TAMWEEL Al OULA COMPANY

(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2021

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

At 31 December 2021

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

Opinion

We have audited the financial statements of Tamweel Al Oula Company (A Single Shareholder Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
Registration No. 422

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(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

30 Rajab 1443H
3 March 2022
Al Khobar

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	***2021*** ***SR***	*2020* *SR*
REVENUE			
Revenue from operations	7	**130,375,481**	45,010,308
Revenue from other activities	8	**3,945,841**	3,073,510
TOTAL REVENUE		**134,321,322**	48,083,818
EXPENSES			
Finance costs and bank charges	9	**(13,388,058)**	(3,438,915)
Salaries and employees' related expenses	10	**(27,414,667)**	(20,465,928)
Depreciation and amortisation	11	**(3,347,601)**	(2,592,260)
Other general and administrative expenses	12	**(13,907,003)**	(5,895,958)
Provision for expected credit losses on islamic finance receivables	13	**(26,719,941)**	(13,452,070)
TOTAL EXPENSES		**(84,777,270)**	(45,845,131)
PROFIT BEFORE ZAKAT		**49,544,052**	2,238,687
Zakat	27	**(5,146,905)**	(461,586)
PROFIT FOR THE YEAR		**44,397,147**	1,777,101
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss) / gain not to be reclassified to profit or loss in subsequent periods:			
Re-measurement loss on employees’ defined benefits liabilities	23	**(199,189)**	(301,513)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**44,197,958**	1,475,588
Earnings per share			
Basic and diluted earnings per share	20	**1.77**	0.06

The attached notes 1 to 33 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	**2021** SR	2020 SR
ASSETS			
Bank balances and cash	19	**69,703,270**	105,446,985
Prepayments and other receivables	18	**88,320,192**	16,799,496
Net investment in islamic finance receivables	13	**1,693,604,693**	926,956,591
Equity investment at fair value through other comprehensive income "OCI"	17	**892,850**	892,850
Property and equipment	16	**3,243,742**	1,011,813
Right-of-use assets	14	**2,490,443**	1,113,247
Intangible assets	15	**2,113,628**	2,044,993
TOTAL ASSETS		**1,860,368,818**	1,054,265,975
LIABILITIES AND SHAREHOLDERS' EQUITY			
SHAREHOLDER'S EQUITY			
Share capital	20	**250,000,000**	250,000,000
Statutory reserve		**11,172,028**	6,732,313
Retained earnings		**55,530,456**	15,772,213
TOTAL SHAREHOLDERS' EQUITY		**316,702,484**	272,504,526
LIABILITIES			
Provision for zakat	27	**5,145,697**	461,707
Accrued expenses and other liabilities	26	**26,717,260**	12,602,430
Accounts payable	24	**89,427,598**	55,631,399
Loans and borrowings	21	**1,364,929,417**	682,709,255
Lease liabilities	22	**1,612,389**	252,231
Government grant	21	**47,889,415**	18,764,791
Amounts due to related parties	25	**2,416,891**	6,832,919
Employees’ defined benefits liabilities	23	**5,527,667**	4,506,717
TOTAL LIABILITIES		**1,543,666,334**	781,761,449
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,860,368,818**	1,054,265,975

The attached notes 1 to 33 form part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the year ended 31 December 2021

	Share capital *SR*	*Statutory reserve* *SR*	*Retained earnings* *SR*	*Total* *SR*
As at 1 January 2020	250,000,000	6,554,603	14,474,335	271,028,938
Profit for the year	-	-	1,777,101	1,777,101
Other comprehensive income for the year	-	-	(301,513)	(301,513)
Total comprehensive income for the year	-	-	1,475,588	1,475,588
Transfer to statutory reserve	-	177,710	(177,710)	-
As at 31 December 2020	250,000,000	6,732,313	15,772,213	272,504,526
As at 1 January 2021	250,000,000	6,732,313	15,772,213	272,504,526
Profit for the year	-	-	44,397,147	44,397,147
Other comprehensive income for the year	-	-	(199,189)	(199,189)
Total comprehensive income for the year	-	-	44,197,958	44,197,958
Transfer to statutory reserve	-	4,439,715	(4,439,715)	-
As at 31 December 2021	**250,000,000**	**11,172,028**	**55,530,456**	**316,702,484**

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	*2021* SR	*2020* SR
OPERATING ACTIVITIES			
Profit before zakat		**49,544,052**	2,238,687
Adjustments to reconcile income before zakat for the year to netcash flows:			
Depreciation of property and equipment	16	**605,817**	600,086
Depreciation of right-of-use assets	14	**1,623,476**	1,177,236
Amortisation of intangible assets	15	**1,118,308**	814,938
Finance costs and bank charges		**35,002,250**	9,751,486
Employees' defined benefits liabilities, charged	23	**947,297**	719,861
Charge of expected credit loss on islamic finance receivables	13	**26,719,941**	13,452,070
Loss on modification of net investment in islamic finance receivables		**29,152,449**	4,768,767
Grant income realised		**(21,614,192)**	(13,963,487)
Loss / (gain) on sale of property and equipment		**54,140**	(220)
		123,153,538	19,559,424
Changes in operating assets and liabilities:			
Net investment in Islamic finance receivables		**(793,368,043)**	(553,130,863)
Prepayments and other receivables		**(71,820,696)**	(3,291,879)
Amounts due to related parties		**(4,416,028)**	(5,393,750)
Accounts payable		**33,796,199**	41,670,460
Accrued expenses and other liabilities		**14,114,830**	(2,348,503)
Cash used in operations		**(698,540,200)**	(502,935,111)
Employees' defined benefits liabilities, paid		**(235,189)**	(396,714)
Zakat paid		**(462,915)**	(990,297)
Finance costs and bank charges paid		**(6,992,923)**	(2,610,387)
Net cash used in operating activities		**(706,231,227)**	(506,932,509)
INVESTING ACTIVITIES			
Purchase of property and equipment	16	**(2,891,886)**	(527,332)
Additions of intangible assets	15	**(1,186,943)**	(573,141)
Proceeds from disposal of property and equipment		**-**	15,674
Net cash used in investing activities		**(4,078,829)**	(1,084,799)
FINANCING ACTIVITIES			
Payment of lease liabilities		**(1,689,904)**	(1,359,139)
Proceeds from loans and borrowings		**959,495,275**	661,534,882
Repayment of loans and borrowings		**(283,239,030)**	(60,426,460)
Net cash from financing activities		**674,566,341**	599,749,283
(DECREASE) / INCREASE IN BANK BALANCES AND CASH		**(35,743,715)**	91,731,975
Bank balances and cash at the beginning of the year		**105,446,985**	13,715,010
BANK BALANCES AND CASH AT THE END OF THE YEAR		**69,703,270**	105,446,985

The attached notes 1 to 33 form part of these financial statements.

1 CORPORATE INFORMATION

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

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

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

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

The financial statements of the Company as of 31 December 2021 were authorised for issuance on 3 March 2022 (corresponding to 30 Rajab 1443H).

2 BASIS OF PREPARATION

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

2.1 Basis of measurement

The financial statements have been prepared on a historical cost basis using the accrual basis of accounting, except otherwise as disclosed in note 5. The statement of financial position is stated in order of liquidity.

2.2 Going concern

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

2.3 Presentation and functional currency

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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

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

Estimates and assumptions

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

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

Credit losses of islamic finance receivables

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

The Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgements and estimates include:

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Determination of discount rate for below-market loans:

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

Valuation of employees' defined benefits liabilities

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

Provisions

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

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

4.2 Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

4.2 Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16 (continued)

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in preparing these financial statements are applied consistently, which are as follows:

Fair value measurement

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

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

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

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

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

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Islamic finance receivable ("Ijarah")

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

Tawaroq Revenue

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

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

Insurance reimbursed/(paid), net

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

Service fees

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

Other income

Other income is recognized when earned.

General and administrative expenses

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

Finance costs

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Islamic finance receivables (continued)

Murabaha (continued)

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

Tawaroq

Tawarruq is a sharia compliant finance method, with which you can raise loan finance through buying installments in a commodity, owned by the company. The applicant then authorizes whom he see's to sell his shares in the commodity according to the form approved from the sharia'a committee. Then the agent deposits the proceeds into his account.

Bank balances and cash

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

Lease

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

a) Company as a lessee

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

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease liability

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease (continued)

Short-term and low value assets' leases

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

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

b) Company as a lessor

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

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

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

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

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

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

Intangible assets

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years		Years
Leasehold improvements	5	Computers	4
Office furniture and fixtures	4		

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

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

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

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

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

Financial assets at fair value through profit or loss

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

Derecognition

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

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Derecognition (continued)

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

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

Impairment of financial instruments

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

- Financial assets that are debt instruments; and
- Loan commitments issued, if any.

The Company measures loss allowances at an amount equal to lifetime ECL. No impairment loss is recognised on equity investments.

The key inputs into the measurement of ECL are based on the following variables:

- Loss rate · Exposure at default (EAD) The Company categorizes its leasing and murabaha portfolio into four groups depending on the size of financing and associated risks:
  - Large exposure of large customers;
  - Collective SME's customers, and
  - Collective retail customers.

The Company also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs. The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., government expenditure and money supply) and economic forecasts obtained through internal and external sources.

Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date; an estimate of lifetime loss is made, considering the loss rate, exposure at defaults, taking into account the forward looking information i.e. the macro-economic factor;
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash inflows.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial instruments (continued)

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in forms, of non-financial assets. Collateral is not recorded on the Company’s statement of financial position. The fair value of collateral is considered for the calculation of ECLs. The value of the collateral is determined at inception and subsequently as and when considered necessary.

Collateral repossessed

The Company determine whether a repossessed asset can be sold. Assets are sold in line with the Company’s policy and any difference in the amount lent and assets sold is claimed from customers.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

ii) Financial liabilities

Initial recognition and measurement

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)
ii) Financial liabilities (continued)
Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

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

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

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

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

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

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

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

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

Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, 10% of the profit for the year is required to be transferred to the statutory reserve each year. The shareholders' may resolve to discontinue such transfer when the reserve equals 30% of the capital. This reserve is not normally available for distribution except in circumstances specified in the Saudi Arabian Regulations for Companies.

Employees' benefits

(i) Short term obligations

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

(ii) Employees' terminal benefits

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' benefits (continued)

(ii) Employees' terminal benefits (continued)

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

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

Provisions

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

Accounting for government grants and disclosure of government assistance

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

Cash dividends

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

Changes in accounting policies

Presentation of the statement of financial position

The Company has reassessed the presentation of the the statement of financial position from the current vs non-current classication of its assets and liabilities to the presentation in the order of liqudity this is due to management's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. The change does not have an impact on the previosly reported balances and accordinlg no changes have been made to the comparative figures.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

6.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

6.1 **IFRS 17 Insurance Contracts (continued)**

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

6.3 **Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

6.4 **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

6.5 **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

6.5 **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (continued)**

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

6.6 **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

6.7 **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

6.8 **IAS 41 Agriculture – Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

6.9 **Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

6 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

6.9 Definition of Accounting Estimates - Amendments to IAS 8 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company’s accounting policy disclosures.

7 REVENUE FROM OPERATIONS

	2021	*2020*
	SR	*SR*
Ijarah income	**62,189,953**	28,102,653
Tawaroq revenue	**61,386,187**	9,368,063
Reimbursed insurance, net	**6,799,341**	7,539,592
	130,375,481	45,010,308

Customer wise revenue recognition

	2021	*2020*
	SR	*SR*
External customers	**120,348,084**	38,707,821
Related parties	**10,027,397**	6,302,487
	130,375,481	45,010,308

All of the Company's revenue is generated in the Kingdom of Saudi Arabia.

The Company recognises the revenue in accordance with IFRS 9 "Financial Instruments" requirements.

8 REVENUE FROM OTHER ACTIVITIES

	2021	*2020*
	SR	*SR*
Discounts from suppliers	**3,343,090**	1,469,856
Income from term deposit	**37,476**	115,930
Others	**565,275**	1,487,724
	3,945,841	3,073,510

9 FINANCE COSTS AND BANK CHARGES

	2021	*2020*
	SR	*SR*
Finance costs on loans and borrowings	**12,948,097**	3,125,302
Finance costs on employees' defined benefits liabilities (note 23)	**109,653**	114,288
Finance costs on lease liabilities (note 22)	**49,390**	51,480
Bank charges	**280,918**	147,845
	13,388,058	3,438,915

10 SALARIES AND EMPLOYEES' RELATED EXPENSES

	2021	*2020*
	SR	*SR*
Salaries	**20,758,389**	14,681,678
Bonuses and commissions	**4,030,214**	3,624,838
Other employees' costs	**2,626,064**	2,159,412
	27,414,667	20,465,928

11 DEPRECIATION AND AMORTISATION

	2021	*2020*
	SR	*SR*
Depreciation of right-of-use assets (note 14)	**1,623,476**	1,177,236
Amortization of intangible assets (note 15)	**1,118,308**	814,938
Depreciation of property and equipment (note 16)	**605,817**	600,086
	3,347,601	2,592,260

12 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2021	*2020*
	SR	*SR*
Advertising expenses	**2,545,993**	982,114
Governmental licenses and fees	**2,020,684**	1,403,472
Services charges	**1,969,482**	336,726
Value added expenses	**1,222,330**	730,437
IT services	**2,308,037**	-
Professional and consulting fees	**671,748**	514,463
Travel and transportation expenses	**458,619**	221,246
Utilities expenses	**380,448**	164,914
Training expenses	**346,631**	137,030
Office supplies	**284,438**	229,827
Repair and maintenance	**146,530**	132,655
Rent	**33,000**	61,707
Donations	**22,104**	210,000
Other expenses	**1,496,959**	771,367
	13,907,003	5,895,958

13 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES

	2021	*2020*
	SR	*SR*
Gross investment in Islamic finance receivables	**2,055,733,609**	1,168,016,782
Less: unearned finance income	**(324,425,238)**	(207,377,512)
Investment in Islamic finance receivables (before allowance for expected credit losses on Islamic finance receivables)	**1,731,308,371**	960,639,270
Less: allowance for expected credit losses on Islamic finance receivables	**(28,616,817)**	(28,913,912)
Less: modification loss recognised on SAMA's deferment program	**(9,086,861)**	(4,768,767)
Net investment in Islamic finance receivables	**1,693,604,693**	**926,956,591**
Analysed as follows:		
Net investment in Islamic finance receivables, non-current	**1,080,583,385**	539,544,935
Net investment in Islamic finance receivables, current	**613,021,308**	387,411,656
	1,693,604,693	926,956,591

13.1 Movement in the allowance for expected credit losses on finance receivables is as follows:

	2021	*2020*
	SR	*SR*
At the beginning of the year	**28,913,912**	15,461,842
Provided during the year	**26,719,941**	13,452,070
Written off during the year	**(27,017,036)**	-
At the end of the year	**28,616,817**	28,913,912

13 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES (continued)

13.2 The Company's implicit rate of return on investment in Islamic finance receivables is in market rate range. These receivables are majorly secured against assets, personal guarantees, Kafala program and down payments. The Company's major activities for investment in finance receivables are in tawarroq and ijarah.

13.3 Investment in Islamic finance receivables mainly include Ijara and Tawaruq contracts amounting to SR 905.04 million and SR 1.14 billion respectively (2020: SR 589.09 million and SR 574.16 million respectively).

13.4 The contractual rights and the titles of certain assets subject to the financing arrangements of Islamic financing receivables are under the name of Al Kifah Trading Company (a shareholder) amounting to SR 0.08 million (2020: SR 8.7 million). The shareholder waived rights over the assets and confirmed that the risks and rewards pertaining to the assets have been transferred to the Company.

13.5 At 31 December 2021, ijarah receivables include the Company's repossessed assets inventory for contracts having outstanding receivables amounting to SR 606.3 thousands (2020: 772 thousands).

The Maturity of the gross investment in Islamic finance receivables as at 31 December 2021 is as follows:

	Gross investment in Islamic finance receivables	***Unearned lease finance income***	***Net investment in Islamic finance receivables***
	SR	***SR***	***SR***
No later than one year (note 13.6 and 13.7)	**762,407,432**	**147,545,452**	**614,861,980**
Later than one year but not later than five years (note 13.7)	**1,255,622,499**	**176,879,786**	**1,078,742,713**
	2,018,029,931	**324,425,238**	**1,693,604,693**

The Maturity of the gross investment in Islamic finance receivables as at 31 December 2020 is as follows:

	Gross investment in Islamic finance receivables	*Unearned lease finance income*	*Net investment in Islamic finance receivables*
	SR	*SR*	*SR*
No later than one year (note 13.6 and 13.7)	488,786,221	96,605,798	392,180,423
Later than one year but not later than five years (note 13.7)	645,547,882	110,771,714	534,776,168
	1,134,334,103	207,377,512	926,956,591

13.6 Current protion of the gross investment in Islamic finance receivables has been netted off against the ECL provision amouting to SR 28.6 million (2020: 28.9 million).

13.7 Current and non-current portions of the gross loans are adjusted with their share of the modification loss recognised on the customers under SAMA's Deferred Payment Program ("SAMA's DPP") amounting to SR 5.2 million and 3.9 million (2020: SR 2.7 million and SR 2.05 million), respectively.

13.8 The Company has entered into a Musharakah agreement with a local Company for Ijara and Tawarruq receivables. In accordance with the terms of this agreement, the partners are participating in the underlying Ijarah and Tawarruq transactions on agreed basis allocating 20% for the Company and the remaining 80% for the other Musharakah Partner. Such receivables represent instruments initially originated by the Company and subsequently transferred to a third party. The Company assumes credit risk to the extent of its share in the agreement. During the year, the Company has derecognised net investment in Islamic finance receivables amounting to SR 88.15 million which represents 80% of the Musharaka agreement (2020: nil).

In addition to the above, the Company simultaneously has entered into a Musharkah Management Agreement, wherein the Company would act as the sole servicing agent by performing activities such as monitoring and collection of the receivables on behalf of both Musharakah partners The Company does not collect any servicing fee on this agreement.

14 RIGHT-OF-USE ASSETS

	2021	*2020*
	SR	*SR*
Cost:		
At the beginning of the year	**3,357,833**	3,370,703
Additions	**3,000,672**	-
Disposals	**-**	(12,870)
At the end of the year	**6,358,505**	3,357,833
Accumulated depreciation:		
At the beginning of the year	**2,244,586**	1,067,350
Charge for the year (note 11)	**1,623,476**	1,177,236
At the end of the year	**3,868,062**	2,244,586
Net carrying amounts:		
At 31 December 2021	**2,490,443**	
At 31 December 2020		1,113,247

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

	2021	*2020*
	SR	*SR*
Depreciation expenses for right-of-use assets	**1,623,476**	1,177,236
Expenses related to short-term and low-value leases	**33,000**	61,707
Finance cost on lease liabilities	**49,390**	51,480
	1,705,866	1,290,423

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

15 INTANGIBLE ASSETS

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

	2021	*2020*
	SR	*SR*
Cost:		
At the beginning of the year	**4,573,204**	4,000,063
Transfer from CWIP	**233,475**	262,060
Additions	**953,468**	311,081
At the end of the year	**5,760,147**	4,573,204
Accumulated amortisation:		
At the beginning of the year	**2,528,211**	1,713,273
Charge for the year (note 11)	**1,118,308**	814,938
At the end of the year	**3,646,519**	2,528,211
Net book value :		
At 31 December 2021	**2,113,628**	
At 31 December 2020		2,044,993

16 PROPERTY AND EQUIPMENT

	Leasehold Improvements	*Office furniture and fixtures*	*Computers*	*Total*
	SR	*SR*	*SR*	*SR*
Cost:				
At 1 January 2020	2,081,524	764,139	1,074,091	3,919,754
Additions	8,604	142,027	376,701	527,332
Disposals	-	-	(727,304)	(727,304)
At 31 December 2020	2,090,128	906,166	723,488	3,719,782
Transfer from CWIP	812,975	-	-	812,975
Additions	792,693	665,508	620,710	2,078,911
Disposals	(43,500)	(164,540)	(70,003)	(278,043)
At 31 December 2021	**3,652,296**	**1,407,134**	**1,274,195**	**6,333,625**
Accumulated depreciation :				
At 1 January 2020	1,423,384	580,374	828,845	2,832,603
Charge for the year (note 11)	337,142	86,405	176,539	600,086
Disposals	-	-	(724,720)	(724,720)
At 31 December 2020	1,760,526	666,779	280,664	2,707,969
Charge for the year (note 11)	194,645	172,814	238,358	605,817
Disposals	-	(160,999)	(62,904)	(223,903)
At 31 December 2021	**1,955,171**	**678,594**	**456,118**	**3,089,883**
Net book value:				
At 31 December 2021	**1,697,125**	**728,540**	**818,077**	**3,243,742**
At 31 December 2020	329,602	239,387	442,824	1,011,813

17 EQUITY INVESTMENTS HELD AT FVOCI

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

18 PREPAYMENTS AND OTHER RECEIVABLES

	2021	*2020*
	SR	*SR*
Amounts due from SAMA	**77,940,158**	-
Prepayments	**4,270,993**	10,115,920
Insurance claims	**1,745,778**	486,838
Claims receivables from customers	**3,261,184**	460,834
Advance to suppliers	**980,195**	455,708
Others	**121,884**	5,280,196
	88,320,192	16,799,496

19 BANK BALANCES AND CASH

	2021	*2020*
	SR	*SR*
Bank balances	**69,703,270**	105,446,985

20 SHARE CAPITAL

The authorised, issued and paid up capital is SR 250 million as at 31 December 2021 consisting of 25 million shares (2020: SR 250 million consisting of 25 million shares) of SR 10 share. At 31 December 2020, corresponding to 16 Jumada Al-Ula 1442H, shareholders of the Company resolved to transfer their shares to Al Kifah Holding Company, the ultimate parent company. At 2 March 2021, corresponding to 18 Rajab 1442H, the company received no objection certificate from SAMA for the change in shareholding structure. Legal formalities in this respect were completed during the year. Basic and diluted earnings per share for the year ended 31 December 2021 and 2020 is calculated on a weighted average basis by dividing the net income for the year by outstanding number of shares during the year. Ownership percentage and amount of share capital are as follows:

	Ownership %			
Name of shareholders	***2021***	*2020*	***2021***	*2020*
			SR	*SR*
Al Kifah Holding Company	**100%**	100%	**250,000,000**	250,000,000

21 LOANS AND BORROWINGS

	2021	*2020*
	SR	*SR*
Loans and borrowings		
SAMA support program (note 21.1)	**1,100,443,427**	458,843,525
Tawaruq financing (note 21.2)	**161,618,516**	155,984,016
Social development bank financing (note 21.3)	**119,335,140**	74,346,936
Less: Modification gain on deferment (note 21.1)	**(16,467,666)**	(6,465,222)
Net loans and borrowings	**1,364,929,417**	682,709,255

Analyzed as follows:	***2021***	*2020*
	SR	*SR*
Non-current portion	**769,765,088**	394,518,316
Current portion	**595,164,329**	288,190,939
	1,364,929,417	682,709,255

21.1 During 2020, the Company has signed an agreement with SAMA to enroll in the deferred payments program. During the year, based on the deferred payments program, the Company has received SR 209.7 million (2020: SR 175.68 million), these loans are interest free loans provided. The Modification gain on deferment includes an amount of SR 24.8 million (2020: SR 6.47 million), which is recorded under revenue from operations in the statement of profit or loss and other comprehensive income. Further, the Company has obtained additional funds from SAMA under loan guarantee program amounting to SR 634.8 million (2020: SR 308.18 million) to finance its activities. These loans are repayable in equal monthly installment commencing from May 2020 with the final installment due in November 2024. SAMA deferred payments program and loan guarantee program are carried at fair value using internal rate of return equivalent to the prevailing market rate.

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

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

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

LOANS AND BORROWINGS (continued)

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

22 LEASES

Movement in lease liabilities is as follows:

	2021	*2020*
	SR	*SR*
At 1 January	**252,231**	1,559,890
Additions during the year	**3,000,672**	-
Finance costs for the year (note 9)	**49,390**	51,480
Payments during the year	**(1,689,904)**	(1,359,139)
At 31 December	**1,612,389**	252,231
Classified as:		
Current	**858,113**	252,231
Non-current	**754,276**	-
	1,612,389	252,231

Maturity analysis - contractual undiscounted cash flows

	2021	*2020*
	SR	*SR*
Less than 1 year	**863,266**	259,000
Later than one year to five years	**783,822**	-
	1,647,088	259,000

23 EMPLOYEES' DEFINED BENEFITS LIABILITIES

Post employments benefits

The management has carried out an exercise to assess the present value of its employees' defined benefits liabilities at 31 December in respect of employees' defined benefits liabilities under relevant local regulations and contractual arrangements. The following tables summaries the components of net benefit expense recognised in the statement of comprehensive income and balances reported in the statement of financial position:

23 EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

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

	2021	*2020*
	SR	*SR*
Present value of employees' defined benefits liabilities	**5,527,667**	4,506,717

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

Net benefit expense recognised in income statement:

	2021	*2020*
	SR	*SR*
Current service cost for the period	**947,297**	719,861
Interest cost on benefit obligation for the period	**109,653**	114,288
	1,056,950	834,149

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

	2021	*2020*
	SR	*SR*
As at 1 January	**4,506,717**	3,767,769
Current service cost	**947,297**	719,861
Interest cost (note 9)	**109,653**	114,288
Actuarial loss	**199,189**	301,513
Payments during the year	**(235,189)**	(396,714)
As at 31 December	**5,527,667**	4,506,717

Actuarial loss/(gain) are due to:

	2021	*2020*
	SR	*SR*
Change in financial assumptions	**-**	235,915
Experience adjustments	**199,189**	65,598
	199,189	301,513

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

	2021	*2020*
Discount rate:	**2.5%**	2.5%
Future salary increase	**3.0%**	3.0%
Rate of employee turnover	**Moderate**	Moderate

23 EMPLOYEES' DEFINED BENEFITS LIABILITIES (continued)

The weighted average duration of the defined benefit obligation is 7.8 years (2020: 7.8 years). The expected maturity analysis of undiscounted defined benefit obligation is as follows (time in years):

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

	2021	*2020*
	SR	*SR*
Increase in discount Rate 1%	**(377,753)**	(309,362)
Decrease in discount Rate - 1%	**433,670**	355,669
Increase in salary 1%	**426,967**	350,719
Decrease in salary -1%	**(379,483)**	(311,230)

	2021	*2020*
	SR	*SR*
1	**639,225**	535,000
2	**587,498**	472,000
3	**592,797**	435,000
4	**529,102**	442,000
5	**411,900**	392,000
6-10	**1,563,883**	1,228,000
Total	**4,324,405**	3,504,000

24 ACCOUNTS PAYABLE

Trade payables are non-interesting bearing and are normally settled on 30 to 120 days terms. For explanations on the Company's liquidity risk management processes, refer to note 29).

25 RELATED PARTY TRANSACTIONS AND BALANCES

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

Names of related parties	*Nature of Relationship*
Al Kifah Holding Company	Shareholder
Al Kifah Trading Company	Fellow subsidiary
Al Kifah for Building Material Company	Fellow subsidiary
Al Kifah Contracting Company	Fellow subsidiary
Al Motaweroon Company	Fellow subsidiary
Al Kifah Real Estate Company	Fellow subsidiary
Al Kifah Paper Products Company	Fellow subsidiary
Al Kifah Precast Company	Fellow subsidiary
Al Kifah Holding Company Branch	Branch of the shareholder
Al Kifah Information Technology Company	Fellow subsidiary
KiCe Construction Equipment	Fellow subsidiary

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

Related party	***Nature of relationship***	***Nature of transactions***	***Amounts of transactions***	
			2021	*2020*
			SR	*SR*
Shareholders				
Al Kifah Holding Company	Shareholder	Value added tax paid on behalf of the Company	3,296,425	4,327,776
		Value added tax paid	(2,302,517)	(5,442,292)
		Advertising expenses	579,143	302,163
		Amount paid against advertising expenses	(552,025)	(378,955)
		Services provided	3,173,808	3,445,133
		Amounts paid against services	(3,442,337)	(3,282,421)

25 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Related party	***Nature of relationship***	***Nature of transactions***	***Amounts of transactions*** ***2021***	*2020*
			SR	*SR*
Shareholders (continued)				
Al Kifah Contracting Company	Fellow subsidiary	Amount collected against Islamic financing receivables	(4,362,144)	(324,950)
		Financing	9,200,000	4,956,862
Al Kifah for Building Material Company	Fellow subsidiary	Amount collected against Islamic financing receivables	(11,611,846)	(15,323,998)
		Financing	500,000	15,574,788
		Services provided	20,410	
		Amounts paid against services	(20,192)	
KiCe Construction Equipment	Fellow subsidiary	Heavy machinery and equipment sales financed by the Company	49,712,376	104,826,755
		Amount paid against machinery and equipment financed	(53,575,161)	(109,590,506)
		Financing	15,000,000	
Al Motaweroon Company	Fellow subsidiary	Amount due against construction of new office	-	12,375
		Amount paid against construction of new office	-	(12,375)
		Amount collected against Islamic financing receivables	(3,566,222)	-
		Financing	31,224,000	-

25 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Related party	***Nature of relationship***	***Nature of transactions***	***Amounts of transactions***	
			2021	*2020*
			SR	*SR*
Fellow subsidiaries				
Al Kifah Holding Company Branch	Branch of the shareholder	Amount collected against Islamic financing receivables	(13,238,733)	(11,871,900)
		Financing	-	8,340,000
		Amount due against construction of new office	-	109,700
Al Kifah Real Estate Company	Fellow subsidiary	Amount collected against Islamic financing receivables	(7,447,100)	(2,784,178)
		Financing	8,900,000	5,675,229
		Amounts paid against rent	(2,745,951)	(1,647,473)
		Services provided	1,640,579	1,985,213
Al Kifah Paper Products Company	Fellow subsidiary	Amount collected against Islamic financing receivables	(7,403,178)	(2,754,921)
		Financing	4,500,000	5,716,798
		Amounts paid against rent	(16,255)	
		Services provided	1,316.90	14,938
Al Kifah Precast Company	Fellow subsidiary	Amount collected against Islamic financing receivables	(7,447,100)	(2,754,921)
		Financing	8,900,000	5,716,798
Al Kifah Information Technology Company	Fellow subsidiary	Information technology fee	2,308,817	3,211,189
		Amount paid against Information technology fee	(2,100,468)	(3,413,771)

25 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Amounts due from related parties - (presented under net investment in Islamic finance receivables note 13):

	2021 ***SR***	*2020* *SR*
Al Kifah Real Estate Company	**30,210,755**	26,890,881
Al Kifah Paper Products Company	**28,768,046**	26,889,449
Al Kifah Precast Company	**30,168,046**	26,889,449
Al Kifah for Building Material Company	**10,032,316**	19,503,791
Alkifah holding company branch	**4,748,495**	16,547,204
Al Kifah Contracting Company	**10,631,545**	4,722,391
KiCe Construction Equipment	**15,180,000**	-
Almotaweroon international company	**27,251,245**	-
	156,990,448	121,443,165

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

	2021 ***SR***	*2020* *SR*
Al Kifah for Building Material Company	**1,318**	3,863,886
Al Kifah Real Estate Company	**420,468**	1,525,840
Al Kifah Holding Company	**1,741,873**	953,037
Al Kifah Trading Company	**-**	319,968
Al Kifah Contracting Company	**44,883**	155,250
Al Kifah Paper Products Company	**-**	14,938
Al Kifah Information Technology	**208,349**	-
	2,416,891	6,832,919

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

	2021 ***SR***	*2020* *SR*
Short-term employee benefit	**2,191,330**	1,230,999
Post-employment benefits	**332,007**	171,341
	2,523,337	1,402,340

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

26 ACCRUED EXPENSES AND OTHER LIABILITIES

	2021	*2020*
	SR	*SR*
Amounts due to customers	**21,884,498**	9,101,893
Accrued expenses	**4,113,250**	3,081,552
VAT liability	**152,831**	209,510
Advance from customers	**178,870**	59,806
Others	**387,811**	149,669
	26,717,260	12,602,430

27 ZAKAT

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

	2021	*2020*
	SR	*SR*
Charge for the year	**5,148,113**	461,707
Prior period adjustments	**(1,208)**	(121)
	5,146,905	461,586

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

	2021	*2020*
	SR	*SR*
Shareholders' equity	**316,949,639**	271,028,938
Liabilities	**196,655,915**	701,474,046
Total sources of fund	**513,605,554**	972,502,984
Total assets	**1,782,428,662**	1,045,164,082
Total assets not subject to zakat	**(1,089,324,049)**	(544,607,838)
Total assets subject to zakat	**693,104,613**	500,556,244
Assets not subject for zakat / Total Assets	**39%**	48%
Zakat base	**199,717,602**	465,756,956

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

Movements in zakat provision

	2021	*2020*
	SR	*SR*
At the beginning of the year	**461,707**	990,418
Provided during the year	**5,148,113**	461,586
Paid during the year	**(462,915)**	(990,297)
At the end of the year	**5,146,905**	461,707

27 ZAKAT (continued)

Zakat assessments

Zakat returns for the years 2016 through 2018 have been submitted to ZATCA as part of Al Kifah Holding Company (referred to as the "Group") as part of a consolidated zakat return. The Company is not liable for any additional liability related to those years. The zakat return for the years 2019 and 2020 has been submitted, however, the assessment has not yet been raised by ZATCA. The Company has a valid zakat certificate till 30 April 2022.

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

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

At statement of financial position date all of the financial assets and financial liabilities are measured at amortised cost, except equity instrument which is classified under FVOCI and categorised under level 3 of fair value hierarchy.

Fair value of financial assets is not significantly differ from the carrying value included in the financial statements.

29 RISK MANAGEMENT

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

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and commodity risk. Financial instruments affected by market risk include leasing activities, loans and borrowings.

Interest rate risk

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

The Company is also exposed to interest rate cash flow risk mainly on its short-term deposits. The average effective interest rate on short-term deposits is ___ (31 December 2020: 0.57%).

29 RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

As of 31 December 2021, the Company has loans from SAMA, Social Development Bank which are free-interest loans. The Company has loans from local banks bearing interest, an assumed increase of 100 basis points in profit/ interest rates would increase the Company's expenses for the year by SR 1,675,415 (2020: SR 458,260). A decrease of 100 basis points in profit/interest rates would have an equal and opposite effect.

Currency and commodity risk

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk on cash and cash equivalents and net investment in Islamic finance receivables. The Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collaterals such as down payments and personal guarantees. individual Islamic financing contracts generally are for term not exceeding sixty-month.

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

The Company manages concentration of credit risk exposure through diversification of activities. However, the Company mitigates its credit risk through evaluation of credit worthiness and by obtaining promissory notes and by retaining the title of the vehicle leased out. For certain types of customers, the maximum credit limits are defined. An allowance expected credit loss is maintained at a level which, in the judgment of management, is adequate to provide for impairment losses on delinquent receivables.

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

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

Expected credit loss assessment for investment in Islamic finance receivables

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

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

29 RISK MANAGEMENT (continued)

Credit risk (continued)

Expected credit loss assessment for investment in Islamic finance receivables (continued)

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

	31 December 2021				
	ECL Coverage	***Gross carrying amount***	***Net carrying amount***	***Loss allowance***	***Credit impaired***
Corporates & SMEs Enterprise	**2%**	**1,542,407,606**	**1,349,438,990**	**22,446,946**	No
Retail	**1%**	**493,769,182**	**331,477,279**	**2,362,922**	No
Doubtful	**43%**	**9,527,726**	**7,130,143**	**3,097,258**	No
Loss	**100%**	**942,234**	**709,691**	**709,691**	Yes
		2,046,646,748	**1,688,756,103**	**28,616,817**	

	31 December 2020				
	ECL Coverage	*Gross carrying amount*	*Net carrying amount*	*Loss allowance*	*Credit impaired*
Corporates & SMEs Enterprise	0.9%	824,357,563	725,568,564	6,808,170	No
Retail	0.7%	287,164,484	193,888,892	1,371,571	No
Doubtful	55.3%	47,311,574	37,254,805	20,612,662	No
Loss	3.4%	4,414,394	3,621,810	121,509	Yes
		1,163,248,015	960,334,071	28,913,912	

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that the bank facilities and shareholders' support are available.

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

As of 31 December 2021

	Within 1 year SR	***1 to 5 years SR***	***Total SR***
Accounts payable	**89,427,598**		**89,427,598**
Amounts due to related parties	**2,416,891**		**2,416,891**
Loans and borrowings	**595,164,329**	**769,765,088**	**1,364,929,417**
Lease liabilities	**858,113**	**754,276**	**1,612,389**
	687,866,931	**770,519,364**	**1,458,386,295**

29 RISK MANAGEMENT (continued)

Liquidity risk (continued)

Maturity profile of the Company's financial liabilities based on contractual undiscounted payments: (continued)

As of 31 December 2020

	Within 1 year	*1 to 5 years*	*Total*
	SR	*SR*	*SR*
Accounts payable	89,427,598	-	89,427,598
Amounts due to related parties	2,416,891	-	2,416,891
Loans and borrowings	288,190,939	394,518,316	682,709,255
Lease liabilities	259,000	-	259,000
	380,294,428	394,518,316	774,812,744

Changes in liabilities arising from financing activities

As of 31 December 2021

	1 January 2020	***Cash outflow***	***Others/Cash inflow***	***31 December 2020***
	SR	***SR***	***SR***	***SR***
Lease liabilities	**252,231**	**(1,689,904)**	**3,050,062**	**1,612,389**
Loans and borrowings	**682,709,255**	**(283,239,030)**	**959,495,275**	**1,358,965,500**
Total liabilities from financing activities	**682,961,486**	**(284,928,934)**	**962,545,337**	**1,360,577,889**

As of 31 December 2020

	1 January 2020	*Cash outflow*	*Others/Cash inflow*	*31 December 2020*
	SR	*SR*	*SR*	*SR*
Lease liabilities	1,559,890	(1,359,139)	51,480	252,231
Loans and borrowings	107,353,780	(60,426,460)	654,546,726	701,474,046
Total liabilities from financing activities	108,913,670	(61,785,599)	654,598,206	701,726,277

Capital management

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

No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2021.

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

29 RISK MANAGEMENT (continued)

Capital management (continued)

	2021	*2020*
	SR	*SR*
Aggregate financing to capital ratio		
(Total financing (net investment in Islamic finance receivables) divided by total shareholders' equity)	5.35 times	3.4 times

30 Impact of Covid-19 on Expected Credit Losses ("ECL") and SAMA programs

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections. despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Company continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Group deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Programs	***Instalment deferred***	**Cost of deferral**
April 2020 - September 2020	**50,673,000**	**5,371,528**
October 2020 - December 2020	**48,189,771**	**1,700,422**
January 2021 - March 2021	**76,818,552**	**4,583,105**
April 2021 - June 2021	**91,987,416**	**6,589,496**
July 2021 - September 2021	**38,448,825**	**2,355,782**
October 2021 - December 2021	**37,974,283**	**2,680,819**
January 2022 - March 2022	**39,965,874**	**2,821,417**

30 Impact of Covid-19 on Expected Credit Losses ("ECL") and SAMA programs (continued)

SAMA support programs and initiatives (continued)

Private Sector Financing Support Program ("PSFSP") (continued)

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

The Company continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk for assessment of ECL on its MSME portfolio. The Company continues to monitor the customers still under the DPP in order to assess the whether there has been any SICR which would require management overlays to be recorded. As of 31 December 2021, the Company has not recoreded additional overlays.

In order to compensate the related cost that the Group has incurred under the SAMA and other public authorities program, during the years 2020 and 2021, the Company has received multiple profit free deposits from SAMA amounting to SR 483.9 and SR 766.6, respectively, with varying maturities, which qualify as government grants.

31 COMMITMENTS AND CONTINGENCIES

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

32 COMPARATIVE FIGURES

Certain of the prior year numbers have been reclassified to conform with the presentation in the current year.

33 SUBSEQUENT EVENTS

Subsequent to the year end, the Shareholder of the Company has resolved to increase the share capital of the Company from SR 250 million to SR 500 million by way of cash injection. The legal formalities in this respect are expected to be finalised during 2022. Other than this matter, no other events have taken place subsequent to the year end that would require an adjustment or disclosure in these financial statements.