UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2022

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 403029792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم ٤٠٣٠٢٩٠٧٩٢

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of United International Transportation Company

Opinion

We have audited the consolidated financial statements of United International Transportation Company ("the Company") (and its subsidiaries) ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of United International Transportation Company

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>

Carrying value of vehicles

Vehicles included under property and equipment as at 31 December 2022 amounting SR 1,983 million (2021: SR 1,388 million) representing 93% (2021: 91%) of total property and equipment.

Vehicles are carried at cost, net of accumulated depreciation and impairment losses, if any. The Group's management determines the residual values and estimated useful lives of vehicles for calculating depreciation. These estimates and judgements are made after considering the expected usage of the vehicles, expected physical wear and tear and expected future value at the time of disposal.

The determination of residual values and useful lives of vehicles requires a significant degree of management estimation and judgement, and as such, this has been identified as a key audit matter.

Refer to note 3.8 to the consolidated financial statements for the significant accounting policy, note 2.4.2 for the critical accounting estimates and assumptions and note 12 which details the disclosure of property and equipment.

</td><td>

- Obtained and updated our understanding of the Group's processes and controls relating to additions, disposals and determining residual value and useful life of vehicles.
- Evaluated the design and implementation of controls and tested the operating effectiveness of controls related to additions, disposals and determining residual value and useful life of vehicles on a sample basis;
- Engaged our internal specialists to assess the appropriateness of the management's judgment in determining residual value and useful life;
- Tested the underlying historical data used in the calculation of estimated residual values and useful life of vehicles on a sample basis;
- Tested the mathematical accuracy of the Group's calculation of the depreciation on a sample basis of vehicles; and
- Checked the adequacy of disclosures in the consolidated financial statements as required by IAS 16 and IAS 8.

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Independent Auditor's Report

To the Shareholders of United International Transportation Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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 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 judgement 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.

Independent Auditor's Report

To the Shareholders of United International Transportation Company (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 of United International Transportation Company ("the Company") (and its subsidiaries) ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services

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Nasser Ahmed Al Shutairy
License No. 454

كي بي إم جي للإستشارات المهنية
Lic No. 46
C.R. 4030290792
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KPMG
ترخيص رقم ٤٦
KPMG Professional Services

Jeddah, 1 March 2023
Corresponding to 9 Shaban 1444H

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*2022* *SR'000*	*2021* *SR'000*
ASSETS			
Non-current assets			
Property and equipment	12	**2,130,794**	1,531,121
Right-of-use assets	13	**81,141**	28,272
Intangible assets	14	**5,701**	4,183
Financial assets at fair value through other comprehensive income	15	**15,000**	15,000
		2,232,636	1,578,576
Current assets			
Inventories	16	**11,021**	8,113
Trade receivables	17	**193,854**	161,149
Prepayments and other receivables	18	**61,168**	31,557
Cash and cash equivalents	19	**21,428**	104,868
		287,471	305,687
Total assets		**2,520,107**	1,884,263
EQUITY AND LIABILITIES			
Equity			
Share capital	20(a)	**711,667**	711,667
Statutory reserve	20(b)	**224,429**	224,429
Retained earnings		**788,606**	662,516
Foreign currency translation reserve		**(163)**	(163)
TOTAL EQUITY		**1,724,539**	1,598,449
LIABILITIES			
Non-current liabilities			
Bank borrowings	21	**162,186**	--
Employee benefits	22	**66,399**	62,984
Lease liabilities	13	**42,669**	16,186
		271,254	79,170
Current liabilities			
Current portion of bank borrowings	21	**209,858**	--
Lease liabilities – current portion	13	**29,609**	9,327
Trade and other payables	23	**128,186**	56,273
Accrued expenses and other liabilities	24	**148,674**	133,112
Zakat payable	10	**7,987**	7,932
		524,314	206,644
Total liabilities		**795,568**	285,814
Total equity and liabilities		**2,520,107**	1,884,263

Chairman — President and Group CEO — Group Chief Financial Officer

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

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	*2022* *SR'000*	*2021* *SR'000*
Revenue	5	**1,025,162**	988,129
Cost of revenue	6	**(666,810)**	(654,612)
Gross profit		**358,352**	333,517
Other operating income, net		**31,409**	20,177
Selling and marketing expenses	7	**(45,227)**	(52,260)
General and administrative expenses	8	**(64,727)**	(59,277)
Impairment loss on trade receivables	17	**(11,528)**	(11,996)
Operating profit		**268,279**	230,161
Finance costs, net	9	**(9,344)**	(1,929)
Net profit before zakat and tax		**258,935**	228,232
Zakat and tax	10	**(6,926)**	(8,320)
Net profit for the year		**252,009**	219,912
Other comprehensive income			
Items that or may be reclassified subsequently to profit or loss:			
Foreign operations – foreign currency translation differences		--	(25)
Items that will not to be reclassified to profit or loss:			
Re-measurement gain / (losses) on employee benefits	22	**2,192**	(4,679)
Total comprehensive income for the year		**254,201**	215,208
Earnings per share (EPS)			
Basic and diluted, net profit for the year attributable to ordinary equity holders of the Parent (in Saudi Riyals)	11	**3.54**	3.09

Chairman | President and Group CEO | Group Chief Financial Officer

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2022

	Share capital SR'000	*Statutory reserve* SR'000	*Retained earnings* SR'000	*Foreign currency translation reserve* SR'000	*Total equity* SR'000
Balance as at 1 January 2021	**711,667**	**202,438**	**600,954**	**(138)**	**1,514,921**
Total comprehensive income for the year					
Profit for the year	--	--	219,912	--	219,912
Other comprehensive loss for the year	--	--	(4,679)	(25)	(4,704)
Total comprehensive income for the year			215,233	(25)	215,208
Transfer to statutory reserve (note 20 (b))	--	21,991	(21,991)	--	--
Transactions with the owners of the Company:					
Dividends (note 20 (a))	--	--	(131,680)	--	(131,680)
Balance as at 31 December 2021	**711,667**	**224,429**	**662,516**	**(163)**	**1,598,449**

Chairman

President and Group CEO

Group Chief Financial Officer

UNITED INTERNATIONAL TRANSPORTATION COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2022

	Share capital SR'000	*Statutory reserve SR'000*	*Retained earnings SR'000*	*Foreign currency translation reserve SR'000*	*Total equity SR'000*
Balance as at 1 January 2022	**711,667**	**224,429**	**662,516**	**(163)**	**1,598,449**
Total comprehensive income for the year					
Profit for the year	--	--	252,009	--	252,009
Other comprehensive income for the year	--	--	2,192	--	2,192
Total comprehensive income for the year	--	--	254,201	--	254,201
Transactions with the owners of the Company:					
Dividends (note 20 (a))	--	--	(128,111)	--	(128,111)
Balance as at 31 December 2022	**711,667**	**224,429**	**788,606**	**(163)**	**1,724,539**

Chairman

President and Group CEO

Group Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS
As at 31 December 2022

	Notes	*2022* *SR'000*	*2021* *SR'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and tax		**258,935**	228,232
Adjustments for:			
Depreciation of property and equipment	12	**246,459**	213,143
Depreciation of right-of-use assets	13	**16,754**	10,504
Amortisation of intangible assets	14	**342**	246
Impairment loss on intangible assets	14	**--**	1,823
Loss on disposals during the year	12	**--**	1,108
Gain on derecognition of right-of-use assets	13	**(3)**	(187)
Provision for employee benefits	22	**8,565**	7,751
Impairment loss on trade receivables	17	**11,528**	11,996
Finance costs	9	**9,344**	1,929
		551,924	476,545
Changes in:			
Inventories		**192,989**	262,414
Trade receivables, net		**(44,233)**	15,896
Prepayments and other receivables		**(29,611)**	(9,660)
Trade payables		**71,913**	30,235
Accrued expenses and other liabilities		**15,562**	15,166
Cash generated from operating activities		**758,544**	790,596
Purchase of vehicles	12	**(1,030,853)**	(630,201)
Zakat paid	10	**(6,871)**	(8,554)
Finance costs paid	9	**(9,344)**	(1,929)
Employee benefits paid	22	**(2,958)**	(4,112)
Net cash (used in) / generated from operating activities		**(291,482)**	145,800
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment (excluding vehicles)	12	**(11,176)**	(22,237)
Additions to intangible assets	14	**(1,860)**	(4,111)
Investment made during the year		**--**	(15,000)
Net cash used in investing activities		**(13,036)**	(41,348)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	21	**463,000**	--
Repayment of loans and borrowings	21	**(90,956)**	(3,333)
Dividends paid	20	**(128,111)**	(131,680)
Payment of the principal portion of lease liabilities	13	**(22,855)**	(10,823)
Net cash flows generated from / (used in) financing activities		**221,078**	(145,836)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(83,440)**	(41,384)
Net foreign exchange differences		**--**	(25)
Cash and cash equivalents at the beginning of the year		**104,868**	146,277
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**21,428**	104,868
Supplemental non-cash information			
Transfer of vehicles from property and equipment to inventories	12	**195,897**	255,190

Chairman | President and Group CEO | Group Chief Financial Officer

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

1 CORPORATE INFORMATION

United International Transportation Company ("the Parent Company"), is a Saudi Joint Stock Company registered in Jeddah, Kingdom of Saudi Arabia ("KSA") under Commercial Registration No. 4030017038 dated 7 Shabaan 1428H (corresponding to 20 August 2007), with branches as detailed in note 32.

The principal activities of the Parent Company are leasing, rental of vehicles and used car sales under the commercial name of "Budget Rent a Car" as per the license No. 0202000400 issued by the Ministry of Transportation in the Kingdom of Saudi Arabia. The Parent Company was listed on Saudi Stock Exchange on 1 September 2007.

The Parent Company's registered office is located at the following address:

6695 King Abdul Aziz Road, Al Basatin Dist.
Unit No. 92
Jeddah 23719-4327,
Kingdom of Saudi Arabia.

As at the reporting date, the Parent Company has two subsidiaries, namely Aljozoor Alrasekha Trucking Company Limited - A Single Owner Company and Unitrans Infotech Services India Private Limited (the "subsidiaries" and collectively with the Parent Company referred to as the "Group").

As at the reporting date, the Parent Company owns 100% of the issued capital of;

- Aljozoor Alrasekha Trucking Company Limited - A Single Owner Company (the "subsidiary" or "Rahaal"). Rahaal is a limited liability company incorporated in Saudi Arabia and engaged in the business of leasing and rental of heavy vehicles and equipment and trading in heavy vehicles and equipment and spare parts, as per commercial registration.
- Unitrans Infotech Services India Private Limited, a limited liability company incorporated in India and engaged in Software publishing, consultancy and supply software, operating systems software, business & other applications software, computer games software for all platforms. The subsidiary did not have any operations in 2022.

The following are the details of the associate:

Name	***Principal field of activities***	***% of capital held***	
		31 December 2022	*31 December 2021*
Tranzlease Holdings India Private Limited	Operating lease of motor vehicles	**32.99%**	32.99%

Tranzlease Holdings India Private Limited

As Tranzlease Holdings India Private Limited has incurred losses in previous years, the management has impaired the entire investment. As at 31 December 2022 the investment is carried at SR NIL (2021: SR NIL).

The associate had no contingent liabilities or capital commitments at 31 December 2022 or 31 December 2021. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The Group's consolidated financial statements are presented in Saudi Arabian Riyals ("SR"), which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. All figures are rounded off to the nearest thousands except when otherwise indicated.

2.4 Significant accounting judgements, estimates, and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates, and assumptions (continued)

The key judgements, estimates, and assumptions that have a significant impact on the consolidated financial statements of the Group are discussed below:

2.4.1 Judgements

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Lease classification – Group as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not substantially transfers all the risks and rewards incidental to ownership of an underlying asset. Keeping in view the business model of the Group, the Group has determined that leasing of vehicles does not substantially transfer all the risks and rewards incidental to ownership of the vehicles subject to the lease arrangement, hence such lease arrangements are classified as an operating lease.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Consolidation of subsidiaries

The Group has evaluated all the investee entities to determine whether it controls the investee as per the criteria laid out by IFRS 10 Consolidated Financial Statements. The Group has evaluated, amongst other things, its ownership interest, the contractual arrangements in place and its ability and the extent of its involvement with the relevant activities of the investee entities to determine whether it controls the investee.

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

2.4.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives and residual value of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually, and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Allowance for inventory losses

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the specific manufacturer and both existing and emerging market conditions.

Provision for expected credit losses (ECL) of trade receivables

The Group has selected a simplified approach for all lease trade receivables. The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated, and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customers’ actual default in the future. The information about the ECL on the Group’s trade receivables is disclosed in note 28.

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

2.4.2 Estimates and assumptions (continued)

Employee benefits

The cost of the employee benefit plan and the present value of the obligations are determined using actuarial valuations. 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, mortality rates, and employee turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high-quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 22.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in Consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group ‘would have to pay’, which requires estimation when observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise. Certain comparatives amounts have been, reclassified, or re-presented, for the fair presentation.

3.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group 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 its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Subsidiaries

Subsidiaries are entities controlled by the Group, The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from the involvement with entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from date on which control commences until the date on which control ceases.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Investment in equity accounted investees (associate)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after income tax. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of results of an associate' in the consolidated statement of profit or loss. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

When the Group's share of losses exceeds its interest in associates, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

3.2 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, and on disposal of a foreign operation, the gain or loss that is reclassified to the consolidated statement of profit or loss reflects the amount that arises from using this method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currencies (continued)

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign subsidiary/associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign exchange translation reserve via other comprehensive income.

3.3 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

Assets
An asset is current when:
- It is expected to be realised or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realised within twelve months after the reporting period; or
- It is 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Current versus non-current classification (continued)

Liabilities
A liability is current when:

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

The Group classifies all other liabilities as non-current.

3.4 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. Revenue is recognized in the consolidated statement of profit or loss and other comprehensive income to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15.

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes, duties and is recorded net of trade discounts.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the Group satisfies a performance obligation: The Group assessed its revenue arrangements against specific criteria and determined that it is acting as principal in all of its revenue arrangements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Revenue Recognition (continued)

Rental income – the Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

Income from other services

Revenue from other services that are incidental to vehicle rental arrangements are recognized when these related services are provided and classified as part of revenue from these core operating activities. The Group's revenue from other services that are incidental to vehicle rental arrangements is recognised over the time when services are rendered.

Sale of inventories (used vehicles)

Revenue from the sale of vehicles is recognised at the point in time when control of the vehicles is transferred to the customers, generally on delivery of the vehicles. The Group's revenue from sale of vehicles includes only one performance obligation, and there is no variable consideration and financing component involved.

Loyalty points

The Group usually awards customers additional "Loyalty Points". These Loyalty Points give rise to a separate performance obligation as they provide a material right to the customer.

A portion of the transaction price is allocated to Loyalty Points awarded to customers based on relative stand-alone selling price and is recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of the points by the customer.

3.5 Expenses

Cost of revenue

Cost of revenue represents all expenses directly attributable or incidental to the core operating activities of the Group, including but not limited to the depreciation of vehicles under rental arrangements, cost of vehicle inventories disposed of, directly attributable employee-related costs etc.

Selling, marketing, and administrative expenses

Selling and marketing expenses are costs arising from the Group's efforts underlying marketing activities and function. All other expenses are classified as administrative expenses. Allocation of common expenses between the cost of revenue, selling and marketing, and administrative expenses, where required, is made on a reasonable basis with regard to the nature and circumstances of the common expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Expenses (continued)

Franchise fee

Franchise and similar fee that the Group is obligated to pay under contractual arrangements are recognized on accrual basis.

3.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of finance cost and other costs that an entity incurs in connection with the borrowing of funds.

3.7 Zakat and tax

Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("Authority" or "ZATCA"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiary is charged to the consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value added tax

The Group is subject to Value Added Tax ("VAT") in accordance with the VAT regulations prevailing in the Kingdom of Saudi Arabia. The amount of VAT liability is determined by applying the applicable tax rate to the value of supply ("Output VAT") less VAT paid on purchases ("Input VAT"). The Group reports revenue and purchases net of VAT for all the periods presented in the statement of profit or loss and other comprehensive income.

Current and deferred income tax

Current tax

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible at all. The Group's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Zakat and tax (continued)

Current and deferred income tax (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Zakat and tax (continued)

Current and deferred income tax (continued)

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.8 Property and equipment

Recognition and measurement

Items of property and equipment are initially recorded at cost and measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment (other than vehicles transferred to inventories as ‘Vehicles for sale’) are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other operating income in the consolidated statement of profit or loss and other comprehensive income.

Subsequent costs

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

Capital work in progress

Capital work-in-progress represents all costs relating directly and indirectly to the construction in progress and is capitalized as property and equipment when ready for the intended use

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Property and equipment (continued)

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required.

The estimated useful lives are as follows:

• Buildings and other installations	10 to 20 years
• Vehicles	2 to 5 years
• Furniture, fixtures and office equipment	4 to 5 years
• Machinery and equipment	4 to 7 years

Revision in useful lives of property and equipment

The Group performed a technical review to perform an assessment of the useful lives of vehicles and residual values. Accordingly, the estimated useful lives of vehicles have been revised by the Group as follows:

	Upto 31 December 2021	Effective 1 January 2022
	Years	
Lease Vehicles	4	4.23
Rental Vehicles	2.58	2.78

The change in estimated useful lives has resulted in a decrease in depreciation expenses and an increase in the cost of sales of vehicles. The net impact of the adjustment amounts to SR 47.16 million on the cost of revenue for the year ended 31 December 2022. The effect of change in estimate in future periods is impracticable to determine.

3.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised, and the related expenditure is reflected in the consolidated statement of profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Intangible assets (continued)

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

The amortization period for the Group's intangible assets with finite life is as follows:

Software	4 years

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

3.10 Leases

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

Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Leases (continued)

Right-of-use assets (continued)

- Leasehold building 2 to 10 years

If the ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Incremental borrowing rate

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.11 Inventories

Inventories represent vehicles for sale, spare parts, and other supplies. These are measured at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

The carrying amount of inventories is recognized as cost of revenue when the inventories are sold. The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc.

Vehicles for sale

Vehicles for sale that were previously held as part of property and equipment for lease and rental arrangements are transferred to inventories at their carrying amount when they cease to be held for lease and rental purposes and become held for sale in the ordinary course of business. Other costs are included in the cost of vehicle inventories only to the extent that they are incurred in bringing the vehicles to their present location and condition necessary to make the sale.

Spare parts and supplies

The cost of spare parts and supplies is based on weighted average principle. Other costs are included in the cost of spare parts and supplies only to the extent they are incurred in bringing them to their present location and condition.

3.12 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks, term deposits and cash on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired. This category is relevant to the Group. The Group's financial assets at amortised cost includes trade receivables, loans to employees and due from related parties included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Group does not have any debt instruments at fair value through OCI.

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Groups have one equity investments designated at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Currently, the Group does not have any financial assets designated at fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

i) Financial assets (continued)

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Impairment

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

Impairment (continued)

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost (lease liabilities and borrowing).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

ii) Financial liabilities (continued)

Financial liabilities at amortised cost (lease liabilities and borrowing)

This category is relevant to the Group. After initial recognition, lease liabilities and interest-bearing loans and borrowing are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss. This category generally applies to lease liabilities and borrowings (refer to note 13 and 21).

Derecognition

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

iii) Offsetting of financial instruments

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

3.14 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Impairment of non-financial assets (continued)

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

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Intangible assets, excluding goodwill, with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.15 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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Cash dividend and non-cash distribution to equity holders of the parent

The Parent Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Parent Company. As per the bye laws of the Parent Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly within equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit or loss.

4 NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPETATIONS

a) Standards, interpretations, and amendments issued

This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2022 and that are available for early adoption in annual periods beginning on 1 January 2022.

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
IFRS 3	Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

4 NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPETATIONS (continued)

b) Standards, interpretations and amendments issued but not yet effective

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

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2023
IAS 8	Definition to accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations, and amendments with an effective date of 1 January 2022 will not have any material impact on the Group's consolidated financial statements, whereas, for other above-mentioned standards, interpretations, and amendments, the Group is currently assessing the implications on the Group's financial statements on adoption.

5 REVENUE

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2022 SR'000	*2021 SR'000*
Vehicle rental and lease arrangements	**756,229**	646,277
Sales of vehicles	**268,933**	341,852
	1,025,162	988,129

Timing of revenue recognition

	2022 SR'000	*2021 SR'000*
Services transferred over time	**756,229**	646,277
Services transferred at point in time	**268,933**	341,852
	1,025,162	988,129

6 COST OF REVENUE

	2022	*2021*
	SR'000	*SR'000*
Depreciation on property and equipment (note 12(c))	**245,367**	211,947
Cost of sale of vehicles	**192,904**	262,817
Employees' related expenses	**63,665**	46,621
Operational costs	**38,493**	30,931
Repairs and maintenance	**34,925**	32,700
Insurance	**26,875**	21,544
Expense relating to short-term leases (note 13(c))	**15,002**	15,154
Depreciation on right-of-use assets (note 13(a))	**16,754**	10,504
Commission and franchise fee	**10,337**	9,558
Communication expense	**3,431**	3,293
Amortization of intangible assets (note 14)	**342**	246
Others	**18,715**	9,297
	666,810	654,612

7 SELLING AND MARKETING EXPENSES

	2022	*2021*
	SR'000	*SR'000*
Employees' related expenses	**36,789**	39,366
Advertisement costs	**4,261**	8,396
Other	**4,177**	4,498
	45,227	52,260

8 GENERAL AND ADMINISTRATIVE EXPENSES

	2022	*2021*
	SR'000	*SR'000*
Employees' related expenses	**35,778**	29,851
Subscriptions	**6,034**	8,456
Legal and professional charges	**5,628**	4,783
Board of directors' remuneration (note 25)	**3,000**	2,780
Depreciation (note 12(c))	**1,092**	1,196
Repairs and maintenance	**1,393**	1,589
Expense relating to short-term leases (note 13(c))	**1,339**	864
Communication	**857**	823
Others	**9,606**	8,935
	64,727	59,277

9 FINANCE COSTS, NET

	2022	2021
	SR'000	*SR'000*
Finance costs and others	**7,049**	244
Finance costs on lease liabilities (note 13(b))	**2,295**	1,685
	9,344	1,929

10 ZAKAT AND TAX

a) Charge for the year

Zakat and tax charge for the year is SR 6.9 million (2021: SR 8.3 million).

The Group's zakat charge is based on the consolidated financial statement of the Parent Company.

The consolidated zakat charge for the year consists of:

	2022	2021
	SR'000	*SR'000*
Charge for the year		
- Zakat	**6,926**	8,269
- Deferred tax expense	**--**	51
	6,926	8,320

Zakat charge is based on the following:

	2022	2021
	SR'000	*SR'000*
Equity	**1,470,484**	1,383,241
Provisions and other adjustments	**93,910**	72,442
Book value of long-term assets (net of related financing)	**(1,634,473)**	(1,372,902)
	(70,079)	82,781
Adjusted income for the year	**277,046**	247,979
Zakat base	**206,967**	330,760

The differences between the financial and the zakatable results are mainly due to certain adjustments in accordance with the relevant fiscal regulations.

10 ZAKAT AND TAX (continued)

a) Charge for the year (continued)

Movement in provision during the year

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

	2022	*2021*
	SR'000	*SR'000*
At the beginning of the year	**7,932**	8,217
Provided during the year	**6,926**	8,269
Paid during the year	**(6,871)**	(8,554)
At the end of the year	**7,987**	7,932

b) Status of assessments

The Parent Company

The Parent Company has filed its Zakat returns for all years up to 31 December 2021 and settled its zakat liabilities accordingly. Furthermore, the company has filed its Withholding tax (WHT) returns till December 2022 and settled its WHT liabilities accordingly.

The Parent Company paid a partial amount for the year from 2015 to 2017 amounting to SR 1,678,300 and filed an appeal to the General Secretariat of Zakat, Tax, and Customs Committees ("GSTC") for the rest amounting to SR 672,254. During the year, the Parent Company settled all the amounts with ZATCA and dropped the case with GSTC, and closed assessments for 2015 to 2017.

The Zakat, Tax and Customs Authority (ZATCA) had issued a final assessment up to the year 2020.

Subsidiary- Aljozoor Alrasekha Trucking Company Limited (Rahaal)

The Company filed its zakat returns (self-assessment) for all the years starting from 31 December 2018, under the consolidated zakat return. Prior to filing the consolidated zakat returns, Rahaal had filed a separate zakat returns up to the financial year ended 31 December 2017.

The Zakat, Tax and Customs Authority (ZATCA) had issued a final assessment up to the year ended 31 December 2016. ZATCA has so far not issued a final assessment for the year ended 31 December 2017, filed under standalone zakat return.

Subsidiary- Unitrans Infotech Services India Private Limited

The subsidiary has filed an application for the settlement of all pending assessments up to 31 March 2020 with the Income Tax Department of India, and payment has also been made during the year in this regard. However, the final order from the Tax Authorities is still awaited.

11 EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Group. Also, no separate earning per share calculation from continuing operations has been presented since there were no discontinued operations during the year.

The EPS calculation is given below:

	2022 **(*SR'000*)**	*2021* (*SR'000*)
Profit attributable to ordinary equity holders of the parent	**252,009**	219,912
Weighted average number of ordinary shares for basic and diluted EPS	**71,167**	71,167
Earnings per share (in Saudi Riyals)	**3.54**	3.09

12 PROPERTY AND EQUIPMENT

	Land	*Buildings and other installation*	*Machinery and equipment*	*Furniture and office equipment*	*Vehicles*	*Capital work in progress*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Cost:							
Balance as at 1 January 2021	86,882	82,320	8,045	28,833	1,963,592	484	2,170,156
Additions during the year	15,120	3,741	403	2,973	630,201	--	652,438
Write off during the year	--	(15,455)	(338)	(12,463)	--	--	(28,256)
Transfer to inventories (see note (a) below)	--	--	---	--	(559,775)	--	(559,775)
Balance as at 31 December 2021	102,002	70,606	8,110	19,343	2,034,018	484	2,234,563
Balance as at 1 January 2022	**102,002**	**70,606**	**8,110**	**19,343**	**2,034,018**	**484**	**2,234,563**
Additions during the year	**--**	**6,148**	**335**	**4,693**	**1,030,853**	**--**	**1,042,029**
Write off during the year	**--**	**(1,395)**	**(5,118)**	**(9,228)**	**--**	**--**	**(15,741)**
Transfer to inventories (see note (a) below)	--	--	--	--	**(402,401)**	--	**(402,401)**
Balance as at 31 December 2022	**102,002**	**75,359**	**3,327**	**14,808**	**2,662,470**	**484**	**2,858,450**

12 PROPERTY AND EQUIPMENT (continued)

	Land *SR'000*	***Buildings and other installation*** *SR'000*	***Machinery and equipment*** *SR'000*	***Furniture and office equipment*** *SR'000*	***Vehicles*** *SR'000*	***Capital work in progress*** *SR'000*	***Total*** *SR'000*
Accumulated depreciation:							
Balance as at 1 January 2021	--	43,530	7,354	27,002	744,146	--	822,032
Depreciation for the year	--	5,418	204	1,002	206,519	--	213,143
Write off during the year	--	(14,811)	(316)	(12,021)	--	--	(27,148)
Transfer to inventories (see note (a) below)	--	--	--	--	(304,585)	--	(304,585)
Balance as at 31 December 2021	--	34,137	7,242	15,983	646,080	--	703,442
Balance as at 1 January 2022	**--**	**34,137**	**7,242**	**15,983**	**646,080**	**--**	**703,442**
Depreciation for the year	**--**	**4,683**	**208**	**1,281**	**240,287**	**--**	**246,459**
Write off during the year	**--**	**(1,395)**	**(5,118)**	**(9,228)**	**--**	**--**	**(15,741)**
Transfer to inventories (see note (a) below)	--	--	--	--	**(206,504)**	--	**(206,504)**
Balance as at 31 December 2022	**--**	**37,425**	**2,332**	**8,036**	**679,863**	**--**	**727,656**
Net book value at 31 December 2022	**102,002**	**37,934**	**995**	**6,772**	**1,982,607**	**484**	**2,130,794**
Net book value at 31 December 2021	102,002	36,469	868	3,360	1,387,938	484	1,531,121

12 PROPERTY AND EQUIPMENT (continued)

a) These represent the cost and accumulated depreciation of vehicles retired from fleets and transferred to inventories (vehicles) (note 16).

b) Capital work in progress represents ongoing construction works of the workshop and it is expected to be completed during 2023.

c) Depreciation charge for the year ended has been allocated as follows:

	2022	2021
	SR'000	*SR'000*
Cost of revenue (note 6)	**245,367**	211,947
General and administrative expenses (note 8)	**1,092**	1,196
	246,459	213,143

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts (leases as a lessee) for leasehold buildings (i.e., workshops, accommodations, and locations). Leasehold buildings have lease terms between 2 to 10 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of accommodation buildings with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

a) Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	2022	2021
	SR'000	*SR'000*
Balance as at 1 January	**28,272**	26,443
Additions during the year	**70,070**	15,913
Terminations during the year	**(447)**	(3,580)
Depreciation expense for the year (note 6)	**(16,754)**	(10,504)
Balance as at 31 December	**81,141**	28,272

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

b) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022 ***SR'000***	*2021* *SR'000*
Balance as at 1 January	**25,513**	24,190
Additions during the year	**70,070**	15,913
Terminations during the year	**(450)**	(3,767)
Accretion of interest	**2,295**	1,685
Payments during the year	**(25,150)**	(12,508)
Balance as at 31 December	**72,278**	25,513
Lease liabilities - current portion	**29,609**	9,327
Lease liabilities - non-current portion	**42,669**	16,186

The maturity analysis of lease liabilities is disclosed in note 28.

c) The following are the amounts recognised in the consolidated statement of profit or loss:

	2022 ***SR'000***	*2021* *SR'000*
Depreciation expense of right-of-use assets	**16,754**	10,504
Interest expense on lease liabilities	**2,295**	1,685
Expense relating to short-term leases (included in cost of revenue) (note 6)	**15,002**	15,154
Expense relating to short-term leases (included in general and administrative expenses) (note 8)	**1,339**	864
Total amount recognised in consolidated statement of profit or loss	**35,390**	28,207

The Group had total cash outflows for leases of SR 41.29 million in 2022 (2021: SR 24.97 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 70.1 million in 2022 (2021: SR 15.9 million).

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

14 INTANGIBLE ASSETS

	2022			2021			
	Software SR'000	**CWIP SR'000**	**Total SR'000**	*Software SR'000*	*Intellectual property SR'000*	*CWIP SR'000*	*Total SR'000*
Cost							
Balance as at 1 January	**9,094**	**3,354**	**12,448**	8,337	1,823	--	10,160
Additions/ acquisition during the year	**533**	**1,327**	**1,860**	757	--	3,354	4,111
Impairment during the year	--	--	--	--	(1,823)	--	(1,823)
Balance as at 31 December	**9,627**	**4,681**	**14,308**	9,094	--	3,354	12,448
Amortisation							
Balance as at 1 January	**8,265**	--	**8,265**	8,019	--	--	8,019
Amortisation during the year	**342**	--	**342**	246	--	--	246
	8,607	--	**8,607**	8,265	--	--	8,265
Balance as at 31 December	**1,020**	**4,681**	**5,701**	829	--	3,354	4,183

a) Capital work in progress represents ongoing software development cost and it is expected to be completed during 2023.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

During the year ended 31 December 2021, the group has made an investment of SR 15 million in Syarah Limited (5.23%), a company limited by shares incorporated under the laws of the British Virgin Islands. The Group has elected to classify the investment as Fair value through OCI.

16 INVENTORIES

	2022 SR'000	*2021 SR'000*
Vehicles held for sale	**9,218**	6,225
Spare parts and supplies	**1,803**	1,888
	11,021	8,113

17 TRADE RECEIVABLES

	2022 SR'000	*2021 SR'000*
Trade receivables	**239,266**	195,033
Allowance for impairment loss (see below)	**(45,412)**	(33,884)
	193,854	161,149

17 TRADE RECEIVABLES (continued)

Movement in the allowance for impairment loss is as follows:

	2022	*2021*
	SR'000	*SR'000*
Balance as at 1 January	**33,884**	26,435
Charge for the year	**11,528**	11,996
Written-off during the year	**--**	(4,547)
Balance as at 31 December	**45,412**	33,884

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Note 28 explains how the Group manages and measures the credit quality of trade receivables that are neither past due nor impaired.

18 PREPAYMENTS AND OTHER RECEIVABLES

	2022	*2021*
	SR'000	*SR'000*
Prepaid rent and other assets	**57,085**	29,842
Employee loans and others	**4,083**	1,715
	61,168	31,557

19 CASH AND CASH EQUIVALENTS

	2022	*2021*
	SR'000	*SR'000*
Cash on hand	**1,316**	1,789
Short term deposits	**--**	100,000
Bank balances	**20,112**	3,079
	21,428	104,868

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic banking institutions (A+ to BBB+) and there has been no history of default with any of the Group's bank balances. Therefore, the probability of default based on forward-looking factors and any loss given defaults are considered to be negligible.

20 EQUITY

(a) Share capital

At 31 December 2022, the Parent Company's share capital of SR 711.67 million (2021: SR 711.67 million) consists of 71.167 million (2021: 71.167 million) fully paid shares of SR 10 each.

The Board of Directors, in its meeting held on 4 February 2021, proposed a final cash dividend of SR 88.96 million, which was approved in the Ordinary General Assembly Meeting on 29 April 2021 for the year ended 31 December 2020.

The Board of Directors, in its meeting held on 19 August 2021, approved a distribution of an interim cash dividend of SR 42.72 million for the year ended 31 December 2021.

The Board of Directors, in its meeting held on 30 March 2022, proposed a final cash dividend of SR 92.52 million which was approved in the Ordinary General Assembly Meeting on 17 May 2022 (representing SR 1.30 per share) for the year ending 31 December 2021.

The Board of Directors, in its meeting held on 28 July 2022, approved a distribution of an interim cash dividend of SR 35.58 million for the year ending 31 December 2022.

(b) Statutory reserve

In accordance with the by-laws of the Parent Company and Companies Law, the Parent Company has transferred 10% of its net income for the year to the statutory reserve. The Parent Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. As the statutory reserve has been equalled to thirty percent of the share capital, no such transfer has been made during the year. The minimum required statutory reserve is not available for distribution to the shareholders.

21 BANK BORROWINGS

	2022	*2021*
	SR'000	*SR'000*
Opening balance	**--**	3,333
Drawdown during the year	**463,000**	--
Repayment during the year	**(90,956)**	(3,333)
Closing balance	**372,044**	--
Gross debt	**372,044**	--
Less: current portion	**(209,858)**	--
Non-current portion	**162,186**	--

Group's bank borrowings consist of long-term bank debts under different Islamic Finance Product with commercial banks in the Kingdom of Saudi Arabia. Such debt bear financing charges at the prevailing market rates ranges from 4.11% to 6.78% at the time of entering into the debt contracts. These loans are secured by demand promissory notes. The loan agreements include covenants which, among other things, require certain financial ratios to be maintained. The bank borrowings are repayable in monthly variable instalments, with the last instalment payable on 27 December 2025.

22 EMPLOYEE BENEFITS

General description of the plan

The Group operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labour Law. The movement in EOSB for the year ended is as follows:

	2022 **SR'000**	*2021* *SR'000*
Balance as at 1 January	**62,984**	54,666
Included in consolidated statement of profit or loss		
Current service cost	**7,027**	6,567
Interest cost, net	**1,538**	1,184
	8,565	7,751
Included in consolidated statement of other comprehensive income		
Actuarial gains / (losses):		
Effect of change in financial	**(4,528)**	--
assumptions Experience loss	**2,336**	4,679
	(2,192)	4,679
	69,357	67,096
Benefits paid	**(2,958)**	(4,112)
Balance as at 31 December	**66,399**	62,984

Allocation of EOSB charge between the cost of revenue, selling and marketing expenses, and general and administrative expenses are as follows:

	2022 **SR'000**	*2021* SR'000
Cost of revenue	**4,003**	2,944
Selling and marketing expenses	**2,313**	2,064
General and administrative expenses	**2,249**	2,743
	8,565	7,751

22 EMPLOYEE BENEFITS (continued)

Actuarial assumptions:

The following were the principal actuarial assumptions applied at the reporting date:

	2022	*2021*
Discount rate	**4.40%**	2.50%
Future salary growth / Expected rate of salary increase	**6.00%**	4.5%
Mortality rate	**0.790 – 10.540 per thousand**	0.790 – 10.540 per thousand
Employee turnover / withdrawal rates	**0 – 132 per thousand**	0 – 132 per thousand
Retirement age	**60 years**	60 years

The quantitative sensitivity analysis for principal assumptions is as follows:

31 December 2022	**Impact on EOSB Increase / (decrease)**		
	Change in assumption by	**Increase in assumption by** ***SR'000***	**Decrease in assumption by** *SR'000*
Discount rate	**1%**	**(5,800)**	**6,847**
Future salary growth / Expected rate of salary increases	**1%**	**6,666**	**(5,771)**
Mortality rate	**10%**	**(282)**	**295**
Employee turnover / withdrawal rates	**10%**	**(28)**	**29**
Retirement age	**1 year**	**(1,025)**	**1,029**

31 December 2021	Impact on EOSB Increase / (decrease)		
	Change in assumption by	Increase in assumption by *SR'000*	Decrease in assumption by *SR'000*
Discount rate	1%	(5,839)	6,942
Future salary growth / Expected rate of salary increases	1%	6,711	(5,733)
Mortality rate	10%	(343)	360
Employee turnover / withdrawal rates	10%	(37)	36
Retirement age	1 year	(1,254)	1,234

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

22 EMPLOYEE BENEFITS (continued)

Actuarial assumptions (continued)

The weighted average duration of the defined benefit obligation is 9 years.

The following payments are expected for the defined benefit plan in future years:

	2022	*2021*
	SR'000	*SR'000*
Within the next 12 months (next annual reporting period)	**5,738**	7,363
Between 2 and 5 years	**24,115**	8,928
Between 5 and 10 years	**19,122**	24,892
Beyond 10 years	**59,500**	44,431
Total expected payments	**108,475**	85,614

23 TRADE AND OTHER PAYABLES

	2022	*2021*
	SR'000	*SR'000*
Suppliers for vehicles	**113,542**	30,588
Suppliers for stores, spares and others	**14,644**	25,685
	128,186	56,273

Trade payables are non-interest bearing and are normally settled on 60-day terms.

24 ACCRUED EXPENSES AND OTHER LIABILITIES

	2022	*2021*
	SR'000	*SR'000*
Accrued expenses	**60,157**	53,183
Employees' related accruals	**22,535**	19,280
Advances from customers	**45,293**	34,639
Others	**20,689**	26,010
	148,674	133,112

25 RELATED PARTY TRANSACTIONS AND BALANCES

The Group, in the normal course of business, enters into transactions with other entities that fall within the definition of a related party contained in International Accounting Standard 24. Related parties represent major shareholders, directors, and key management personnel of the Group and entities controlled, jointly controlled, or significantly influenced by such parties. The transactions with related parties are made at approved contractual terms.

a) The significant transactions and the related balances are as follows:

Related party	***Nature of relationship***	***Nature of transactions***	***Amounts of transactions***		***Balance at***	
			2022 ***SR'000***	*2021* *SR'000*	***2022*** ***SR'000***	*2021* *SR'000*
The Law Firm of Bassim Abdullah A. Alim	Other related party	Professional services, including value added tax (retainership fee)	**--**	1,380	**--**	--
Key management personnel	Employees	Short term benefits	**13,208**	10,414	**--**	--
		Long term benefits	**4,329**	2,960	**15,578**	11,249
Board of Directors	Board of Directors	Board of Directors remuneration	**3,000**	2,780	**3,000**	2,780

The balances due are included in accrued expenses and other liabilities in the consolidated statement of the financial position.

26 CONTINGENCIES AND COMMITMENTS

Contingencies

In addition to the contingences included in the note 10, at 31 December 2022, the Group has outstanding letters of guarantee amounting to SR 27.9 million (2021: SR 21.8 million) issued by the local banks on behalf of the Group in the ordinary course of business.

Commitments

At 31 December 2022, the Group has future capital commitments amounting to SR Nil (31 December 2021: SR Nil).

27 SEGMENTAL INFORMATION

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different marketing strategies. The Group's Chairman, President and Group Chief Executive, Director Corporate Affairs, Director of Operations (DOO), and Group Chief Financial Officer (GCFO) monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers (CODM) for the Group.

For each of the strategic business units, the CODM reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Lease segment – represents cars leased out to customers under medium to longer term rental arrangements;
- Rental segment – represents cars leased out to customers under short term rental arrangements; and
- Others – represents inventories, other assets and liabilities, and related income & expense for items not classified under lease and rental segments.

No operating segments have been aggregated to form the above reportable operating segments.

Segment results that are reported to CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues, as included in the internal management reports that are reviewed by the CODM. There is no inter segment revenue reported during the year.

The following table presents segment information for the year ended 31 December:

Particulars	***Lease***		***Rental***		***Others***		***Total***	
	2022	*2021*	***2022***	*2021*	***2022***	*2021*	***2022***	*2021*
	SR'000	*SR'000*	***SR'000***	*SR'000*	***SR'000***	*SR'000*	***SR'000***	*SR'000*
Revenue - external customers	**496,168**	455,960	**260,061**	190,317	**268,933**	341,852	**1,025,162**	988,129
Depreciation of vehicles	**(164,869)**	(151,132)	**(75,418)**	(55,387)	**--**	--	**(240,287)**	(206,519)
Segment profit	**331,299**	304,828	**184,643**	134,930	**268,933**	341,852	**784,875**	781,610

27 SEGMENTAL INFORMATION (continued)

Unallocated income/(expenses):

	2022 **SR'000**	*2021* SR'000
Cost of revenue	**(426,523)**	(448,093)
Other operating income, net	**31,409**	20,177
Selling and marketing expenses	**(45,227)**	(52,260)
General and administrative expenses	**(64,727)**	(59,277)
Impairment loss on trade receivables	**(11,528)**	(11,996)
Finance costs, net	**(9,344)**	(1,929)
Profit before zakat	**258,935**	228,232

Detail of segment assets and liabilities is given below:

Particulars	***Allocated***		***Unallocated***	
	Lease	***Rental***	***Others***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***
31 December 2022				
Segment assets	**1,324,800**	**657,807**	**537,500**	**2,520,107**
Segment liabilities	**--**	**--**	**795,568**	**795,568**
31 December 2021				
Segment assets	1,010,372	377,566	496,325	1,884,263
Segment liabilities	--	--	285,814	285,814

Other disclosures

Particulars	***Allocated***		***Unallocated***	
	Lease	***Rental***	***Others***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***
2022				
Capital expenditures	**582,823**	**448,030**	**13,036**	**1,043,889**
2021				
Capital expenditures	415,092	215,109	26,348	656,549

Capital expenditure consists of additions of property and equipment and intangible assets.

Finance income and costs, and gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis. Zakat & tax and financial assets and liabilities are not allocated to those segments as they are also managed on the Group basis.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's principal financial liabilities comprise, trade and other payables and bank borrowings. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include trade and other receivables and cash and cash equivalents.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance.

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates, and hedges financial risks in close cooperation with the Group's operating units. The most important types of risk are credit risk, currency risk, and fair value risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets, and any changes and compliance issues are reported to the Board of Directors through the audit committee.

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

The Audit Committee oversees compliance by management 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.

Financial instruments carried on the statement of financial position include cash and cash equivalents, account receivables, other receivables, accrued and other current liabilities, lease liabilities and trade payables and bank borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk:

- Foreign currency exchange risk,
- Commission (interest) rate risk and

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Market risk (continued)

The Group's overall risk management program focuses on the unpredictability of the financial market and seeks to minimize potential adverse effects on the Group's financial performance.

a) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments.

The Group's receivables and payables are not subject to interest rate risk as defined in IFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Hence, the Group is not exposed to fair value interest rate risk.

At the reporting date all borrowings are at a fixed rate, and there is no profit rate sensitivity for the year.

b) *Foreign currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is in Saudi Arabian Riyals. The Group's transactions are principally in Saudi Arabian Riyals. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant. The Group is not exposed to any significant foreign currency risk from Saudi Arabian Riyals, and US Dollars denominated financial instruments. However, the Group has investments in foreign associates and subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Indian Rupees. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly. As at December 31, 2022, the exposures related to foreign associates were not significant.

Other price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not affected by price risk as there is no investment of the Group in equity shares or commodities.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group is exposed to risk on its trade and other receivables and cash at banks.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

Concentration risk

The Group has no significant concentration of credit risk. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations. To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery.

To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profiles and payment history.

The creditworthiness of counterparties is assessed based on an analysis of quantitative and qualitative data regarding financial standing and business risks, together with the review of any relevant third party and market information.

The Groups gross maximum exposure to credit risk at the reporting date is as follows:

	2022	*2021*
	SR'000	*SR'000*
Financial assets		
Trade receivables (note 17)	**239,266**	195,033
Cash and cash equivalents (excluding cash in hand) (note 19)	**20,112**	103,079
	259,378	298,112

With respect to credit risk arising from the financial assets of the Group, including bank balances and cash, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amounts as disclosed in the statement of financial position. The credit risk in respect of bank balances is considered by management to be insignificant, as the balances are mainly held with reputable banks in the Kingdom of Saudi Arabia.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures, and control relating to customer credit risk management. The credit quality of a customer is assessed based on an extensive credit rating scorecard, and individual credit limits are defined in accordance with this assessment. The five largest customers account for 16% of outstanding accounts receivable at 31 December 2022 (2021: 18%).

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

The receivables are shown net of allowance for impairment of trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped into low risk, fair risk, doubtful, and loss based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as GDP forecast and industry outlook) affecting the ability of the customers to settle the receivables. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables.

	Weighted average loss rate	**Gross carrying amount**	**Impairment loss allowance**
2022			
Low risk	**3.02%**	**117,271**	**3,540**
Fair risk	**6.80%**	**61,638**	**4,191**
Doubtful	**21.30%**	**28,815**	**6,138**
Loss	**100.00%**	**31,542**	**31,543**
		239,266	**45,412**

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance
2021			
Low risk	2.38%	87,152	2,074
Fair risk	9.43%	73,155	6,901
Doubtful	64.30%	27,497	17,680
Loss	100%	7,229	7,229
		195,033	33,884

There were no past due or impaired receivables from related parties.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group also monitors the levels of expected cash inflows on trade and other receivables together with the expected cash outflows on trade and other payables.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

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

31 December 2022	***Carrying amount***	***Within 1 year***	**Contractual cash flows** ***1 to 5 years***	***More than 5 years***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Bank borrowings	**372,044**	**225,409**	**171,997**	**--**	**397,406**
Lease liabilities	**72,278**	**30,286**	**41,398**	**9,680**	**81,364**
Trade and other payables	**128,186**	**128,186**	**--**	**--**	**128,186**
Accrued expenses and other payables	**22,346**	**22,346**	**--**	**--**	**22,346**
	594,854	**406,227**	**213,395**	**9,680**	**629,302**

31 December 2021	*Carrying amount*	*Within 1 year*	Contractual cash flows *1 to 5 years*	*More than 5 years*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Lease liabilities	25,513	7,014	20,185	--	27,199
Trade and other payables	56,273	56,273	--	--	56,273
Accrued expenses and other payables	98,473	98,473	--	--	98,473
	180,259	161,760	20,185	--	181,945

29 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, statutory reserve and retained earnings attributable to the equity holders of the Parent Company. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Group includes within debt, current and non-current portion of borrowings.

29 CAPITAL MANAGEMENT (continued)

	2022 ***SR'000***	*2021* *SR'000*
Total liabilities	**795,568**	285,814
Cash and cash equivalents	**(21,428)**	(104,868)
Net debt	**774,140**	180,946
Share capital	**711,667**	711,667
Statutory reserve	**224,429**	224,429
Retained earnings	**788,606**	662,516
Equity	**1,724,702**	1,598,612
Net debt to equity ratio	**0.45**	0.11

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

30 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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.

30 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of financial instruments are not materially different from their carrying values.

	Level 1	**Level 2**	**Level 3**	**Total**
31 December 2022	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Investments at FVOCI				
- Investment	**--**	**--**	**15,000**	**15,000**
31 December 2021				
Investments at FVOCI				
- Investment	--	--	15,000	15,000

There were no transfers between levels of the fair value hierarchy during the year ended 31 December 2022 and 31 December 2021. Additionally, there were no changes in the valuation techniques.

The following methods and assumptions were used to estimate the fair values:

The fair value of the 'Investment at fair value through other comprehensive income has been estimated using a Discounted Cash Flow model (DCF). The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for this investment.

30 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2022 are shown below:

Item	Valuation Technique	Significant Unobservable input	Input Used	Sensitivity of the input to fair value
Investment at fair value through other comprehensive income	DCF Method	Terminal growth rate	2%	0.25% increase in the growth rate would result in an increase in fair value by SR 0.25 million. 0.25% decrease in the growth rate would result in a decrease in fair value by SR 0.24 million.
		Weighted average cost of capital	16.1%	0.25% increase in WACC would result in a decrease in fair value by SR 0.22 million. 0.25% decrease in WACC would result in an increase in fair value by SR 0.23 million.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, it does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2022	**Carrying amount**			
Description:	**Amortised cost**	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Total**
	SR'000	***SR'000***	***SR'000***	***SR'000***
Financial assets not measured at fair value				
Trade receivables	**193,854**	**--**	**--**	**193,854**
Other receivables	**7,152**	**--**	**--**	**7,152**
Cash and cash equivalents	**21,428**	**--**	**--**	**21,428**
Financial liabilities not measured at fair value				
Bank borrowings	**372,044**	**--**	**--**	**372,044**
Trade and other payables	**128,186**	**--**	**--**	**128,186**
Accrued expenses and other liabilities	**148,674**	**--**	**--**	**148,674**
Lease liabilities	**72,278**	**--**	**--**	**72,278**

30 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

31 December 2021	Carrying amount			
Description:	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
	SR'000	*SR'000*	*SR'000*	*SR'000*
Financial assets not measured at fair value				
Trade receivables	161,149	--	--	161,149
Other receivables	1,602	--	--	1,602
Cash and cash equivalents	104,868	--	--	104,868
Financial liabilities not measured at fair value				
Trade and other payables	56,273	--	--	56,273
Accrued expenses and other payables	133,112	--	--	133,112
Lease liabilities	25,513	--	--	25,513

31 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities:

	1 January 2022	***Cash flows***	***New leases***	***Other***	***31 December 2022***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Bank borrowings	**--**	**372,044**	**--**	**--**	**372,044**
Lease liabilities	**25,513**	**(25,150)**	**70,070**	**1,845**	**72,278**
Total	**25,513**	**346,894**	**70,070**	**1,845**	**444,322**

	1 January 2021	*Cash flows*	*New leases*	*Other*	*31 December 2021*
	SR'000	*SR'000*	*SR'000*	*SR'000*	*SR'000*
Bank borrowings	3,333	(3,333)	--	--	--
Lease liabilities	24,190	(12,508)	15,913	(2,082)	25,513
Total	27,523	(15,841)	15,913	(2,082)	25,513

32 BRANCHES

The Parent Company has the following branches:

Commercial Registration No.	Location of Branch	Commercial Registration No.	Location of Branch
4030017038	Jeddah H	4030610924	Jeddah
1010052751	Riyadh	4031037762	Makkah
1010247720	Riyadh	4031037763	Makkah
1010288386	Riyadh	4031098979	Makkah
1010579992	Riyadh	4031218884	Makkah
1010589448	Riyadh	4031222237	Makkah
1010669468	Riyadh	4031230925	Makkah
1010949626	Riyadh	4032009574	Taif
1010949627	Riyadh	4032227594	Taif
1011138171	Kharj	4032227595	Taif
1131038809	Buraydah	4602002374	Rabigh
1131291649	Buraydah	4603008840	AlQunfudhah
2031106931	Al Ahsa	4650029416	Madina
2050015153	Dammam	4650029417	Madina
2050092741	Dammam	4650029418	Madina
2051025750	Khobar	4650048863	Madina
2052001874	Dhahran	4650048865	Madina
2055005127	Jubail	4650057088	Madina
2252040229	Al Ahsa	4650212787	Madina
3350139420	Hail	4650549746	Madina
3550022946	Tabuk	4700001394	Yanbu
3550038423	Tabuk	4700003067	Yanbu
3550130558	Tabuk	4700020216	Yanbu
3552101877	Al Wajh	4700020217	Yanbu
4030096161	Jeddah	4700108180	Yanbu
4030106710	Jeddah	5800103205	Al Baha
4030106712	Jeddah	5850069857	Abha
4030114976	Jeddah	5850123309	Abha
4030130782	Jeddah	5851008845	Bisha
4030135842	Jeddah	5855021493	Khamis Mushait
4030168973	Jeddah	5855071445	Khamis Mushait
4030169630	Jeddah	5855071446	Khamis Mushait
4030169631	Jeddah	5860068567	Muhail Asir
4030221293	Jeddah	5900014036	Jizan
4030292619	Jeddah	5900032219	Jizan
4030292623	Jeddah	5903033796	Bish
4030298923	Jeddah	5950025900	Najran
4030304007	Jeddah		
4030358776	Jeddah		
4030366373	Jeddah		

33 SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end, that would require disclosures or adjustments in these financial statements except for:

- The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred to as "the Law") that came into force on 26/6/1444 H (corresponding to 19 January 2023). The management is in the process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align them to the provisions of the Law. Consequently, the Group shall present the amended By-Laws to the shareholders in their Extraordinary/Annual General Assembly meeting for their ratification.
- The Board of Directors, in its meeting held on 23 February 2023 approved a distribution of final cash dividend of SR 106.75 million (representing SR 1.5 per share) for the year ending 31 December 2022.

34 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 23 February 2023 corresponding to 3 Shaban 1444H.