive income			
Investments in equity instruments at FVOCI		**7,401,563**	892,875
Financial liabilities – at amortised cost			
Trade payables		**21,351,374**	35,513,816
Accruals and other liabilities		**52,712,834**	49,128,504
Due to related parties	8.1.2	**3,034,255**	7,931,794
Lease liabilities	13.2	**17,530,905**	22,289,358
Borrowings	19	**1,979,277,639**	1,568,539,988
		2,073,907,007	1,683,403,460

31.4 Fair value hierarchy of non - financial assets

Investment properties and repossessed vehicles held for sale are carried at fair value through profit or loss.

As at December 31, 2023	Level 1	Level 2	Level 3	Total
Repossessed vehicles held for sale	-	-	**2,469,761**	**2,469,761**
Investment properties	-	-	**6,000,000**	**6,000,000**
	-	-	**8,469,761**	**8,469,761**

As at December 31, 2022	Level 1	Level 2	Level 3	Total
Repossessed vehicles held for sale	-	-	2,558,650	2,558,650
Investment properties	-	-	8,550,087	8,550,087
	-	-	11,108,737	11,108,737

32 Financial risk management

The Group's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, profit rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the consolidated financial statements. The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is also responsible for developing and monitoring the Group's risk management policies.

32 Financial risk management (continued)

32.1 Risk management structure

32.1.1 Board of Directors

The Board of Directors (the "Board") is responsible for establishing the Group's policies, including risk management framework, and to review the performance of the Group to ensure compliance with these policies.

32.1.2 Credit and risk management committee

The Group's Board has established a Credit and Risk Management Committee (the "CRMC"), to oversee the development and maintenance of risk management processes, policies, strategies, risk methodologies and reporting them to the Board. The CRMC assists the Board in reviewing overall risks which the Group faces, evaluates and reviews operational and non-operational risks and decides on mitigating factors related therewith. The CRMC oversees the Group's risks and report to the Board.

32.1.3 Audit committee

The audit committee is also appointed by the Group's Board. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof and the soundness of the internal controls of the Group. In addition, the Audit Committee of the Group also reviews the internal audit risk assessment, discusses the Group's policy with respect to risk assessment and risk management. The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

32.2 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in the credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises three types of risk: currency risk, profit rate risk and price risks.

32.2.1 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group did not undertake significant transactions in currencies other than Saudi Riyals during the year. Accordingly, the Group is not exposed to any significant currency risk.

32.2.2 Profit rate risk

Profit rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Profit rate risk is the impact on future earnings of the Group resulting from change in the market profit rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to profit rate adjustment within a specified period. The most important source of such risk is the Group's receivables related to investment in Islamic financing and borrowings arrangements. The Group is not exposed to significant long term obligations with floating profit rates therefore, the Group is not exposed to any significant profit rate risk.

Financial liabilities of SR 727 million (2022: SR 125 million) are based on floating rates and not subject to profit rate swap and thus, a 100 basis points increase in profit rates could have approximately a SR 7 million (2022: SR 1.25 million) annual effect on the Group's profitability and equity. Similar decrease in profit rates will have an opposite impact on the Group's profitability and equity. The Group's management, through the CRMC, monitors the fluctuations in profit rates on a regular basis and takes appropriate measures to minimise the profit rates risk by adjusting lending rate for future contracts.

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.2.3 Price risk

Price risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not exposed to significant price risk as it does not have any significant financial instrument whose prices fluctuate based on internal or external factors as mentioned above.

32.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon if any. The Group has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. The Group also manages risk through a credit department that evaluates customers' creditworthiness and obtains adequate securities where applicable. The Group's policy is to enter into a financial instrument contract by following internal guidelines such as approving counterparties and approving credit.

Credit quality analysis

The Group monitors the credit quality of the Islamic financing receivables through diversification of activities to avoid undue concentration of risks within the individuals or groups. For such purpose, the Group has established exposure limits for each customer and business sectors. The Group has an effective monitoring system which allows it to evaluate customers' creditworthiness and identify potential problem accounts.

An allowance for potential investment in Islamic financing losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on Islamic financing installment that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history. However, the rating for the quality of the Group's investments cannot be determined because the customer base of the Group consist of small business for which such data is not readily available. The concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The concentration of credit risk indicates the relative sensitivity of the Group's performance to the developments affecting a particular industry or geographic location. The Group's ten largest customers account form 10.22% (2022: 11.07%) of the outstanding balance of investment in Islamic financing as of December 31, 2023.

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

	Classification	**As at December 31**	
		2023	**2022**
Cash at banks	Amortised cost	**3,691,105**	186,887,752
Margin deposits – restricted	Amortised cost	**7,240,756**	15,270,395
Other receivables	Amortised cost	**76,676,612**	87,750,385
Due from related parties	Amortised cost	**500,697,022**	516,559,447
Net investment in Islamic financing	Amortised cost	**2,192,161,875**	1,702,552,058
Investment in Islamic financing held for sale	Amortised cost	**120,362,243**	-
		2,900,829,613	2,509,020,037

32 Financial risk management (continued)

32.3 Credit risk (continued)

Credit quality analysis (continued)

The Group's management analyses credit risk in the following categories:

32.3.1 Investment in Islamic financing
Investment in Islamic financing (IIF) are exposed to significant credit risk. The Group has established procedures to manage credit exposure including evaluation of credit worthiness, formal credit approvals, assigning credit limits, and obtaining collateral. The overall underwriting decision is based on the following key parameters:

- Dual credit score i.e. SIMAH and application scoring system
- Minimum income level and maximum debt burden of the borrower
- Loan repayment history with other financial institutions sourced from SIMAH
- Salary certificate from the employer and last three months bank statement where the customer's monthly salary is credited.

A significant number of the customers are Government sector employees. Customers are requested to provide standing instructions to credit the Group’s account towards monthly installments. In addition, the customers may provide direct debit mandate as a stand by repayment mode. The Group generally receives repayments through variable channels such as SADAD, bank transfers and direct collections. The Group has an approved collection policy and procedure manual establishing a collection strategy to follow up with delinquent customers. In order to monitor exposure to credit risk, reports are produced by the Management Information System (MIS) and are reviewed by credit committee on quarterly basis. These reports shows the collection and delinquent status of the customers. The Group has strengthened its legal department in order to be actively involved in the collection process of delinquent customers.

Staging categorisation of financial assets

The Group categorises its investment in Islamic financing into Stage 1, Stage 2, Stage 3, as described below:

Stage 1: When lease receivables are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 receivables also include facilities where the credit risk has improved and the receivable has been reclassified from Stage 2.

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

Stage 3: Receivable considered credit-impaired. The Group records an allowance for the lifetime ECL.

POCI: Purchased or originated credit-impaired (“POCI”) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and income is subsequently recognised based on a credit-adjusted EPR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The assessment of credit risk of IIF also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD. The key inputs into the measurement of ECL are the term structure of the following variables:

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

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing (continued)

Generating the term structure of PD
Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates of past thirty-six months, adjusted by the outlook of the economy. The Group employs various techniques to develop business sector PD models. In this process, the dependent variable is the default rate and the independent variables are the macro variables. The macro variable inflation rate was selected based on business intuition and statistical analysis performed.

Based on advice from the Group's CRMC and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of macro-economic variable as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts to adjust its estimates of PDs.

Definition of default:
The Group considers a financial asset to be in default when:
- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the customer is past due more than 90 days.

In assessing whether a customer is in default, the Group also considers indicators that are:
- qualitative - e.g. breaches of lease contract;
- quantitative- e.g. overdue status and non-payment; and
- based on data developed internally.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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

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

Generating the term structure of EAD
EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current IIF receivables from the customer and potential changes to the current amount allowed under the lease contract including amortisation. The EAD of a IIF receivable is its carrying amount before allowance for impairment.

As described above, and subject to using a maximum of a 12-month PD for the receivables for which credit risk has not significantly increased, the Group 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 Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require installment.

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing, net (continued)

Where modeling of a parameter is carried out on a collective basis, the financial instruments are ranked based on shared risk characteristics that include:
- the business sector of the customers;
- collateral type;
- date of initial recognition;
- remaining term to maturity;

Significant increase in credit risk (SICR)
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group 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 Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for exposure by comparing:
- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in expectations related to earlier settlement).

Determining whether credit risk has increased significantly:
In determining whether credit risk has increased significantly since initial recognition, the Group uses its quantitative changes in PDs, delinquency status of accounts and, where possible, relevant historical experience. Considering the huge portfolio of individual customers, the management believes that past-due information is the most appropriate method to assess the SICR without the undue cost and efforts. Accordingly, based on instalment collection history, the management believes that thee instance of significant increase in credit risk arise only when the installment is past due by for more than 60 days and is classified as underperforming (i.e. in stage 2) and, if it is past due by more than 90 days, it is classified as non-performing (i.e. stage 3). The management activates the recovery team for the purposes of collection of outstanding balance as the receivable entered the non-performing stage.

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

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

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

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

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing, net (continued)

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

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

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a receivable has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group's credit risk committee and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by global monetary authorities and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The management has used inflation rates as the key macro-economic variable as of December 31, 2022 and January 1, 2023 to develop the base case scenario which the management estimates are the best estimate of the forecasted macro-economic variable for determination of the PD. Predicted relationships between the key indicators and default and loss rates on various business sectors of the receivables have been developed based on analysing historical data over the past 10 to 15 years.

Modified financial assets

The contractual terms of a investment in Islamic financing receivable are mainly modified at the request of the customer. An existing Islamic financing receivable whose terms have been modified may be derecognised and the renegotiated lease receivable recognised as a new investment in Islamic financing at fair value.

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

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates Islamic financing receivable with customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, the receivable forbearance is granted on a selective basis if the customer is currently in default or if there is a high risk of default, there is evidence that the customer has made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms. The revised terms usually include extending the maturity and changing the timing of payments. The Group's credit and risk committee regularly review reports on forbearance activities.

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing (continued)

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect outstanding balances and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the customer's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL
The Group measures an ECL at an account level considering the EAD, PD, LGD and discount rate. PD estimates are estimates at a certain date, based on the term structures as provided above. For LGD estimates of retail portfolio, the Group use present value of recoveries for loss accounts adjusted by the forward-looking information. Further for SME contracts, the collateral value after applying the haircut is considered as an LGD. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of an IIF receivable is its gross carrying amount for provisioning calculation purpose. For discounting the Group has used each contract's effective profit rate.

The investment in Islamic financing generally expose to significant credit risk. Therefore, the Group has established a number of procedures to manage credit exposure including evaluation of lessees' creditworthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees. The Group also follows a credit classification mechanism, primarily driven by days delinquency as a tool to manage the quality of credit risk of the Islamic financing portfolio. The portfolio that is neither past due nor impaired has a satisfactory history of repayment, where applicable. As at the statement of financial position date, the Group has adequate collaterals to cover the overall credit risk exposure after making an impairment provision.

The aging of net investment in Islamic financings contracts is as under:

	As at December 31,	
	2023	**2022**
Neither past nor due	**2,281,234,201**	976,760,771
Past due 1-30 days	**321,422,866**	653,636,408
Past due 31-60 days	**88,968,695**	127,824,945
Past due 61-90 days	**44,433,118**	47,775,552
Past due 91-180 days	**63,739,463**	38,232,350
Past due 181-365 days	**72,788,527**	49,341,770
Past due over 365 days	**292,885,243**	555,552,242
	3,165,472,113	2,449,124,038
Less: Unearned / deferred Islamic financing income	**(798,971,284)**	(456,169,017)
Less: Unearned origination fee	**5,477,612**	-
	2,371,978,441	1,992,955,021
Less: Provision for ECL allowance	**(179,816,566)**	(290,402,963)
Investment in Islamic financing, net	**2,192,161,875**	1,702,552,058
Total portfolio coverage ratio (%)	**8.2%**	17.1%

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing (continued)

The aging of net investment in Islamic financings held for sale is as under:

	As at December 31, 2023
Past due 91-180 days	108,587
Past due 181-365 days	22,920,119
Past due over 365 days	186,407,638
	209,436,344
Less: Unearned / deferred Islamic financing income	(9,404,587)
Less: Unearned origination fee	-
	200,031,757
Less: Provision for ECL allowance	(79,669,514)
Investment in Islamic financing	120,362,243
Total portfolio coverage ratio (%)	39.8%

The Group's management believes that adequate provision has been made, where required to address the credit risk. Moreover, the Group in the ordinary course of providing finance receivables are subject to additional personal guarantees for security to mitigate credit risk associated with IIF receivables. For additional credit quality disclosure relating to IFRS, please refer note 9 and note 10 to these consolidated financial statements. The credit quality of non-performing IIF receivables is further explained below:

Investment in Islamic financings, net:

As at December 31, 2023	Non-Performing	Provision for ECL allowance	Total net of provision
Aging of Islamic financing receivables (Tawarruq) based on past due days			
90-180 days	40,860,444	18,306,621	22,553,823
180 to 270 days	19,105,145	9,492,717	9,612,428
270 to 360 days	28,792,813	13,923,770	14,869,043
360 to 450 days	9,891,748	4,795,029	5,096,719
450 to 540 days	5,284,962	2,548,925	2,736,037
540 to 630 days	1,147,872	519,536	628,336
630 and above days	2,027,574	1,028,964	998,610
	107,110,558	50,615,562	56,494,996

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing (continued)

Investment in Islamic financings , net: (continued)

As at December 31, 2023	**Non-Performing**	**Provision for ECL allowance**	**Total net of provision**
Aging of Islamic financing receivables (Murabaha) based on past due days			
90-180 days	**759,525**	**393,502**	**366,023**
180 to 270 days	**279,372**	**156,197**	**123,175**
270 to 360 days	**1,546,060**	**871,165**	**674,895**
360 to 450 days	**466,447**	**264,649**	**201,798**
450 to 540 days	**2,421,699**	**898,542**	**1,523,157**
540 to 630 days	**1,367,697**	**618,192**	**749,505**
630 and above days	**172,495,220**	**36,107,159**	**136,388,061**
	179,336,020	**39,309,406**	**140,026,614**

As at December 31, 2023	**Non-Performing**	**Provision for ECL allowance**	**Total net of provision**
Aging of Islamic financing receivables (Ijara) based on past due days			
90-180 days	**2,938,522**	**640,522**	**2,298,000**
180 to 270 days	**1,592,132**	**414,886**	**1,177,246**
270 to 360 days	**2,560,556**	**871,561**	**1,688,995**
360 to 450 days	**2,315,548**	**706,629**	**1,608,919**
450 to 540 days	**3,093,824**	**1,050,236**	**2,043,588**
540 to 630 days	**1,651,974**	**526,846**	**1,125,128**
630 and above days	**87,601,374**	**27,979,814**	**59,621,560**
	101,753,930	**32,190,494**	**69,563,436**

As at December 31, 2022	**Non-Performing**	**Provision for ECL allowance**	**Total net of provision**
Aging of Islamic financing receivables (Tawarruq) based on past due days			
90-180 days	20,280,511	6,614,676	13,665,835
180 to 270 days	10,966,322	4,117,194	6,849,128
270 to 360 days	8,267,809	3,276,602	4,991,207
360 to 450 days	6,285,354	2,579,305	3,706,049
450 to 540 days	4,549,007	1,915,388	2,633,619
540 to 630 days	2,132,765	926,037	1,206,728
630 and above days	12,587,367	5,265,842	7,321,525
	65,069,135	24,695,044	40,374,091

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing (continued)

Investment in Islamic financings , net: (continued)

As at December 31, 2022	Non-Performing	Provision for ECL allowance	Total net of provision
Aging of Islamic financing receivables (Murabaha) based on past due days			
90-180 days	6,534,833	1,571,889	4,962,944
180 to 270 days	12,455,737	5,737,175	6,718,562
270 to 360 days	2,529,981	1,382,355	1,147,626
360 to 450 days	22,916	10,199	12,717
450 to 540 days	5,857,131	2,895,757	2,961,374
540 to 630 days	31,667,356	10,372,280	21,295,076
630 and above days	250,885,344	79,669,180	171,216,164
	309,953,298	101,638,835	208,314,463

As at December 31, 2022	Non-Performing	Provision for ECL allowance	Total net of provision
Aging of Islamic financing receivables (Ijara) based on past due days			
90-180 days	11,417,006	1,969,488	9,447,518
180 to 270 days	8,274,025	1,859,294	6,414,731
270 to 360 days	6,847,896	1,941,691	4,906,205
360 to 450 days	5,760,466	1,954,062	3,806,404
450 to 540 days	6,635,894	2,270,743	4,365,151
540 to 630 days	7,918,229	2,942,510	4,975,719
630 and above days	221,250,415	78,537,068	142,713,347
	268,103,931	91,474,856	176,629,075

Investment in Islamic financings held for sale:

As at December 31, 2023	Non-Performing	Provision for ECL allowance	Total net of provision
Aging of Islamic financing receivables (Tawarruq) based on past due days			
90-180 days	22,929	9,474	13,455
180 to 270 days	6,813,386	3,075,983	3,737,403
270 to 360 days	9,098,262	4,424,478	4,673,784
360 to 450 days	101,364	43,291	58,073
450 to 540 days	3,592,978	1,711,457	1,881,521
540 to 630 days	3,755,574	1,672,412	2,083,162
630 and above days	18,921,128	7,512,756	11,408,372
	42,305,621	**18,449,851**	**23,855,770**

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing (continued)

Investment in Islamic financings held for sale: (continued)

As at December 31, 2023	**Non-Performing**	**Provision for ECL allowance**	**Total net of provision**
Aging of Islamic financing receivables (Murabaha) based on past due days			
90-180 days	-	-	-
180 to 270 days	189,438	97,644	91,794
270 to 360 days	-	-	-
360 to 450 days	-	-	-
450 to 540 days	200,829	103,837	96,992
540 to 630 days	1,385,026	714,055	670,971
630 and above days	41,010,841	20,404,797	20,606,044
	42,786,134	**21,320,333**	**21,465,801**

As at December 31, 2023	**Non-Performing**	**Provision for ECL allowance**	**Total net of provision**
Aging of Islamic financing receivables (Ijara) based on past due days			
90-180 days	**75,267**	**26,053**	**49,214**
180 to 270 days	**-**	**-**	**-**
270 to 360 days	**45,738**	**8,299**	**37,439**
360 to 450 days	**-**	**-**	**-**
450 to 540 days	**15,195**	**11,350**	**3,845**
540 to 630 days	**1,371,350**	**531,613**	**839,737**
630 and above days	**113,432,452**	**39,322,015**	**74,110,437**
	114,940,002	**39,899,330**	**75,040,672**

Concentration of credit risk
The concentration of credit risk is the risk that the Group is exposed to if they invested all their assets in one sector or one industry. The Group's IIF receivables constitute Tawarruq personal financing to retail customers and SMEs, Muarabaha financing for SMEs and financial leases to retail customers. Concentrations of credit risk arise when a number of counter-parties 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 affected similarly by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group manages its credit risk exposure through diversification of Islamic financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

Collateral held as security and other credit enhancements
The credit risks on gross amounts due in relation to the investment in Islamic financing is mitigated by holding collaterals which are either leased vehicles under Ijara financing or real-estate. Further, the gross carrying amount of investment in Islamic financing amounts against which collateral has been obtained amounted to SR 214.5 million as at December 31, 2023 (December 31, 2022: SR 567.7 million). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.2 Cash and cash equivalents and margin deposits

Cash at banks are placed with banks having sound credit ratings. Cash at banks, restricted deposits with banks are considered to have low credit risk; therefore, 12 months ECL model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances.

Bank credit ratings
The credit quality of the Group's cash at bank is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. No ECL was taken for restricted cash deposits and bank balances as the impact of the ECL was not material. The bank balances along with credit ratings are tabulated below:

	As at December 31,	
	2023	**2022**
Cash at banks:		
A-	**5,061,710**	864,883
A	**981,623**	1,599,895
BBB+	**(2,352,228)**	85,490,737
BBB	**-**	432,237
	3,691,105	88,387,752
Short term deposits		
A	-	98,500,000
– Restricted:		
A-	**7,240,756**	-
BBB+	**-**	15,270,395
	7,240,756	15,270,395
Total	**10,931,861**	202,158,147

32.3.3 Other receivables from customers

The Group believes that it has a high credit risk on these financial assets and the loss allowance would be material for the Group. Hence, the Group is currently exposed to significant credit risk. Other receivables from customers are not significant compared to the total IIF, therefore they are exposed to same classification of significant credit risk as they are related to customers' receivables under investment in Islamic financing.

The aging of "other receivables from customers" is as follow:

	As at December 31,	
	2023	**2022**
Neither past nor due	**134**	158,183
Past due 1-30 days	**93,647**	5,800,000
Past due 31-60 days	**27,952**	309,939
Past due 61-90 days	**37,577**	413,257
Past due 91-180 days	**148,207**	2,094,419
Past due over 180 days	**86,403,160**	74,318,289
	86,710,677	83,094,087
Less: Provision for ECL allowance	**(47,244,722)**	(47,244,722)
Net other receivables from customers	**39,465,955**	35,849,365
Total other receivables coverage ratio (%) against ECL	**54.49%**	56.9%

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.4 Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations regarding its financial liabilities when they fall due under normal and stress circumstances. Liquidity risk arises because of the possibility that the Group will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Liquidity risk can also be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash and cash equivalents and monitors future cash flows and liquidity on a daily basis to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also has revolving credit facilities from commercial banks that it can access to meet future liquidity needs.

The Group's financial liabilities primarily consist of trade payables, due to related parties, borrowings and other payables and accruals. Trade payables, due to related parties, borrowings, and other payables and accruals aggregating SR 899 (2022: SR 776 million) have a short-term maturity. The Group expects to have adequate liquid funds to settle its current liabilities through close monitoring of both current assets and current liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring the statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans**.**

	December 31, 2023				
	Carrying amount	**Less than 3 months on demand**	**3-12 months**	**Above 1 year**	**Total**
Financial assets - profit bearing					
Investment in Islamic Financing	2,192,161,875	551,186,947	691,462,647	1,922,822,519	**3,165,472,113**
Investment in Islamic Financing – Held for sale	120,362,243	-	6,063,247	115,201,712	**121,264,959**
Due from related parties	498,941,339	22,673,174	22,538,974	472,754,020	**517,966,168**
Margin deposits	7,240,756	-	7,271,634	-	**7,271,634**
	2,818,706,213	**573,860,121**	**727,336,502**	**2,510,778,251**	**3,811,974,874**
Financial assets – non-profit bearing					
Cash at banks	3,691,105	3,691,105	-	-	**3,691,105**
Other receivables	46,076,183	46,076,183	-	-	**46,076,183**
Due from related parties	1,755,683	1,755,683	-	-	**1,755,683**
Investment in equity instruments carried at FVOCI	7,401,563	-	-	7,401,563	**7,401,563**
	58,924,534	**51,522,971**	**-**	**7,401,563**	**58,924,534**
Total financial assets	**2,877,630,747**	**625,383,092**	**727,336,502**	**2,518,179,814**	**3,870,899,408**
Financial liabilities - profit bearing					
Lease liabilities	17,530,905	786,114	2,945,886	15,842,001	**19,574,001**
Borrowings	1,979,277,639	240,033,203	578,971,874	1,318,178,565	**2,137,183,642**
	1,996,808,544	**240,819,317**	**581,917,760**	**1,334,020,566**	**2,156,757,643**
Financial liabilities – non-profit bearing					
Trade payables	21,351,374	21,351,374	-	-	**21,351,374**
Accruals, provisions and other liabilities	21,013,802	21,013,802	-	-	**21,013,802**
Due to related parties	3,034,255	3,034,255	-	-	**3,034,255**
	45,399,431	**45,399,431**	**-**	**-**	**45,399,431**
Total financial liabilities	**2,042,207,975**	**286,218,748**	**581,917,760**	**1,334,020,566**	**2,202,157,074**

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.4 Liquidity Risk (continued)

	December 31, 2023				
	Carrying amount	**Less than 3 months**	**3-12 months**	**Above 1 year**	**Total**
Net financial assets:					
Profit bearing	821,897,669	333,040,804	145,418,742	1,176,757,685	**1,655,217,231**
Non-profit bearing	13,525,103	6,123,540	-	7,401,563	**13,525,103**
	835,422,772	**339,164,344**	**145,418,742**	**1,184,159,248**	**1,668,742,334**

	December 31, 2022				
	Carrying amount	**Less than 3 months**	**3-12 months**	**Above 1 year**	**Total**
Financial assets - profit bearing					
Investment in Islamic Financing - Gross	1,702,552,058	655,921,815	552,727,849	1,240,474,374	2,449,124,038
Short term deposits	98,500,000	98,586,188	-	-	98,586,188
Due from related parties	514,172,517	16,682,456	16,573,983	520,024,751	553,281,190
Margin deposits	15,270,395	-	15,322,282	-	15,322,282
	2,330,494,970	771,190,459	584,624,114	1,760,499,125	3,116,313,698
Financial assets – non-profit bearing					
Cash at banks	88,387,752	88,387,752	-	-	88,387,752
Other receivables	87,750,385	27,592,348	57,861,233	49,541,526	134,995,107
Due from related parties	2,386,930	2,386,930	-	-	2,386,930
Investment in equity instruments carried at FVOCI	892,875	-	-	892,875	892,875
	179,417,942	118,367,030	57,861,233	50,434,401	226,662,664
Total financial assets	2,509,912,912	889,557,489	642,485,347	1,810,933,526	3,342,976,362
Financial liabilities – profit bearing					
Lease liabilities	22,289,358	1,334,599	4,655,401	19,020,000	25,010,000
Borrowings	1,568,539,988	238,185,463	441,832,859	1,064,966,030	1,744,984,352
	1,590,829,346	239,520,062	446,488,260	1,083,986,030	1,769,994,352
Financial liabilities - non profit bearing					
Trade payables	35,513,814	35,513,814	-	-	35,513,814
Accruals, provisions and other liabilities	49,128,504	16,598,775	32,529,729	-	49,128,504
Due to related parties	7,931,794	5,683,352	-	2,248,442	7,931,794
	92,574,112	57,795,941	32,529,729	2,248,442	92,574,112
Total financial liabilities	1,683,403,458	297,316,003	479,017,989	1,086,234,472	1,862,568,464
Net financial assets:					
Profit bearing	739,665,624	531,670,397	138,135,854	676,513,095	1,346,319,346
Non-profit bearing	86,843,830	60,571,089	25,331,504	48,185,959	134,088,552
	826,509,454	592,241,486	163,467,358	724,699,054	1,480,407,898

(All amounts in Saudi Riyals unless otherwise stated)

33 Capital risk management

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern and maintain healthy capital ratios so that it can continue to provide optimal returns to its shareholders and benefits for other stakeholders, and to maintain a strong capital base in order to support the sustainable business development and operational performance.

The Group manages its capital structure and makes adjustments to it in light of the changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2023 and 2022.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic bank financing and the advantages and security afforded by a sound capital position. The Group monitors aggregate amount of financing offered by the Group based on the regulatory requirements of Regulations for Companies and Saudi Central Bank (SAMA). SAMA requires all the finance companies engaged in business of financing other than real estate, not to exceed the aggregate financing to capital ratio by three times.

	2023	**2022**
Aggregate financing to capital ratio (Net investment in Islamic financing divided by total equity)	**2.59 times**	2.04 times

34 Event after reporting date

On February 4, 2024, the Group entered into into agreement with Parent Company to sell the investment in Islamic financings portfolio amounting to the net of SR 120.3 million (gross Islamic financing receivables amounting to SR 239.4 million less ECL provision amounting to SR 119.1 million) against consideration of SR 120.3 million (note 10.1).