SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2021
Together with the
INDEPENDENT AUDITOR'S REPORT

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
For the year ended 31 December 2021

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Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent auditor's report

To the shareholders of Saudi Home Loans Company

Opinion

We have audited the financial statements of Saudi Home Loans Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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 the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are 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 the IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, the 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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Independent auditor's report

To the shareholders of Saudi Home Loans 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 ISA that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG Professional Services

كي بي إم جي للاستشارات المهنية
ترخيص رقم ٤٦
س.ت ١٠١٠٤٢٥٤٩٤
Lic No. 46
C.R. 1010425494
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Ebrahim Oboud Baeshen
License no: 382

Riyadh, 3 Shaban 1443H
Corresponding to: 6 March 2022

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Amounts in Saudi Riyals)

	Note	**31 December 2021**	31 December 2020
ASSETS			
Cash and cash equivalents	*4*	**214,467,647**	142,327,982
Advances to property owners	*5*	**11,716,500**	6,773,991
Due from related parties	*6*	**739,733**	633,377
Prepaid expenses and other assets	*7*	**9,953,914**	12,166,886
Other receivables, net	*8*	**36,879,639**	55,604,405
Investments held at fair value through other comprehensive income ("FVOCI")	*9*	**892,850**	892,850
Investments in finance lease, net	*10*	**4,013,303,094**	4,199,138,508
Murabaha financing, net	*11*	**74,786,137**	--
Deferred origination fees	*12*	**18,204,844**	22,027,601
Other real estate	*13*	**8,636,219**	8,656,926
Right-of-use asset	*14*	**7,015,918**	3,805,573
Property and equipment, net	*15*	**4,137,340**	5,272,141
Intangible assets, net	*16*	**2,896,071**	2,499,923
Deferred tax assets	*21*	**4,402,330**	4,837,338
Total assets		**4,408,032,236**	4,464,637,501
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable	*18*	**7,417,401**	8,106,378
Accrued expenses and other liabilities	*19*	**11,666,926**	9,325,716
Advance lease rentals		**7,969,186**	4,396,874
Lease liability	*14*	**6,753,491**	3,841,748
Provision for zakat and income tax	*20*	**22,618,176**	24,644,795
Tawarruq financing facilities	*22*	**2,653,074,515**	2,819,883,777
End of service benefits liability	*23*	**8,598,413**	8,371,800
Total liabilities		**2,718,098,108**	2,878,571,088
Shareholders' equity			
Share capital	*24*	**1,000,000,000**	1,000,000,000
Statutory reserve	*25*	**116,479,630**	106,160,070
Other reserves		**1,829,576**	1,157,460
Retained earnings		**571,624,922**	478,748,883
Total shareholders' equity		**1,689,934,128**	1,586,066,413
Total liabilities and shareholders' equity		**4,408,032,236**	4,464,637,501

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

These financial statements were approved by the Board of Directors of the Company on 3 March 2022 and have been signed on its behalf by the following:

Chief Executive Officer | **Chief Financial Officer**

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHESIVE INCOME
For the year ended 31 December 2021
(Amounts in Saudi Riyals)

	Notes	2021	2020
Lease finance income		**277,407,631**	290,114,950
Service fees, net	17	**6,166,068**	7,370,392
Application and evaluation fee income		**4,457,133**	5,273,681
Asset sale income		**6,189,261**	368,398
Total revenue		**294,220,093**	303,127,421
Other income		**1,014,565**	215,000
Total operating income		**295,234,658**	303,342,421
Finance charges	22	**74,077,401**	93,167,534
General and administrative expenses	26	**98,050,130**	93,687,523
(Reversal of) / provision for expected credit losses	8,10,11	**(8,839,954)**	7,500,431
Selling and marketing expenses	27	**12,935,633**	11,410,348
Total operating expenses		**176,223,210**	205,765,836
Net income before zakat and income tax		**119,011,448**	97,576,585
Zakat and income tax	20	**(15,380,841)**	(12,734,691)
Deferred tax	21	**(435,008)**	273,615
		(15,815,849)	(12,461,076)
Net income after zakat and income tax		**103,195,599**	85,115,509
Other comprehensive income			
Item that cannot be reclassified to statement of income in subsequent periods			
Actuarial gains on end of service benefits	23	**672,116**	861,460
Total comprehensive income for the year		**103,867,715**	85,976,969

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

These financial statements were approved by the Board of Directors of the Company on 3 March 2022 and have been signed on its behalf by the following:

Chief Executive Officer **Chief Financial Officer**

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2021
(*Amounts in Saudi Riyals*)

	Note	Share capital	Statutory reserve	Other reserve	Retained earnings	Total equity
		For the year ended 31 December 2021				
Balance as at 1 January 2021		**1,000,000,000**	**106,160,070**	**1,157,460**	**478,748,883**	**1,586,066,413**
Net income for the year		--	--	--	**103,195,599**	**103,195,599**
Actuarial gains for end of service benefits	23	--	--	**672,116**	--	**672,116**
Total comprehensive income for the year		--	--	**672,116**	**103,195,599**	**103,867,715**
Transfer to statutory reserve	25	--	**10,319,560**	--	**(10,319,560)**	--
Balance as at 31 December 2021		**1,000,000,000**	**116,479,630**	**1,829,576**	**571,624,922**	**1,689,934,128**

	Note	Share capital	Statutory reserve	Other reserve	Retained earnings	Total equity
		For the year ended 31 December 2020				
Balance as at 1 January 2020		1,000,000,000	97,648,519	296,000	402,144,925	1,500,089,444
Net income for the year		--	--	--	85,115,509	85,115,509
Actuarial gains for end of service benefits	23	--	--	861,460	--	861,460
Total comprehensive income for the year		--	--	861,460	85,115,509	85,976,969
Transfer to statutory reserve	25	--	8,511,551	--	(8,511,551)	--
Balance as at 31 December 2020		1,000,000,000	106,160,070	1,157,460	478,748,883	1,586,066,413

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

These financial statements were approved by the Board of Directors of the Company on 3rd March 2022 and have been signed on its behalf by the following:

Chief Executive Officer **Chief Financial Officer**

SAUDI HOME LOANS COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(*Amounts in Saudi Riyals*)

	Notes	2021	2020
OPERATING ACTIVITIES			
Net income before zakat and income tax		**119,011,448**	97,576,585
Adjustments to reconcile net income to net cash generated from operating activities:			
Depreciation and amortisation	*26*	**4,726,167**	5,201,437
Amortisation of deferred origination fees	*12*	**3,847,967**	3,975,926
Impairment loss on other real estate assets	13	**62,163**	4,856,683
(Reversal of) / Provision for expected credit losses	*8,10,11*	**(8,839,954)**	7,500,431
Provision for end of service benefits	*23*	**1,707,524**	1,887,050
Amortisation of discount on lease liability	*14*	**191,085**	235,607
Finance charges	*22*	**74,077,401**	93,167,534
Net (increase) / decrease in operating assets:			
Investments in finance lease		**204,220,990**	28,523,423
Murabaha financing		**(74,857,128)**	-
Other receivables, net		**9,208,680**	(2,597,284)
Due from related parties		**(106,356)**	132,002
Advances to property owners		**(4,942,509)**	(4,381,423)
Prepaid expenses and other assets, net		**2,212,970**	(4,207,091)
Net increase / (decrease) in operating liabilities:			
Accounts payable		**(688,977)**	(42,486,699)
Accrued expenses and other liabilities		**2,341,210**	229,374
Advance lease rentals		**3,572,312**	(3,099,311)
Net cash from operations		**335,744,993**	186,514,244
Zakat and income tax paid	*20*	**(17,407,460)**	(16,067,913)
End of service benefits paid	*23*	**(808,795)**	(2,030,696)
Deferred origination fees paid	*12*	**(25,210)**	(211,928)
Net cash generated from operating activities		**317,503,528**	168,203,707
INVESTING ACTIVITIES			
Purchase of property and equipment	*15*	**(84,073)**	(1,550,654)
Purchase of intangible assets	*16*	**(1,339,487)**	(766,440)
Net cash used in investing activities		**(1,423,560)**	(2,317,094)
FINANCING ACTIVITIES			
Additions in Tawarruq financing facilities	*22*	**200,000,000**	224,322,158
Repayment of Tawarruq financing facilities	*22*	**(358,814,404)**	(212,369,801)
Finance charges paid	*22*	**(82,072,259)**	(87,158,727)
Payment of principal portion of lease liability	*14*	**(3,053,640)**	(2,551,850)
Net cash used in financing activities		**(243,940,303)**	(77,758,220)
Net increase in cash and cash equivalents		**72,139,665**	88,128,393
Cash and cash equivalents at beginning of the year		**142,327,982**	54,199,589
Cash and cash equivalents at end of the year		**214,467,647**	142,327,982
Supplemental cash information			
Lease finance income received		**269,284,286**	289,973,019
Financing charges paid		**82,072,259**	89,669,520

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

1. THE COMPANY AND PRINCIPAL ACTIVITIES

Saudi Home Loans Company ("the Company") is a Saudi closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration no. 1010241934 dated 22 Dhul Al Hijjah 1428H (corresponding to 1 January 2008), unified number (7001540165). The Company operates under Ministry of Investment (formerly known Saudi Arabian General Investment Authority “SAGIA”) license no: 102030072425-01 dated 23 Rajab 1430H (corresponding to 16 July 2009); also, the Company is regulated and licensed by the Saudi Central Bank (“SAMA”) license no: 14 / A SH /201403 dated 27 Rabi Al-Thani 1435H (corresponding to 27 February 2014). The address of the Company is as follows:

Saudi Home Loans Company
P.O. Box 27072
Riyadh 11417
Kingdom of Saudi Arabia

The principal activities of the Company are to finance the purchase of houses and residential land and apartments, financing of real estate properties that are developed by all companies operating in the real estate development and financing the establishment of commercial and industrial projects, except those that are in Makkah and Madinah.

2. BASIS OF PREPARATION

a) *Statement of compliance*

The financial statements of the Company have been prepared:

- in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”); and

- in compliance with the Regulations for Companies in the Kingdom of Saudi Arabia and the By-laws of the Company.

b) *Basis of measurement and presentation*

These financial statements have been prepared on a historical cost basis, except for the equity investment which is measured at fair value through other comprehensive income (“FVOCI”) and end of service benefits liability which is measured at present value of future obligations using the projected unit credit method.

The statement of financial position is presented in the order of liquidity.

c) *Functional and presentation currency*

These financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Company. The figures in these financial statements are rounded to the nearest Saudi Riyal.

2. BASIS OF PREPARATION (CONTINUED)

d) Critical accounting judgements, estimates and assumptions

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

The 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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

Significant areas where management have used estimates, assumption or exercised judgement are as follows:

- Allowance for expected credit loss on net investments in finance lease, Murabaha financing, and insurance claims receivable on non-performing decease-case leases (Notes 3(B), 8, 10, 11, and 28)

The measurement of ECL under IFRS 9 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 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:

1. The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:

   a) The Company's model, which assigns Probability of Default ("PD”).
   b) Loss Given Default (“LGD”) determination by applying haircut on the collaterals considering difference between forced sale value and fair market value, time of realization, cost of realization and current effective profit rate.
   c) The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances should be measured on a Lifetime ECL basis;
   d) The segmentation of financial assets and net investment in finance leases when their ECL is assessed;
   e) Development of ECL models, including the various formulas; and
   f) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2. BASIS OF PREPARATION (CONTINUED)

d) Critical accounting judgements, estimates and assumption (continued)

2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

i. End of service benefits liability (Note 3(G) and 23)
ii. Valuation of other real estate assets (Note 3(I) and 13)

3. SIGNIFICANT ACCOUNTING POLICIES

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

A. Change in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020. Moreover, based on the adoption of amendments to the existing standards and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2021 replacing, amending or adding to the corresponding accounting policies set out in 2020 annual financial statements.

a.) New IFRS Standards, interpretations and amendments adopted by the Company

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2021. The management has assessed that the amendments have no significant impact on the Company's financial statements.

- Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- COVID-19 - Related Rent Concessions (Amendments to IFRS 16);
- Annual Improvements to IFRS Standards 2018–2020 (Amendment to IFRS 1, IFRS 9 and IAS 41);
- Reference to Conceptual Framework (Amendments to IFRS 3);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- Onerous contracts - Cost of Fulfilling a contract (Amendments to IAS 37).

b.) Accounting Standards issued but not yet effective

The accounting standards, amendments and revisions which have been published and are mandatory for compliance for the Company's accounting year beginning on or after 1 January 2022 are listed below. The Company has opted not to early adopt these pronouncements.

- IFRS 17 - Insurance contracts, applicable for the period beginning on or after January 1, 2023;
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities;
- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors, definition of accounting estimates;
- Amendments to IAS 1 Presentation of financial statements and IFRS practice statement 2 making materiality judgements, disclosure Initiative: Accounting policies;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Change in accounting policies (Continued)

- Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction; and
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures, sale or contribution of assets between an investor and its associate or joint venture.

The management of the Company anticipates that the application of these new standards and amendments in the future will not have significant impact on the amounts reported.

B. Financial instruments

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL. As at 31 December 2021 and 2020, the Company does not have Financial assets at FVTPL and debt instruments through FVOCI.

Business model assessment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial instruments (continued)

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with interest margin.

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

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

- **Financial assets at amortized cost**

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

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

- **Financial assets at FVOCI**

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

Classification of financial liabilities

The Company classifies its financial liabilities as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest rate (“EIR”).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial instruments (continued)

Derecognition

i. Financial assets

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

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing. Financial assets originated by the Company and subsequently disposed-off to third parties are derecognised when the rights to receive the contractual cash flows and substantially all of the risks and rewards of ownership of the financial asset are transferred.

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

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

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

ii. Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial instruments (continued)

Modification of financial assets and financial liabilities

i. Financial assets

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

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

ii. Financial liabilities

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

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For financial liabilities, the Company considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Expected Credit Losses ("ECL")

The Company recognizes provision for ECL on the following financial instruments:

- Net investments in finance lease;
- Murabaha financing; and
- Insurance claims receivable on non-performing decease-case leases.

Exposure to credit risk on other financial assets is not significant for the Company. No expected credit loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial instruments (continued)

Measurement of ECL

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

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

Restructured financial assets or net investment in finance leases

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset or net investment in finance leases are included in calculating the cash shortfalls from the existing asset; and
- If the expected restructuring will result in de-recognition 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 or net investment in finance leases at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset or net investment in finance leases that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate / internal rate of return of the existing financial asset or net investment in financial assets, respectively.

Credit-impaired financial assets and net investment in finance leases

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

Evidence that an investment in finance lease and financial asset is credit-impaired includes the following observable data:

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

An investment in finance lease or 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. Refer to Note 28 for further details on significant increase in credit risk and definition of default.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Financial instruments (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortized cost and net investment in finance leases: as a deduction from the gross carrying amount of the assets.

Write-off

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

Collateral valuation

To mitigate its credit risks on net investment in finance lease and financial assets at amortised cost, the Company seeks to use collateral, where possible. The collateral is primarily in the form of real estate. Collateral, unless repossessed, is not recorded on the Company's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued by independent valuers appointed by the Company.

Collateral repossessed

The Company policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Company policy.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Income recognition

Income from finance lease
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.

Income from Murabaha financing
Interest income from Murabaha financing is recognised using the effective interest method over the term of the arrangement. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortized cost of the financial instrument.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument excluding expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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

Service fees
Service fees are recognised as the related services are performed and performance obligations are achieved.

Application and evaluation fee income
Application and evaluation fee income are charged when the customer submits his application for evaluation to qualify for lease financing. Application and evaluation fee income are recognised as the transaction is completed or the service, is provided.

Related fees and commission expense are expensed as the transaction is completed or the service is received.

Asset sale income
This represents gain on third party sale of investment in finance lease portfolio and is recognised upfront upon completion of the sale transaction (i.e. when risks and rewards of asset is transferred to the buyer).

Other income
Others include gain on sale of other real estate and is recognized upon completion of the sale transaction.

D. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and balances with local banks having sound credit rating with maturities of three (3) months or less.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Net investments in finance lease

Investments in finance lease represents net investment in ijarah leasing contracts which are receivable from customers on account of finance leases. Ijarah is an agreement whereby the Company, acting as a lessor, purchases 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.

All leased properties subject to finance lease agreements are under the Company's name, except for those where the ownership has been transferred to Arab National Bank (a shareholder) in accordance with the terms of the facilities agreements for Tawarruq financing facilities (refer to Note 22), and for those where the ownership has been kept under the name of Kingdom Instalment Company (a shareholder) as a custodian in accordance with the custodian agreement. The contract signed with customer represents an Ijarah contract with irrevocable promises to transfer the ownership, where the legal title of the asset will be passed to the lessee once all Ijarah instalments are settled.

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

Recognition

The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. At the inception of the lease the amounts to be recognised at the commencement of the lease term are determined.

The commencement of the lease is considered to be the date when the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

F. Murabaha financing

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. Murabaha financing represents financial assets which is accounted for at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. End of service benefits

The provision for end of service benefits is made based on actuarial valuation in accordance with Saudi Arabian Labour Laws. Net obligations, with respect to end of service benefits, to the Company is reviewed by using a projected unit credit method. Actuarial gains and losses on remeasurements are recognised in full in the period in which they occur in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under 'Employees' salaries and other benefits' in the statement of comprehensive income:

- Service costs comprising current services costs, past-service costs, gain and losses on curtailments and non-routine settlements, and
- Net interest expense or income

The assumptions used to calculate the scheme obligations include assumptions such as expected future salaries growth, expected employee resignation rates, and discount rate to discount the future cash flows.

H. Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the company. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated useful lives of the principal classes of assets for all years presented are as follows:

	Rate
Leasehold improvements	10%
Motor vehicles	25%
Furniture, fixture and office equipment	10%-25%
Computers	25%-33.3%

Depreciation is charged using the straight-line method over its estimated useful life, at the rates specified above, after taking into account residual value. Depreciation on additions is charged from the month the assets are available for use. Gains / losses on disposal of property and equipment, if any, are taken to the statement of comprehensive income in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Other real estate

The Company, in the ordinary course of business, acquires / retains certain real estate against settlement of the investment in finance lease. Such real estate is considered as assets held for sale and are initially stated at the current fair value of the related properties, less any costs to sell (if material). No depreciation is charged on such real estate.

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

J. Intangible assets

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

Intangible assets are amortised on a straight-line basis in the statement of income over their estimated useful lives from the date that they are available for use.

Intangible assets comprise of computer software and their estimated useful life for the current and comparative years is 3-5 years (2020: 3-5 years). Amortization method and useful life is reviewed at least end of each reporting period.

K. Impairment of non - financial assets

An assessment is made at each statement of financial position date to determine whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units' ("CGU") fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Accounting for leases

Right-of-use asset / lease liability

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

Right of use assets

The Company applies cost model, and measures right of use asset at cost:

a. less any accumulated depreciation and any accumulated impairment losses; and
b. adjusted for any re-measurement of the lease liability for lease modifications.

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. Subsequent to the commencement date, the Company measures the lease liability by:

a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

M. Deferred origination fees

Deferred origination fees comprise of the unamortised portion of commission paid to a shareholder for deals originated through the use of infrastructure, resources and client base of the shareholder. This fee is amortized using the effective interest method over the period of the respective lease contracts.

N. Advance lease rental

Advance lease rental includes rent received from customers in advance, security deposits and unapplied receipts from the customers.

O. Accrued expenses and other liabilities

Accrued expenses and other liabilities include employee related cost, maintenance commitments and legal consultation fees.

P. Other provision

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and 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. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Accounting for zakat and income tax

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for the changes in deferred tax assets and liabilities attributable to the temporary differences and to the unused tax losses.

Deferred tax

Deferred tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available, and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in statement of income, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in other comprehensive income.

Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Transactions with related parties

The Company has related party relationships with related companies, associated companies, directors and key management personnel and entities over which the directors or key management personnel are able to exercise significant influence. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are disclosed in the relevant notes.

S. Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of comprehensive income.

T. Expenses

General and administrative expenses are expenses related to the day-to-day operations of the business including rent, insurance, utilities and salaries. The Company follows accrual basis of accounting to record the general and administrative expenses and recognised as expenses in the statement of income in the period in which they are incurred. Expenses that are deferred for more than one financial period are allocated to expenses over such periods using historical cost.

Sales and marketing expenses excluding compensation cost are those expenses that relates to sales and marketing representatives.

U. Value Added Tax ("VAT")

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

V. Servicing rights under agency arrangements

A servicing rights asset / liability is recognised for servicing rights under agency arrangements (acquired by the Company pursuant to sale of originated leases to third parties or as consideration for financing arrangements services) at the present value of net future cash flows under the agency arrangements. The net present value computation encompasses among others, estimates in respect of discount rate and fair value of services. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(Amounts in Saudi Riyals)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and current account balances with bank.

	2021	2020
Cash on hand	**22,000**	22,000
Bank current accounts	**214,445,647**	142,305,982
	214,467,647	142,327,982

5. ADVANCES TO PROPERTY OWNERS

This balance represents the amounts of certified cheques issued under the property owners' name, for the purchase of properties under the Company's Ijarah contracts (approved deals) and for which the transfer of title deeds, in the name of the Company, is in process. These certified cheques are submitted by official Company representatives directly at the Registration Office at the time of title deed transfer. Risk and reward of such Ijarah contracts are not transferred as at the date of statement of financial position.

6. RELATED PARTY TRANSACTIONS

The related parties of the Company include the shareholders and an affiliate (i.e., a company with a common shareholder), and key management personnel. In the ordinary course of business, the Company enters into transactions with its related parties, which are based on prices and contract term approved by the Company's management and on an agreed basis with these related parties:

Name	**Relationship**
Arab National Bank (ANB)	Shareholder
Dar Al Arkan	Shareholder
International Financial Corporation (IFC)	Shareholder
Kingdom Instalment company	Shareholder
Tharwat Alasool Real Estate Company	Affiliate

The significant related party transactions during the year are as follows:

	2021	2020
Tawaruq financing charges (ANB)	**47,878,512**	62,159,970
Residential unit purchased (Dar Alarkan)	**20,394,085**	16,836,190
Service fees, net (Note 17)	**5,452,678**	7,298,316
Tawaruq financing charges (IFC)	**3,831,843**	6,317,122
Rent charged by an affiliate	**2,179,940**	2,179,940
Deferred origination fees (Note 12)	**25,210**	211,928

The following related party balances are included in the statement of financial position as at 31 December:

	2021	2020
Loan obtained from a shareholder (ANB) (Note 22)	**1,672,545,150**	1,832,298,936
Loan obtained from a shareholder (IFC) (Note 22)	**109,517,304**	140,784,894
Deferred origination fees (Note 12)	**18,204,844**	22,027,601
Prepaid financing facility fees (IFC) (Note 22)	**783,208**	1,096,504
Due from related party related to service fees (ANB)	**739,733**	633,377

(Amounts in Saudi Riyals)

6. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation for Key Management Personnel ("KMP")

KMP are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Company's KMP includes the Board of Directors (including executive and non-executive directors) and selected key employees who meet the above criteria.

The compensation details of Company's KMP is provided below:

	2021	2020
Salaries	**3,480,840**	2,545,959
End of service benefits	**168,445**	580,844
Other allowances	**1,046,792**	1,733,382
	4,696,077	4,860,185

7. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets comprise of the following:

	Note	**2021**	2020
Advance tax		**3,348,312**	3,849,870
Prepaid financing facility fees (GIB)		**2,663,125**	3,510,625
Prepaid insurance		**1,047,527**	1,091,924
Prepaid software maintenance		**968,923**	1,098,044
Prepaid financing facility fees (IFC)		**783,208**	1,096,504
Sijil registration charges		**54,900**	419,400
Others		**1,087,919**	1,100,519
		9,953,914	12,166,886

8. OTHER RECEIVABLES, NET

	Note	**2021**	2020
Insurance claims receivable on decease-case leases, net	*8.1*	**22,715,740**	34,459,222
Legal claim		**8,321,026**	8,862,577
VAT receivable		**6,140,137**	12,412,000
Deferred Expenses		**2,594,633**	--
Due from REDF		**--**	2,882,103
Due from SRC		**206,430**	68,081
Employees' advances and receivables		**114,250**	132,999
		40,092,216	58,816,982
Allowance for legal claim		**(3,212,577)**	(3,212,577)
		36,879,639	55,604,405

(Amounts in Saudi Riyals)

8. OTHER RECEIVABLES, NET (CONTINUED)

8.1 The insurance claims receivable on decease-case lease, net is comprised of the following:

	2021	2020
Insurance claims receivable on decease-case lease	**47,626,621**	49,854,017
Allowance for ECL	**(24,910,881)**	(15,394,795)
	22,715,740	34,459,222

All insurance claims receivable against non-performing decease-case leases are classified as stage 3 in accordance with IFRS 9.

9. INVESTMENTS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

This Company has been set up by SAMA as a means to further regulate the market and facilitate transfer of leases between suppliers of finance and counterparties. SIJIL has 700,000 shares of SR 10 each. These 700,000 shares have been divided between finance lease companies registered and operating in Saudi Arabia. On 17 December 2017, Saudi Home Loans Company purchased 89,285 shares at SR 10 each, amounting to SR 892,850.

As at 31 December 2021, the carrying value of this investment is not materially different to its fair value.

10. INVESTMENTS IN FINANCE LEASE, NET

This balance represents net investments in finance lease as summarized below:

	2021	2020
Minimum lease payments		
Performing leases	**5,986,076,975**	6,486,242,349
Non-performing leases	**214,437,964**	180,698,409
Investments in finance lease - gross	**6,200,514,939**	6,666,940,758
Less: Unearned finance income	**(2,123,208,607)**	(2,385,371,981)
Investments in finance lease before expected credit loss	**4,077,306,332**	4,281,568,777
Less: Allowance for expected credit losses	**(64,003,238)**	(82,430,269)
Investments in finance lease – net	**4,013,303,094**	4,199,138,508
Less: Current portion	**(284,874,210)**	(283,570,327)
Less: Accrued finance lease receivable	**(49,966,786)**	(42,285,101)
Non-current portion	**3,678,462,098**	3,873,283,080

Total number of outstanding lease agreements as at 31 December 2021 is 6,827 (31 December 2020: 7,041). Non-performing leases include those investment in finance leases under stage 3, except for those investment in finance lease that are subject to curing period.

(Amounts in Saudi Riyals)

10. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

The Company generates substantially all of its revenues from leasing real estate in the Kingdom of Saudi Arabia. Gross amounts due in relation to the finance leases are due from individual customers.

10.1 The movement in the allowance for expected credit losses for investments as at 31 December is shown below:

	31 December 2021
Balance at the beginning of the year	**82,430,269**
Reversal for the year, net	**(18,427,031)**
Balance at the end of the year	**64,003,238**

	31 December 2020
Balance at the beginning of the year	78,226,322
Charge for the year, net	4,203,947
Balance at the end of the year	82,430,269

10.2 The credit quality of investments in finance lease is as follows:

31 December 2021	**12-month ECL**	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Gross carrying amount	**3,624,926,342**	**297,913,090**	**154,466,900**	**4,077,306,332**
Allowance for expected credit losses	**(1,433,525)**	**(6,905,996)**	**(55,663,717)**	**(64,003,238)**
Net carrying amount	**3,623,492,817**	**291,007,094**	**98,803,183**	**4,013,303,094**

31 December 2020	12-month ECL	Life time ECL not credit impaired	Life time ECL credit impaired	Total
Gross carrying amount	3,623,423,812	382,231,466	275,913,499	4,281,568,777
Allowance for expected credit losses	(2,154,938)	(13,008,217)	(67,267,114)	(82,430,269)
Net carrying amount	3,621,268,874	369,223,249	208,646,385	4,199,138,508

The related staging movements of the investments in finance lease and the related allowance for expected credit losses are disclosed in Note 28.

(Amounts in Saudi Riyals)

10. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

10.3 Maturity profile of the lease payments is as follows:

	2021			2020
Year	**Minimum lease payments**	**Unearned finance income**	**Investments in finance lease**	**Investments in finance lease**
Within one year	**599,409,583**	**264,568,587**	**334,840,996**	325,855,428
Year two	**536,912,377**	**245,592,745**	**291,319,632**	292,373,314
Year three	**517,230,730**	**226,174,399**	**291,056,331**	296,323,299
Year four	**492,460,144**	**208,725,999**	**283,734,145**	293,994,391
Year five and later	**4,054,502,105**	**1,178,146,877**	**2,876,355,228**	3,073,022,345
	6,200,514,939	**2,123,208,607**	**4,077,306,332**	4,281,568,777

10.4 The ageing of investment in finance leases, net which are not impaired are as follows:

Days past due:	**2021**	2020
Current	**2,700,494,391**	2,735,793,157
1 – 30	**916,848,196**	923,232,713
31 – 60	**182,875,679**	294,727,693
61 –89	**36,511,895**	51,901,715
Total	**3,836,730,161**	4,005,655,278

Collateral

As at 31 December 2021, the carrying amount of non-performing leases gross of allowance for expected credit losses amounted to SR 123.31 million (2020: SR 155.12 million) and the fair value of identifiable real estate collateral held against them amounted to SR 182.96 million (2020: SR 211.58 million). The Company has a policy to value every year, all real estate properties leased out, by involving approved appraisers.

11. MURABAHA FINANCING, NET

The balance of Murabaha financing, net is presented as follows:

	31 December 2021	31 December 2020
Performing loans	**74,857,128**	--
Non-performing loans	**--**	--
Murabaha financing	**74,857,128**	--
Less: Allowance for expected credit losses	**(70,991)**	--
Murabaha financing, net	**74,786,137**	--

11.1 The movement in allowance for expected credit losses is shown below:

	31 December 2021	31 December 2020
Balance at the beginning of the year	**--**	--
Charge for the year, net	**70,991**	--
Balance at the end of the year	**70,991**	--

(Amounts in Saudi Riyals)

11. MURABAHA FINANCING, NET (CONTINUED)

11.2 The credit quality of Murabaha financing is as follows:

	31 December 2021			
	12-month ECL	**Life time ECL not credit impaired**	**Life time ECL credit impaired**	**Total**
Gross carrying amount	**74,857,128**	--	--	**74,857,128**
Allowance for expected credit losses	**(70,991)**	--	--	**(70,991)**
Net carrying amount	**74,786,137**	--	--	**74,786,137**

11.3 Maturity profile of the discounted murabaha payments is as follows:

Year	**2021**	2020
Within one year	**2,948,634**	--
Year two	**3,126,968**	--
Year three	**3,317,132**	--
Year four	**3,519,999**	--
Year five and later	**61,944,395**	--
	74,857,128	--

11.4 The ageing of gross murabaha financing receivables, which are not impaired are as follows:

Days past due:	**2021**	2020
Current	**61,877,293**	--
1 – 30	**12,979,835**	--
Total	**74,857,128**	--

12. DEFERRED ORIGINATION FEES

Deferred origination fees comprise of the unamortized portion of commission paid to Arab National Bank, a shareholder for deals originated through the use of its infrastructure, resources and client base.

	2021	2020
Deferred origination fees	**18,204,844**	22,027,601
Less: Current portion	**(2,342,462)**	(2,654,437)
Non-current portion	**15,862,382**	19,373,164

The movement in deferred origination fees is shown below:

	2021	2020
At beginning of the year	**22,027,601**	25,791,599
Origination fees incurred and paid for the year	**25,210**	211,928
Origination charge for the year	**(3,847,967)**	(3,975,926)
At end of the year	**18,204,844**	22,027,601

(Amounts in Saudi Riyals)

13. OTHER REAL ESTATE

The Company repossesses real estate assets against settlement of over-due long-term investments in finance lease as follows:

	2021	2020
At beginning of the year	**8,656,926**	6,963,475
Repossession during the year	**10,768,668**	11,171,633
Sold during the year	**(10,727,212)**	(4,621,500)
Impairment losses	**(62,163)**	(4,856,682)
At end of the year	**8,636,219**	8,656,926

14. RIGHT-OF-USE ASSET / LEASE LIABILITY

The Company has three lease contracts with different lessors for the lease of premises of the Head Office in Riyadh, Dammam Branch and Jeddah Branch.

Details on the three contracts are as follows:

Lease liability - 2021	**Riyadh**	**Dammam**	**Jeddah**	**Total**
Undiscounted cash flows based on lease terms	**5,936,517**	**924,826**	**1,298,843**	**8,160,186**
Lease liability, 1 January 2021	**2,121,711**	**358,413**	**1,361,624**	**3,841,748**
Additions during the period	**5,936,517**	**--**	**--**	**5,936,517**
Modification on lease agreement	**--**	**(99,438)**	**(62,781)**	**(162,219)**
Payment of lease liability	**(2,179,940)**	**(273,700)**	**(600,000)**	**(3,053,640)**
Amortisation of discount	**58,229**	**14,725**	**118,131**	**191,085**
Lease liability, 31 December 2021	**5,936,517**	**--**	**816,974**	**6,753,491**
Right-of-use asset - 2021				
Right-of-use asset, 1 January 2021	**2,108,410**	**398,321**	**1,298,842**	**3,805,573**
Additions during the period	**5,936,517**	**--**	**--**	**5,936,517**
Modification on lease agreement	**--**	**(99,438)**	**(62,781)**	**(162,219)**
Accumulated depreciation	**(2,108,410)**	**(258,556)**	**(196,987)**	**(2,563,953)**
Right-of-use asset, 31 December 2021	**5,936,517**	**40,327**	**1,039,074**	**7,015,918**

Lease liability - 2020	**Riyadh**	**Dammam**	**Jeddah**	**Total**
Undiscounted cash flows based on lease terms	6,539,820	1,115,730	2,500,000	10,155,550
Lease liability, 1 January 2020	3,868,796	699,557	1,361,624	5,929,977
Additions during the period	228,014	--	--	228,014
Payment of lease liability	(2,179,940)	(371,910)	--	(2,551,850)
Amortisation of discount	204,841	30,766	--	235,607
Lease liability, 31 December 2020	2,121,711	358,413	1,361,624	3,841,748
Right-of-use asset – 2020				
Right-of-use asset, 1 January 2020	3,837,515	739,742	1,731,790	6,309,047
Additions during the period	228,014	--	--	228,014
Accumulated depreciation	(1,957,119)	(341,421)	(432,948)	(2,731,488)
Right-of-use asset, 31 December 2020	2,108,410	398,321	1,298,842	3,805,573

(Amounts in Saudi Riyals)

14. RIGHT-OF-USE ASSET / LEASE LIABILITY (CONTINUED)

The Company calculates the present value of the three contracts using the Company's incremental borrowing rate of 5% over the lease term and amortises the right-of-use asset using the straight-line method over the lease term.

15. PROPERTY AND EQUIPMENT, NET

31 December 2021	Leasehold improvements	Vehicles	Furniture, fixtures and office equipment	Computers	Work-in-process	Total
Cost						
Balance at beginning of the year	**5,703,371**	**195,001**	**6,144,385**	**9,457,338**	**1,221,042**	**22,721,137**
Additions	**--**	**--**	**--**	**--**	**84,073**	**84,073**
Transfer from work in process	**200,569**	**--**	**161,807**	**521,190**	**(883,566)**	**--**
Balance at end of the year	**5,903,940**	**195,001**	**6,306,192**	**9,978,528**	**421,549**	**22,805,210**
Accumulated depreciation						
Balance at beginning of the year	**4,260,932**	**194,897**	**5,312,745**	**7,680,422**	**--**	**17,448,996**
Charge for the year	**374,319**	**101**	**248,518**	**595,936**	**--**	**1,218,874**
Balance at end of the year	**4,635,251**	**194,998**	**5,561,263**	**8,276,358**	**--**	**18,667,870**
Net book value	**1,268,689**	**3**	**744,929**	**1,702,170**	**421,549**	**4,137,340**

31 December 2020	Leasehold improvements	Vehicles	Furniture, fixtures and office equipment	Computers	Work-in-process	Total
Cost						
Balance at beginning of the year	5,601,697	495,001	6,034,468	8,848,146	851,206	21,830,518
Additions	101,674	--	109,917	969,227	369,836	1,550,654
Disposals	--	(300,000)	--	(360,035)	--	(660,035)
Balance at end of the year	5,703,371	195,001	6,144,385	9,457,338	1,221,042	22,721,137
Accumulated depreciation						
Balance at beginning of the year	3,927,994	457,706	5,087,144	7,590,091	--	17,062,935
Charge for the year	332,938	37,191	225,601	450,366	--	1,046,096
Disposal	--	(300,000)	--	(360,035)	--	(660,035)
Balance at end of the year	4,260,932	194,897	5,312,745	7,680,422	--	17,448,996
Net book value	1,442,439	104	831,640	1,776,916	1,221,042	5,272,141

Work in process mainly includes costs incurred for leasehold improvements, furniture and fixture, and computers for which assets are still not available for use pending either completion of improvements or delivery of asset.

(Amounts in Saudi Riyals)

16. INTANGIBLE ASSETS

Cost	2021	2020
Balance at beginning of the year	**11,140,333**	10,373,893
Additions	**1,339,487**	766,440
Balance at end of the year	**12,479,820**	11,140,333
Accumulated amortisation		
Balance at beginning of the year	**(8,640,410)**	(7,216,557)
Charge for the year	**(943,339)**	(1,423,853)
Balance at end of year	**(9,583,749)**	(8,640,410)
Net book value	**2,896,071**	2,499,923

Intangible assets comprise of computer software purchased by the Company for its business and major upgrades in the computer software to meet business requirements.

17. SERVICING RIGHTS UNDER AGENCY ARRANGEMENTS

The Company enters into arrangements for servicing investment in finance leases on behalf of third parties. Such investment in finance leases represent instruments initially originated by the Company and subsequently sold to third party. The Company acts in the sole capacity of servicing agent represented by activities such as collection of lease finance receivable rentals on behalf of the principals. No credit risk is assumed by the Company throughout the period of servicing.

Assumptions and their sensitivity involved in the calculation of servicing rights under agency arrangements are as follows:

Discount rates
Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration Company's incremental borrowing rate.

Servicing costs
The Company assesses the cost of servicing including staff and other costs, to arrive at a base rate per contract.

18. ACCOUNTS PAYABLE

Accounts payable includes amounts pertaining to VAT payable to ZATCA, evaluation and other services provider companies.

19. ACCRUED EXPENSES AND OTHER LIABILITIES

	2021	2020
Employees' related expenses	**6,875,322**	7,192,528
Accrued annual maintenance charges	**3,013,577**	--
Provision for maintenance on finance lease contracts	**469,071**	424,800
Accrued legal and consultation fees	**492,500**	548,500
Servicing right liability	**347,195**	774,923
Accrued brokerage fees	**57,488**	57,738
Others	**411,773**	327,227
Total	**11,666,926**	9,325,716

(Amounts in Saudi Riyals)

20. PROVISION FOR ZAKAT AND INCOME TAX

Zakat is a levy as defined by the ZATCA in the Kingdom of Saudi Arabia on the Saudi shareholders. Income tax charge for the year has been calculated based on adjusted net income of the Company attributable to Non-Saudi shareholders at the rate of 20% per annum.

The Company has filed its zakat and income tax returns for the years from 2008 up to 2020 and have received final assessment up to 2018.

Prior years zakat settlement

For financial years 2008 – 2013, the files for these years were closed based on settlement agreed with the authority.

Furthermore, in February 2019, the Company received a settlement agreement from the GAZT to settle the outstanding assessments relating to zakat for the financial years from 2014 to 2017 and provided a settlement calculation method for financial year 2018. The Company accepted this settlement agreement and begun paying the amounts. The remaining balance to be paid as part of this settlement as of 31 December 2021 is SR 8.12 million (2020: SR 12.18 million).

The movements in the Company's provision for zakat and income tax for the year ended 31 December are as follows:

	2021	2020
Balance, beginning of the year	**24,644,795**	27,978,017
Provision for zakat for the current year	**9,694,054**	7,969,857
Provision for zakat for the previous years	**914,495**	--
Provision for income tax for the current year	**4,772,292**	4,764,834
Payment during the year	**(17,407,460)**	(16,067,913)
Balance, end of the year	**22,618,176**	24,644,795

The Company's provision for income tax for the year ended 31 December is computed as follows:

Income tax	**2021**	2020
Taxable net income	**113,625,994**	110,007,892
Non-Saudi portion of the adjusted net income	**23,861,459**	23,101,657
Non-Saudi share of utilized provisions previously added back to the taxable income	**--**	(607,353)
	23,861,459	22,494,304
Income tax for the year (20%)	**4,772,292**	4,498,861

(Amounts in Saudi Riyals)

21. DEFFERED TAX ASSETS

	31 December 2021	31 December 2020
Balance at the beginning of the year	**4,837,338**	4,563,723
Movement during the period	**(435,008)**	273,615
Balance at end of the year	**4,402,330**	4,837,338

The Company's deferred tax assets arise primarily from employees' end of service benefits liability, allowance for expected credit losses on investment in finance lease, murabaha financing, and depreciation of property and equipment.

2021	**Beginning balance**	**Recognised in the statement of income**	**Ending balance**
Deductible temporary difference			
Depreciation of property and equipment	**304,881**	**57,835**	**362,716**
Provision for end of service benefits liability	**351,616**	**(16,305)**	**335,311**
Provision for expected credit losses	**4,180,841**	**(476,538)**	**3,704,303**
Balance at end of the year	**4,837,338**	**(435,008)**	**4,402,330**

2020	**Beginning balance**	**Recognised in the statement of income**	**Ending balance**
Deductible temporary difference			
Depreciation of property and equipment	313,507	(8,626)	304,881
Provision for end of service benefits liability	393,830	(42,214)	351,616
Provision for expected credit losses	3,856,386	324,455	4,180,841
Balance at end of the year	4,563,723	273,615	4,837,338

22. TAWARRUQ FINANCING FACILITIES

	2021	2020
Current portion of facilities	**702,791,374**	1,091,739,856
Non-current portion of facilities	**1,946,175,830**	1,714,657,021
Total excluding financial charges	**2,648,967,204**	2,806,396,877
Accrued Tawaruq financing charges	**4,107,311**	13,486,900
Total including financial charges	**2,653,074,515**	2,819,883,777

This item represents the Tawarruq financing facilities from Arab National Bank (shareholder) ("ANB"), International Finance Corporation (Shareholder) ("IFC"), Gulf International Bank ("GIB"), Saudi National Bank ("SNB") and Saudi Refinance Company ("SRC") to finance the investments in finance lease.

All facilities are secured by promissory notes and assignment of contracts and proceeds from investments in finance lease, these facilities bear finance charges at interest margin plus 6 months/ 3 months SAIBOR. Facility repayment schedule is based on equal semi-annual or quarter payment.

(Amounts in Saudi Riyals)

22. TAWARRUQ FINANCING FACILITIES (CONTINUED)

The movements during the year ended 31 December are as follows:

	2021	2020
Balance as at beginning of the year	**2,819,883,777**	2,801,922,613
Borrowings made during the year	**200,000,000**	224,322,158
Repayment during the year	**(358,814,404)**	(212,369,801)
Finance charge accrued during the year	**74,077,401**	93,167,534
Finance charge repayments during the year	**(82,072,259)**	(87,158,727)
Balance as at end of the year	**2,653,074,515**	2,819,883,777

The outstanding balance for these facilities is as follows:

	2021	2020
Arab National Bank	**1,672,545,150**	1,832,298,936
Gulf International Bank	**411,908,999**	392,920,322
International Finance Corporation	**109,517,304**	140,784,894
Saudi National Bank	**357,742,546**	377,881,841
Saudi Real Estate Refinance Company	**101,360,516**	75,997,784
Total	**2,653,074,515**	2,819,883,777

The finance charge related to these facilities is as follows:

	2021	2020
Arab National Bank	**47,878,512**	62,159,970
Gulf International Bank	**11,034,082**	13,932,011
International Finance Corporation	**3,831,843**	6,317,122
Saudi National Bank	**9,497,653**	9,760,646
Saudi Real Estate Refinance Company	**1,835,311**	997,785
Total	**74,077,401**	93,167,534

(Amounts in Saudi Riyals)

22. TAWARRUQ FINANCING FACILITIES (CONTINUED)

Details of the facilities and outstanding balance thereon is as follows:

Maturity date		Facility amount	Outstanding balance	Current portion	Non-current portion
March 2022	ANB	500,000,000	27,739,411	27,739,411	--
June 2022	ANB	650,000,000	389,423,073	389,423,073	--
October 2023	ANB	500,000,000	351,685,308	15,985,696	335,699,612
October 2023	ANB	150,000,000	104,865,553	4,766,616	100,098,937
July 2023	ANB	400,000,000	233,768,789	12,778,822	220,989,967
August 2025	ANB	206,696,969	158,743,273	6,614,304	152128969
June 2026	ANB	500,000,000	211,919,764	8,710,322	203,209,442
June 2026	ANB	350,000,000	194,399,980	17,500,000	176899980
		3,256,696,969	**1,672,545,151**	**483,518,244**	**1,189,026,907**
Dec 2025	GIB	300,000,000	156,754,934	29,199,378	127,555,556
July 2023	GIB	150,000,000	132,009,434	6,009,434	126,000,000
June 2025	GIB	415,000,000	123,144,630	19,366,852	103,777,778
		865,000,000	**411,908,998**	**54,575,664**	**357,333,334**
September 2034	SNB	282,074,992	250,412,485	14,174,679	236,237,806
November 2034	SNB	50,602,850	45,574,571	2,562,149	43,012,422
January 2035	SNB	67,322,158	61,755,490	3,690,129	58,065,361
		400,000,000	**357,742,546**	**20,426,957**	**337,315,589**
August 2022	SRC	**250,000,000**	**101,360,516**	**101,360,516**	--
June 2025	IFC	**187,500,000**	**109,517,304**	**47,017,304**	**62,500,000**
Total		**4,959,196,969**	**2,653,074,515**	**706,898,685**	**1,946,175,830**

Tawarruq financing facilities are scheduled for repayment as follows:

Year	2021	2020
2021	--	1,105,226,756
2022	**706,898,685**	514,524,737
2023	**860,430,154**	796,900,026
2024	**123,891,637**	60,361,111
2025	**373,011,027**	65,555,556
2026	**331,527,422**	277,315,591
2027 – 2035	**257,315,590**	--
	2,653,074,515	2,819,883,777

(Amounts in Saudi Riyals)

23. END OF SERVICE BENEFITS

The Company operates an 'End of service benefit plan' for its staff based on the prevailing Saudi Labour Laws. As at 31 December 2021, actuarial valuation was carried out by the Company which estimated the plan liability to be SR 8.59 million.

The amounts recognized in the statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2021	2020
Defined benefit obligation at the beginning of the year	**8,371,800**	9,376,906
Current service cost	**1,527,171**	1,594,609
Interest cost on defined benefit obligation	**180,353**	292,441
Benefits paid to outgoing members during the year	**(808,795)**	(2,030,696)
Actuarial gain on obligation	**(672,116)**	(861,460)
Defined benefit obligation at the end of the year	**8,598,413**	8,371,800

Amounts charged to the statements of income and comprehensive income for the year are as follows:

	2021	**2020**
Current service cost	**1,527,171**	1,594,609
Interest cost on defined benefit obligation	**180,353**	292,441
Cost recognised in the statement of income	**1,707,524**	1,887,050
Actuarial gain on obligation recognised in OCI	**(672,116)**	(861,460)
Total defined benefit cost recognised during the year	**1,035,408**	1,025,590

The re-measurement recognised in other comprehensive income comprise of the following:

	2021	**2020**
(Gain) / loss from change in financial assumptions	**(138,389)**	141,771
Gain due to change in demographic assumptions	**(27,293)**	(496,240)
Gain from change in experience assumptions	**(506,434)**	(506,991)
Actuarial re-measurement of the defined benefit obligation	**(672,116)**	(861,460)

The principal actuarial assumptions in respect of the employee benefit scheme are as follows:

	2021	2020
Discount rate	**2.30%**	1.70%
Expected rate of salary increase	**2.30%**	5%
Normal retirement age	**60**	60

During 2021, the discount rate has been increased to SR 2.3% to reflect the current market yields of sovereign bonds considering the average duration of the defined benefit obligation of 7 years. Furthermore, management has decreased the expected salary increase rate to 2.3% based on the recent available trend on salary of the Company's employees.

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

(Amounts in Saudi Riyals)

23. END OF SERVICE BENEFITS (CONTINUED)

The maturity profile of the defined benefit obligation is as follows:

	2021	2020
Weighted average duration of the defined benefit obligation	**6.92**	7.38
Distribution of timing of benefit payments		
Year 1	**1,000,986**	929,036
Year 2	**1,569,037**	1,472,969
Year 3	**1,024,840**	981,220
Year 4	**1,088,959**	968,761
Year 5	**1,140,646**	1,033,132
Year 6-10	**5,429,734**	5,515,498

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December 2021 and 2020 to the discount rate and the expected rate of salary increase while other assumptions remain constant.

	2021	2020
Discount rate, +0.5%	**298,067**	(309,577)
Discount Rate, -0.5%	**(298,067)**	309,577
Expected rate of salary increase, +0.5%	**297,981**	251,859
Expected rate of salary increase, -0.5%	**(297,981)**	(251,859)

24. SHARE CAPITAL

The authorised, issued and fully paid share capital of the company consists of 100 million shares of SAR 10 each (2021: 100 million shares of SAR 10 each).

The ownership of the company's share capital is as follows:

	No. of shares	**Share capital**
Arab National Bank	40,000,000	400,000,000
Dar Al Arkan Real Estate Development Company	15,000,000	150,000,000
Kingdom Instalment Company	9,000,000	90,000,000
Youssef bin Abdullah Al Shalash	8,000,000	80,000,000
Tareq Mohammad Al Jarallah	6,000,000	60,000,000
Hathlool Bin Saleh Al Hathlool	6,000,000	60,000,000
International Finance Corporation	5,000,000	50,000,000
Abdulatif Bin Abdullah Al Shalash	5,000,000	50,000,000
Inma Almadaen Company	4,000,000	40,000,000
Daem Al Khaleej Company	2,000,000	20,000,000
Total	**100,000,000**	**1,000,000,000**

25. STATUTORY RESERVES

In accordance with the Company's By-laws, minimum 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the capital. This reserve is not available for dividend distribution.

(Amounts in Saudi Riyals)

26. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**2021**	2020
Employees' salaries and other benefits		**49,122,123**	49,473,859
Insurance expenses		**24,033,204**	15,193,707
Consultation fees		**4,161,122**	4,620,229
Depreciation and amortisation	*14,15,16*	**4,726,167**	5,201,437
Software support charges		**4,661,853**	2,854,603
Collection Commission		**2,691,025**	2,501,196
VAT expense		**3,834,307**	2,134,145
Telecommunication expenses		**942,739**	920,300
Bank charges		**446,982**	470,743
Recruitment related expenses		**428,947**	247,667
Repairs and maintenance		**408,415**	616,161
Travel expenses		**299,868**	372,548
Printing and stationary		**186,705**	163,631
Withholding tax		**66,190**	11,287
Impairment loss on other real estate	*13*	**62,163**	4,856,683
Provision against legal claim		**--**	1,718,488
Others		**1,978,320**	2,330,839
		98,050,130	93,687,523

Other expense mainly include provision for legal claims, subscription expenses and various expenses.

27. SELLING AND MARKETING EXPENSES

	2021	2020
Sales and title commission	**4,386,514**	2,634,637
Origination expenses	**3,847,967**	3,975,926
Evaluation fees	**3,558,881**	2,668,360
Marketing expenses	**273,039**	1,250,384
Others	**869,232**	881,041
	12,935,633	11,410,348

28. FINANCIAL RISK MANAGEMENT

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Credit and Risk Management Committee, which has the responsibility to monitor the overall risk process within the Company.

The Credit and Risk Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Credit and Risk Management Committee is responsible for managing risk decisions and monitoring on risk levels and reports on a quarterly basis to the Credit and Risk Management Committee.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

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

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

The Company seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. Management monitors the market value of collateral obtained during its review of the adequacy of the impairment allowance for credit losses. The Company regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The Company regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

i. Credit quality analysis

Amounts arising from ECL – Significant increase in credit risk

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

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

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

i. Credit quality analysis (continued)

The Company groups its net investments in finance lease and murabaha financing into Stage 1, Stage 2, Stage 3, as described below:

Stage 1: When the investments in finance lease and murabaha financing are first recognised, the Company recognises an allowance based on 12 months ECLs. Stage 1 investments in finance lease and murabaha financing also include those where the credit risk has improved and the investments in finance lease and murabaha financing has been reclassified from Stage 2.

Stage 2: When the investments in finance lease and murabaha financing has shown a significant increase in credit risk since origination, the company records an allowance for the Lifetime ECL. Stage 2 investments in finance lease and murabaha financing also include those where the credit risk has improved and the investments in finance lease and murabaha financing has been reclassified from Stage 3.

Stage 3: Investments in finance lease and murabaha financing considered credit-impaired. The Company records an allowance for the Lifetime ECL.

ii. Generating the term structure of PD

Days past due is the primary input into the determination of the PD term structure. The Company collects performance and default information about its credit risk exposures, analyses the relationships between its historical default rates and macro-economic factors. The key macro-economic indicators are gross domestic product based on purchasing power parity, general government gross debt and general government total expenditure apart from the relationship of multiple variables which were tested and used in the development of macroeconomic overlaid PD term structures.

iii. Determining whether credit risk has increased significantly

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

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company’s quantitative modelling. Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

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

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii. Determining whether credit risk has increased significantly (continued)

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

iv. Definition of 'Default'

The Company considers an investment in finance lease or financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default the Company considers indicators that are:

- qualitative- e.g., breaches of covenant;
- quantitative- e.g., overdue status and non-payment on another obligation of the same issuer to the Company;

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

v. Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The expected credit losses have been determined using three different, forward-looking scenarios – Baseline, Upturn and Downturn. The ECL for each of the scenario is calculated and weighted by the likelihood of that scenario occurring.

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

The Company has identified and documented key drivers of credit risk and credit losses for its portfolio and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. Listed below are the key independent variables selected on the basis of correlation used as at 31 December 2021.

- GDP based on purchasing-power-parity share of world total
- General government gross debt (% of GDP; and
- General government total expenditure (% of GDP).

(Amounts in Saudi Riyals)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

v. Incorporation of forward-looking information (continued)

The economic scenarios used as at 31 December 2021 included the following ranges of key macroeconomic variables:

Macroeconomic variable	**31 December 2021**
GDP based on purchasing-power-parity share of world total	Upside 30% Base case 40% Downside 30%
General government gross debt (% of GDP)	
General government total expenditure (% of GDP)	

Macroeconomic variable	**31 December 2020**
GDP based on purchasing-power-parity share of world total	Upside 30% Base case 40% Downside 30%
General government gross debt (% of GDP)	
General government total expenditure (% of GDP)	

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets and net investment in finance leases have been developed based on analyzing historical data over the past 10 years. The Company has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Macroeconomic variable	**Forecast calendar years used in 2021 ECL model**		
	2022	**2023**	**2024**
GDP based on purchasing-power-parity share of world total	1.20%	1.19%	1.18%
General government gross debt (% of GDP)	31.68	31.06%	32.22%
General government total expenditure (% of GDP)	31.41	30.86%	30.29%

Sensitivity of ECL allowance:
The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Company’s allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

(Amounts in Saudi Riyals)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

v. Incorporation of forward-looking information (continued)

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

Assumptions sensitized	**Impact to the 2021 ECL – increase / (decrease)**
Macro-economic factors:	
Decrease in GDP based on purchasing-power-parity share of world total by 10%	3,049,144
Increase in general government gross debt by 10%	370,257
Decease in general government total expenditure by 10%	14,472
Scenario weightages:	
Base scenario reduced by -10% with corresponding change in downside	431,095
Base scenario reduced by -10% with corresponding change in upside	(16,196)

vi. Measurement of ECL

The key inputs into the measurement of ECL are the following risk estimates:
- i. probability of default (PD);
- ii. loss given default (LGD); and
- iii. exposure at default (EAD).

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

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD based on the history of recovery rates of claims against defaulted counterparties. LGD estimation considers the structure, any sale of collateral, and recovery costs of any collateral that is integral to the financial asset and net investment in finance leases. Due to sparse historical defaults, the quantitative LGD estimates are adjusted based on expert judgement to arrive at the 25% final haircut of the collateral value and cost to liquidate.

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

(Amounts in Saudi Riyals)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

vi. Measurement of ECL (continued)

As described above, and subject to using a maximum of a 12-month PD for investments in finance lease and financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For portfolios in respect of which the Company has limited historical data or depending on the materiality of portfolio, qualitative adjustment is used to supplement any internally available data.

During the year, the Company performed ECL model validation exercise which resulted to the following updates in the model:

Parameter	Update
PD model	Segmentation has been updated to include demographics and typical risk characteristics of the customer.
Macroeconomic model	Multiple linear regression was performed with the latest available data.
LGD model	Cure rate and recovery rate have been updated and a 5% loss floor has been built into the model. Furthermore, LGD for deceased customers was increased from 75% to 100%.

c. Loss allowance

The following table shows reconciliations from the opening to the closing balance of the gross carrying amount of the investment in finance lease, murabaha financing, insurance claims receivable and related loss allowance accounts.

Investment in finance lease

		Lifetime ECL as at 2021		
Investments in finance lease - gross	**12 Month ECL**	**Not credit Impaired**	**Credit impaired**	**Total**
Opening balance at 1 January	**3,623,423,812**	**382,231,466**	**275,913,499**	**4,281,568,777**
Transfer to 12 Month ECL	**478,671,417**	**(292,043,648)**	**(186,627,769)**	**--**
Transfer to Lifetime ECL(not credit impaired)	**(210,127,661)**	**231,276,221**	**(21,148,560)**	**--**
Transfer to Lifetime ECL (credit impaired)	**(127,000,617)**	**(22,330,332)**	**149,330,949**	**--**
Ijara receivables that have been derecognized during the year	**(213,760,505)**	**(3,898,011)**	**--**	**(217,658,516)**
Net change for the year	**73,719,896**	**2,677,394**	**(63,001,219)**	**13,396,071**
Closing balance	**3,624,926,342**	**297,913,090**	**154,466,900**	**4,077,306,332**

(Amounts in Saudi Riyals)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Loss allowance (continued)

Investment in finance lease (continued)

Loss allowance	**12 Month ECL**	**Lifetime ECL as at 2021** Not credit Impaired	**Credit impaired**	**Total**
Opening balance at 1 January	**2,154,938**	**13,008,217**	**67,267,114**	**82,430,269**
Transfer to 12 Month ECL	**82,508**	**(75,338)**	**(7,170)**	**--**
Transfer to Lifetime ECL (not credit impaired)	**(59,679)**	**329,919**	**(270,240)**	**--**
Transfer to Lifetime ECL (credit impaired)	**(20,446)**	**(895,495)**	**915,941**	**--**
Reversal for the year	**(723,796)**	**(5,461,307)**	**(12,241,928)**	**(18,427,031)**
Closing balance	**1,433,525**	**6,905,996**	**55,663,717**	**64,003,238**

Investments in finance lease - gross	12 Month ECL	Lifetime ECL as at 2020 Not credit Impaired	Credit impaired	Total
Opening balance at 1 January	3,680,819,462	438,006,927	197,815,945	4,316,642,334
Transfer to 12 Month ECL	116,692,185	(112,719,420)	(3,972,765)	--
Transfer to Lifetime ECL (not credit impaired)	(174,263,012)	181,795,074	(7,532,062)	--
Transfer to Lifetime ECL (credit impaired)	(15,786,512)	(95,138,064)	110,924,576	--
Net change for the year	15,961,689	(29,713,051)	(21,322,195)	(35,073,557)
Closing balance	3,623,423,812	382,231,466	275,913,499	4,281,568,777

Loss allowance	12 Month ECL	Lifetime ECL as at 2020 Not credit impaired	Credit impaired	Total
Opening balance at 1 January	989,755	28,117,460	49,119,107	78,226,322
Transfer to 12 Month ECL	92,275	(87,781)	(4,494)	--
Transfer to Lifetime ECL (not credit impaired)	(103,888)	437,837	(333,949)	--
Transfer to Lifetime ECL (credit impaired)	(11,025)	(4,690,056)	4,701,081	--
Net (reversal) / charge for the year	1,187,821	(10,769,243)	13,785,369	4,203,947
Closing balance	2,154,938	13,008,217	67,267,114	82,430,269

Murabaha financing

Murabaha financing - gross	**12 Month ECL**	**Lifetime ECL as at 2021** Not credit Impaired	**Credit impaired**	**Total**
Opening balance at 1 January	--	--	--	--
Transfer to 12 Month ECL	**74,857,128**	--	--	**74,857,128**
Transfer to Lifetime ECL(not credit impaired)	--	--	--	--
Transfer to Lifetime ECL (credit impaired)	--	--	--	--
Net change for the year	--	--	--	--
Closing balance	**74,857,128**	--	--	**74,857,128**

Loss allowance	**12 Month ECL**	**Lifetime ECL as at 2021** Not credit Impaired	**Credit impaired**	**Total**
Opening balance at 1 January	--	--	--	--
Transfer to 12 Month ECL	--	--	--	--
Transfer to Lifetime ECL (not credit impaired)	--	--	--	--
Transfer to Lifetime ECL (credit impaired)	--	--	--	--
Net charge for the year	**70,991**	--	--	**70,991**
Closing balance	**70,991**	--	--	**70,991**

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

c. Loss allowance (continued)

Insurance claims receivables

Insurance claims receivable - gross	**12 Month ECL**	**Lifetime ECL as at 2021** Not credit Impaired	**Lifetime ECL as at 2021** Credit impaired	**Total**
Opening balance at 1 January	**29,327,623**	--	**20,526,394**	**49,854,017**
Net change for the year	**(6,611,883)**	--	**4,384,487**	**(2,227,396)**
Closing balance	**22,715,740**	--	**24,910,881**	**47,626,621**

Loss allowance	**12 Month ECL**	**Lifetime ECL as at 2021** Not credit Impaired	**Lifetime ECL as at 2021** Credit impaired	**Total**
Opening balance at 1 January	--	--	**15,394,795**	**15,394,795**
Net charge for the year	--	--	**9,516,086**	**9,516,086**
Closing balance	--	--	**24,910,881**	**24,910,881**

Insurance claims receivable - gross	12 Month ECL	Lifetime ECL as at 2020 Not credit impaired	Lifetime ECL as at 2020 Credit impaired	Total
Opening balance at 1 January	20,013,909	--	16,097,961	36,111,870
Net change for the year	9,313,714	--	4,428,433	13,742,147
Closing balance	29,327,623	--	20,526,394	49,854,017

Loss allowance	12 Month ECL	Lifetime ECL as at 2020 Not credit impaired	Lifetime ECL as at 2020 Credit impaired	Total
Opening balance at 1 January	--	--	12,098,311	12,098,311
Net charge for the year	--	--	3,296,484	3,296,484
Closing balance	--	--	15,394,795	15,394,795

d. Collateral

The Company in the ordinary course of lending activities hold collateral as security to mitigate credit risk in the investments in finance lease portfolio and murabaha financing. This collateral mostly include financial guarantees and real estate. The collateral is managed against relevant exposures at their net realizable values. For financial assets and investment in finance leases that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of collateral held as security for investments in finance lease that are credit-impaired as at 31 December are as follows:

Loan to Value (SAR 000)	**2021**	2020
Less than 50%	**14,830**	18,840
51-70%	**58,174**	71,441
More than 70%	**109,957**	121,299
Total	**182,961**	211,580

(Amounts in Saudi Riyals)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Management monitors the maturity profile of the Company's assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date to ensure that adequate liquidity is maintained. All liabilities are contractually payable on a current basis. The table below shows an analysis of undiscounted amount of financial assets and net investment in finance leases and liabilities according to their contractual maturities.

2021	**No contractual maturity**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets						
Cash and bank balances	**214,467,647**	**--**	**--**	**--**	**--**	**214,467,647**
Invest. in finance lease (gross)	**--**	**138,223,389**	**411,219,408**	**2,016,022,472**	**3,635,049,670**	**6,200,514,939**
Murabaha Financing	**--**	**1,756,084**	**5,268,253**	**28,097,347**	**80,722,912**	**115,844,596**
Other receivables, net	**5,387,365**	**3,668,085**	**22,715,740**	**5,108,449**	**--**	**36,879,639**
Advances to property owners	**--**	**11,716,500**	**--**	**--**	**--**	**11,716,500**
Due from related parties	**--**	**739,733**	**--**	**--**	**--**	**739,733**
Total assets	**219,855,012**	**156,103,791**	**439,203,401**	**2,049,228,268**	**3,715,772,582**	**6,580,163,054**

2021	**No contractual maturity**	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Liabilities						
Tawarruq financing facilities	**--**	**130,029,396**	**576,869,289**	**1,688,860,240**	**257,315,590**	**2,653,074,515**
Accounts payable	**5,387,365**	**2,030,036**	**--**	**--**	**--**	**7,417,401**
Advances received from customers	**--**	**7,969,186**	**--**	**--**	**--**	**7,969,186**
Acc. expenses and other liabilities	**--**	**11,319,731**	**--**	**--**	**--**	**11,319,731**
Total liabilities	**5,387,365**	**151,348,349**	**576,869,289**	**1,688,860,240**	**257,315,590**	**2,679,780,833**
Net	**214,467,647**	**4,755,442**	**(137,665,888)**	**360,368,028**	**3,458,456,992**	**3,900,382,221**

2020	No contractual maturity	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and bank balances	142,327,982	--	--	--	--	142,327,982
Invest. in finance lease (gross)	--	138,434,725	453,591,989	2,037,127,436	4,037,786,608	6,666,940,758
Other receivables, net	5,387,365	10,107,818	34,459,222	5,650,000	--	55,604,405
Advances to property owners	--	6,773,991	--	--	--	6,773,991
Due from related parties	--	633,377	--	--	--	633,377
Total assets	147,715,347	155,949,911	488,051,211	2,042,777,436	4,037,786,608	6,872,280,513

2020	No contractual maturity	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Tawarruq financing facilities	--	732,022,409	373,204,347	1,437,341,430	277,315,591	2,819,883,777
Accounts payable	5,387,365	2,719,013	--	--	--	8,106,378
Advances received from customers	--	4,396,874	--	--	--	4,396,874
Acc. expenses and other liabilities	--	8,550,793	--	--	--	8,550,793
Total liabilities	5,387,365	747,689,089	373,204,347	1,437,341,430	277,315,591	2,840,937,822
Net	142,327,982	(591,739,178)	114,846,864	605,436,006	3,760,471,017	4,031,342,691

(Amounts in Saudi Riyals)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as commission rates, and foreign exchange rates.

The following table depicts the sensitivity to a reasonable possible change in commission rates, with other variables held constant, on the Company's statement of income or equity.

			Sensitivity analysis		
	Increase/ decrease in basis points	Sensitivity of finance income	12 months or less	More than 12 months	Total
Investment in finance lease	+10	4,152,163	337,790	3,814,374	4,152,163
	-10	(4,152,163)	(337,790)	(3,814,374)	(4,152,163)

			Sensitivity analysis		
	Increase/ decrease in basis points	Sensitivity of finance charges	12 months or less	More than 12 months	Total
Tawarruq financing facilities	+10	7,804,782	1,983,405	5,821,377	7,804,782
	-10	(7,804,782)	(1,983,405)	(5,821,377)	(7,804,782)

Currency risk

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The principal or the most advantageous market is accessible by the Company. Financial instruments comprise of investment in finance leases and equity investment.

(Amounts in Saudi Riyals)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All financial assets (including lease receivables) and financial liabilities are measured at amortized cost, except for equity investment which is classified as FVOCI. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values except for net investments in finance leases and murabaha financing. The fair value of net investment in finance lease is determined using discounted cash flow technique using credit adjusted SIBOR and the contractual cashflow of the instrument. The expected rates are determined based on the risk profile of lease receivables and current commission rates.

Tawarruq financing facilities bear floating rate of interest based on SIBOR and hence, there is no material difference between the carrying value and fair value. Other financial liabilities such as accounts payable and accrued expenses and other liabilities approximate their fair values due to them being short-term in nature. There had been no inter-level transfers during the year.

The fair value of net investments in finance leases, murabaha financing, and investment are as follows:

		31 December 2021			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Net investments in finance leases	**4,013,303,094**			**4,261,039,169**	**4,261,039,169**
Murabaha Financing	**74,786,137**			**77,441,496**	**77,441,496**
Investment	**892,850**	**--**	**--**	**892,850**	**892,850**
Total		**--**	**--**	**4,339,373,515**	**4,339,373,515**

		31 December 2020			
	Carrying Value	Level 1	Level 2	Level 3	Total
Net investments in finance leases	4,199,138,508	--	--	4,458,298,049	4,458,298,049
Investment	892,850	--	--	892,850	892,850
Total		--	--	4,459,190,899	4,459,190,899

(Amounts in Saudi Riyals)

30. CAPITAL MANAGEMENT

The Company manages and controls its capital structure and liquidity needs in order to safeguard the Company's ability to meet its future obligations and growing plans and continue as a going concern. The Company monitors the adequacy of its capital using below measures:

	2021	2020
	Total capital ratio %	Total capital ratio %
Capital ratio	**22.53**	22.53

The capital ratio above is calculated by dividing the Company's total share capital with the weighted average total assets of the Company as at year-end.

The Company also raised Tawarruq financing to fund investments in finance lease and to help achieve the differential between cost of funds and financing income from net investment in finance lease

31. COMMITMENT AND CONTINGENCIES

The Company faces during its normal activity some lawsuits and other claims related to the nature of its activity, however, claims are unlikely to result from the outstanding lawsuits as at the financial statements date.

32. SUBSEQUENT EVENTS

No material events occurred after the reporting date that require adjustment or need to be disclosed the in the financial statements.

33. COMPARATIVE FIGURES

During the year, the Company has reclassified certain balances in the accounts within the statement of financial position and statement of comprehensive income. The reclassification was done to conform to the current year presentation and the impact to the overall financial statement's presentation is not material.

The following table shows the impact on each financial statement caption affected by the reclassification:

Statement of financial position

Financial statement caption	31 December 2020 (Before reclassification)	Reclassification	31 December 2020 (After reclassification)
Prepaid expenses and other assets	67,771,291	(55,604,405)	12,166,886
Other receivables, net	--	55,604,405	55,604,405

Statement of comprehensive income

Financial statement caption	31 December 2020 (before reclassification)	Reclassification	31 December 2020 (After reclassification)
Service fees, net	7,298,316	72,076	7,370,392
Asset sale income	--	368,398	368,398
Other income	655,474	(440,474)	215,000

34. BOARD OF DIRECTORS APPROVAL

These financial statements were approved by the Board of Directors on 30 Rajab 1443H corresponding to 3 March 2022.