AL YUSR LEASING AND FINANCING COMPANY

(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021 AND
INDEPENDENT AUDITOR'S REPORT

AL YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Independent auditor's report to the shareholders of Al-Yusr Leasing and Financing Company, A Saudi Closed Joint Stock Company

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – restatement of comparative figures

We draw attention to Note 35 to the accompanying financial statements which sets out the details of the restatement of comparative figures following a re-evaluation of the accounting treatment of certain transactions and balances recorded in the financial statements in the prior years. The impact of the misstatements on the 2020 comparative numbers and the statement of financial position as at 1 January 2020 have been reflected in these financial statements.

Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another firm of auditors whose report, dated 3 March 2021, expressed an unmodified opinion on those statements.

Independent auditor's report to the shareholders of Al-Yusr Leasing and Financing Company, A Saudi Closed Joint Stock Company (continued)

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

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-Laws, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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Independent auditor's report to the shareholders of Al-Yusr Leasing and Financing Company, A Saudi Closed Joint Stock Company (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

PricewaterhouseCoopers

Ali H. Al Basri
License Number 409

April 24, 2022

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTS
LICENSE NO 25
C.R 1010371622

AL YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2021	As at December 31, 2020 Restated*	As at January 1, 2020 Restated*
ASSETS				
Cash at banks	5	**14,846,580**	127,007,728	36,613,543
Prepayments, advances, and other receivables	7	**62,807,152**	43,411,177	57,254,828
Repossessed assets held for sale	10	**30,098,836**	10,951,890	5,378,432
Due from related parties	8.1.1	**556,138,324**	611,925,144	2,759,156
Margin deposits – restricted	6	**92,893,882**	122,262,294	238,794,799
Investment in Islamic financings, net	9	**1,710,571,093**	2,000,065,582	3,169,032,961
Investment in equity instruments carried at fair value through other comprehensive income ("FVOCI")	11	**892,875**	892,875	892,875
Intangible assets	14	**9,239,339**	1,955,843	3,449,446
Right-of-use assets	13.1	**25,086,813**	7,689,889	13,123,066
Investment properties	12	**8,851,500**	8,219,250	7,587,000
Property and equipment	15	**6,996,639**	6,056,297	10,054,780
Total assets		**2,518,423,033**	2,940,437,969	3,544,940,886
LIABILITIES AND SHAREHOLDERS' EQUITY				
Liabilities				
Borrowings payable on demand	19	**647,903,436**	1,176,243,980	1,382,988,911
Trade payables		**36,421,191**	22,753,429	36,959,028
Accruals, provisions, and other liabilities	16	**80,360,368**	81,899,488	55,759,423
Due to related parties	8.1.2	**21,966,162**	83,482,252	201,437,643
Zakat payable	17.3	**44,872,051**	37,682,556	31,210,105
Lease liabilities	13.2	**26,101,890**	4,898,582	8,874,853
Employees' post-employment benefits	18.1	**16,489,000**	17,754,000	21,414,000
Borrowings	19	**838,980,883**	778,687,903	1,203,649,416
Total liabilities		**1,713,094,981**	2,203,402,190	2,942,293,379
Shareholders' equity				
Share capital	20	**500,000,000**	500,000,000	500,000,000
Statutory reserve	21	**121,363,922**	114,331,750	98,512,706
Retained earnings		**180,791,057**	117,421,651	2,939,837
End of service benefits reserve		**3,173,073**	5,282,378	1,194,964
Total shareholders' equity		**805,328,052**	737,035,779	602,647,507
Total liabilities and shareholders' equity		**2,518,423,033**	2,940,437,969	3,544,940,886

*See note 35 for details regarding the restatement as a result of an error.

Chief Financial Officer | Managing Director | Chairman

The accompanying notes from 1 to 35 are an integral part of these financial statements.

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

	Notes	For the year ended December 31, 2021	2020 Restated*
Revenue			
Income from investment in Islamic financing, net	22	249,646,809	404,969,869
Other income	23	27,282,687	15,950,483
Total revenue		276,929,496	420,920,352
Operating expenses			
Salaries, wages, and other employee related costs	24	(110,509,922)	(96,551,579)
Depreciation and amortisation	25	(10,267,424)	(12,211,653)
Other operating expenses	26	(98,713,337)	(129,375,687)
Reversal of impairment on financial assets, net	27	117,528,257	140,062,738
Total operating expenses		(101,962,426)	(98,076,181)
Operating profit		174,967,070	322,844,171
Finance costs	28	(88,195,294)	(148,203,674)
Profit before zakat		86,771,776	174,640,497
Zakat expense	17.1	(16,370,198)	(16,450,055)
Net profit for the year		70,401,578	158,190,442
Other comprehensive (loss)/income			
Items of other comprehensive income that will not be reclassified subsequently to profit or loss			
(Loss)/gain on the re-measurements of employees' end of service termination benefits obligation	18.2	(2,109,305)	4,087,414
Other comprehensive (loss)/income for the year		(2,109,305)	4,087,414
Total comprehensive income for the year		68,292,273	162,277,856

*See note 35 for details regarding the restatement as a result of an error.

Chief Financial Officer	Managing Director	Chairman

The accompanying notes from 1 to 35 are an integral part of these financial statements.

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

	Notes	Share capital	Statutory reserve	Retained earnings	End of service benefit reserve	Total
Balance as at January 1, 2020 (before restatement)		500,000,000	98,512,706	542,734,751	1,194,964	1,142,442,421
Correction of errors (net of zakat)	35	-	-	(539,794,914)	-	(539,794,914)
Balance as at January 1, 2020 Restated	35	500,000,000	98,512,706	2,939,837	1,194,964	602,647,507
Net profit for the year – Restated	35	-	-	158,190,442	-	158,190,442
Other comprehensive income for the year		-	-	-	4,087,414	4,087,414
Total comprehensive income for the year - Restated	35	-	-	158,190,442	4,087,414	162,277,856
Transfer to statutory reserve – Restated	21,35	-	15,819,044	(15,819,044)	-	-
Loss from derecognition of portfolio sold to the Parent Company - Restated	29,35	-	-	(27,889,584)	-	(27,889,584)
Balance as at December 31, 2020 (Restated)	35	500,000,000	114,331,750	117,421,651	5,282,378	737,035,779
Net profit for the year		-	-	70,401,578	-	70,401,578
Other comprehensive loss for the year		-	-	-	(2,109,305)	(2,109,305)
Total comprehensive income/(loss) for the year		-	-	70,401,578	(2,109,305)	68,292,273
Transfer to statutory reserve	21	-	7,032,172	(7,032,172)	-	-
Balance as at December 31, 2021		500,000,000	121,363,922	180,791,057	3,173,073	805,328,052

Chief Financial Officer

Managing Director

Chairman

The accompanying notes from 1 to 35 are an integral part of these financial statements.

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

	Note	For the year ended December 31, 2021	2020 Restated*
Cash flows from operating activities			
Profit before zakat		**86,771,776**	174,640,497
Adjustments to reconcile net loss before zakat to net cash flows provided by operating activities:			
Depreciation and amortisation		**10,267,424**	12,211,653
Reversal of ECL allowance on financial assets		**(109,827,636)**	(134,651,233)
Finance income against fair value of margin deposits		**(794,960)**	(982,923)
Finance income on receivable against portfolio sold to the Parent Company		**2,931,291**	(2,893,314)
Provision on credit-impaired income		**10,396,487**	14,891,669
Fair value gain on investment properties		**(632,250)**	(632,250)
Finance cost		**88,195,294**	148,203,674
Income from reversal of long outstanding unidentified deposits and unclaimed insurance recoveries		**(2,876,521)**	(6,272,435)
Gain on modification of investment in Islamic financing, net		**(10,008,272)**	(24,418,058)
Gain on derecognition of lease liabilities		**(102,650)**	-
Provision for employees' post-employment benefits		**2,482,000**	2,695,000
Changes in working capital:		**76,801,983**	182,792,280
Change in operating assets and liabilities			
Other receivables and prepayments		**(14,817,039)**	7,655,468
Repossessed assets held for sale		**10,951,890**	5,378,432
Due from related parties		**52,855,529**	(634,162,256)
Margin deposit – restricted		**30,163,372**	117,515,428
Investment in Islamic financing, net		**364,256,138**	1,308,381,293
Trade payables		**13,667,762**	(14,205,599)
Accruals, provisions, and other liabilities		**1,337,401**	32,412,500
Due to related parties		**(61,516,090)**	(117,955,391)
Employees' post-employment benefits paid	18.1	**(6,351,305)**	(2,879,586)
Cash generated from operating activities before zakat paid		**467,349,641**	884,932,569
Zakat paid	17	**(9,180,703)**	(9,977,604)
Net cash generated from operating activities		**458,168,938**	874,954,965
Cash flows from investing activities			
Purchase of property and equipment	15	**(3,963,908)**	(429,186)
Addition to intangible assets	14	**(8,550,651)**	(244,317)
Net cash used in investing activities		**(12,514,559)**	(673,503)
Cash flows from financing activities			
Proceeds from borrowings		**585,315,377**	610,169,618
Repayment of borrowings		**(1,074,534,483)**	(1,263,548,967)
Repayment of lease liabilities		**(2,794,000)**	(5,056,780)
Finance cost paid		**(109,351,985)**	(125,451,145)
Net cash used in financing activities		**(601,365,091)**	(783,887,274)
Net (decrease)/increase in cash and cash equivalents		**(155,710,712)**	90,394,188
Cash and cash equivalents at beginning of the year		**121,006,026**	30,611,838
Cash and cash equivalents at end of the year		**(34,704,686)**	121,006,026
Non cash transactions			
Right of use assets		**24,199,800**	612,885
Lease liabilities		**24,199,800**	613,386

*See note 35 for details regarding the restatement as a result of an error.
The accompanying notes from 1 to 35 are an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 Legal status and operations

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

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

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

Al-Yusr Leasing and Financing Company
Salah Uddin Ayubi Street, Al Malaz
P.O. Box 25773
Riyadh 11476
Kingdom of Saudi Arabia

These financial statements were authorized for issue by the Company's Board of Directors on 23 April 2022
The Company has the following active branches and the results thereof are included in these financial statements:

Branch name	CR. No.	Date of issuance or cancelation of CR	Status of Branch as at December 31, 2021	2020
Riyadh-Damman Road	1010404025	9 Rabi' al-Thani 1435H	Active	Active
Riyadh-Exit 5	1010404022	9 Rabi' al-Thani 1435H	Active	Active
Riyadh-Exit 10	1010404068	9 Rabi' al-Thani 1435H	Active	Active
Riyadh-Exit 25	1010404018	9 Safar 1443H	Closed	Active
Riyadh-Khurais Road	1010404065	9 Safar 1443H	Closed	Active
Hafr Al Baten	2511020230	12 Thul-Qi'dah 1434H	Active	Active
Hail	3350037814	25 Safar 1434H	Active	Active
Sekaka	3400017706	13 Rabi' al-Thani 1435H	Active	Active
Tabouk	3550033063	5 Rabi' al-Thani 1435H	Active	Active
Dammam	2050098038	11 Rabi' al-Thani 1435H	Active	Active
Al Ihsaa	2252034974	12 Jumada al-Ula 1428H	Active	Active
Jeddah – Rowdah	4030170831	22 Jumada al-Akhirah 1428H	Active	Active
Jeddah – Al Jawahra	4030283344	22 Rabi' al-Awwal 1443H	Closed	Active
Makkah	4031060371	01 Thul-Qi'dah 1431H	Active	Active
Yanbu	4700017653	22 Rabi' al-Awwal 1443H	Closed	Active
Madinah Monawarah-Aziziah	4650055494	02 Jumada al-Ula 1433H	Active	Active
Khamis Mshait	5855044025	24 Jumada al-Akhirah 1433H	Active	Active
Jazan	5900027559	17 Rabi' al-Thani 1435H	Active	Active
Riyadh	1010442499	14 Jumada al-Ula 1437H	Active	Active
Madinah	1131051618	13 Rabi' al-Thani 1435H	Active	Active

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

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

- Certain financial assets and liabilities, investment properties – measured at fair value or revalued amount
- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell, and
- End of service benefits - measured using projected unit credit method under IAS-19.

2.3 Functional and presentation currency

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

2.4 Going concern

Due to restatements of prior year figures as mentioned in note 35, the Company has breached minimum net worth covenant with certain banks against financial facilities as at December 31, 2021, 2020 and as at January 1, 2020, as mentioned in note 19.7. This led to the reclassification of the non-current portion of these borrowings as well as other borrowings (due to cross default clauses) totaling SR 648 million at December 31, 2021 (December 31, 2020: SR 1,176 million and January 1, 2020: SR 1,382 million) from non-current liabilities to borrowings on demand as per the requirements of IAS 1 Presentation of Financial Statements. Subsequent to the financial position date, the Company has obtained waiver letters for non-compliance of financial covenants for the said facilities which will result in rectifying the other borrowings with cross default clauses. In addition, the management of the Company is currently re-negotiating the covenants with some of the banks which is still in progress.

The management is of the view that in line with the continuous improvements in the financial results of the Company during the years ended December 31, 2021 and 2020, it would be able to continue to improve the cash flows and financial performance of the Company, as it has signed new facility agreement post year end and it has shown strong collection and recoveries from its existing portfolio. In addition, the Company is in an advanced discussion with a financial institution to obtain additional medium-term funding.

Based on above analysis, the Company's management is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

3 Critical accounting judgments, estimates and assumptions

The preparation of the financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported 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 advices and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to the following judgments, estimates and assumptions. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

3 Critical accounting judgments, estimates and assumptions (continued)

3.1 Derecognition of financial assets

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

3.2 Determination of discount rate for present value calculations

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the tenure of the agreement and the individual risks of the underlying assets/counterparty. The discount rate is an estimate of the weighted average cost of capital of the Company based on market rates adjusted to reflect management's estimate of the specific risks relating to its operations. The management has exerted judgments in determining discount rates used in preparing these financial statements.

3.3 Actuarial valuation of employee benefits liabilities

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

3.4 Economic useful lives of property, equipment, and intangible assets

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

3.5 Right-of-use assets and lease liabilities

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

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

3 Critical accounting judgments, estimates and assumptions (continued)

3.6 Measurement of expected credit loss allowance

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

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

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

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

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

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

- Determining the criteria for a significant increase in credit risk.
- Choosing appropriate models and assumptions for measurement of ECL.
- Establishing the number and relative weighting of forward-looking scenarios for each type of industrial sector and associated ECL.
- Establishing a group of similar financial assets for the purpose of measuring ECL.

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

3 Critical accounting judgments, estimates and assumptions (continued)

3.6 Measurement of expected credit loss allowance (continued)

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

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

3.9 Fair value measurement and valuation process

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

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs for the fair value model.

3.10 Going concern

The Company has breached minimum net worth covenant with certain banks against financial facilities, as mentioned in note 2.4. This led to the reclassification of the non-current portion of these borrowings as well as other borrowings (due to cross default clauses) to borrowings on demand. In light of the conditions, the management has applied judgment and assessed the appropriateness of preparing the financial statements on a going concern basis and concluded that it is not aware of any material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

4 Summary of significant accounting policies

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

4.1 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 December 31, 2020 except for the new accounting policies introduced as part of the restatement of comparative figures (Note 35) and adoption of the following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after January 1, 2021. The management has assessed that the below amendments have no significant impact on the Company's financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

4 Summary of significant accounting policies (continued)

4.1 Change in accounting policies (continued)

New standards, interpretations and amendments adopted by the Company

Standard, interpretation, amendments	Description	Effective date
Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (IBOR) – Phase 2	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. The Company does not carry any financial instruments using IBORs as a reference rates and do not expect any impact on the Company's financial statement from the IBOR reforms.	Annual periods beginning on or after January 1, 2021
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after June 1, 2020

IBOR Transition (Interest Rate Benchmark Reforms):

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from January 1, 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase (2) - The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR.

The LIBOR administrator, Intercontinental Exchange (ICE) Benchmark Administration, is consulting on ceasing publication of all sterling LIBOR settings at the end of 2021, leaving just one year for firms to remove their remaining reliance on these benchmarks.

4 Summary of significant accounting policies (continued)

4.1 Change in accounting policies (continued)

IBOR Transition (Interest Rate Benchmark Reforms) (continued):

On 5 March 2021, the Financial Conduct Authority (FCA), the UK regulator, announced that all LIBOR settings for all currencies will either cease or no longer be representative immediately after the following dates:

- December 31, 2021, for Sterling, Euro, Swiss Franc and Japanese Yen LIBOR settings in all tenors, and US Dollar LIBOR 1-week and 2-month settings; and
- June 30, 2023, for US Dollar Overnight, 1-month, 3-month, 6-month and 12-month settings.

The Company does not carry any financial instruments using IBORs as a reference rates and do not expect any impact on the Company's financial statements from the IBOR reforms.

4.2 Cash and cash equivalents

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

4.3 Margin deposits

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

4.4 Leases

4.4.1 Lease arrangements where the Company is a lessor

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

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

4.4.2 Lease arrangements where the Company is a lessee

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

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

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

4 Summary of significant accounting policies (continued)

4.4 Leases (continued)

4.4.2 Lease arrangements where the Company is a lessee (continued)

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

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

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

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

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

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

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

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

4 Summary of significant accounting policies (continued)

4.4 Leases (continued)

4.4.2 Lease arrangements where the Company is a lessee (continued)

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

4.5 Revenue recognition

4.5.1 Income from Islamic financing, net

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

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

Investment in Islamic Financing is calculated by applying the EPR to the carrying amount of financial assets, except for:

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

4.5.2 Processing fee

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

4.5.3 Other operating income

Other operating income is recorded as when incurred.

4.6 Investment in Islamic financing, net

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

4.6.1 Ijara receivables

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

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

4 Summary of significant accounting policies (continued)

4.6 Investment in Islamic financing, net (continued)

4.6.2 Murabaha receivables

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

4.6.3 Tawarruq receivables

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

4.7 Financial instruments

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

4.7.1 Financial assets

4.7.1.1 Initial measurement

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

4.7.1.2 Classification

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

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value either FVOCI or FVTPL.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on:

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

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

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

4 Summary of significant accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.2 Classification

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

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

Equity instruments

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

4.7.1.3 Business model assessment

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

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the 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 realised.
- The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the 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.

4.7.1.4 Assessments whether contractual cash flows are solely payments of principal and profit

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

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument.

4 Summary of significant accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.4 Assessments whether contractual cash flows are solely payments of principal and profit (continued)

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 the cash flows from specified assets (e.g., non-recourse asset arrangements); and
- Features that modify consideration of the time value of money- e.g., periodical reset of profit rates.

4.7.1.5 Subsequent measurement

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

Subsequent measurement of debt instrument

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

i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit from these financial assets is calculated based on the effective yield method. Accordingly, net investment in leases and investment in Islamic financings has been classified as financial assets under amortised cost.

ii) Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, profit on financial instruments (finance income) and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

iii) Fair value through profit or loss ("FVTPL"): Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment, that is subsequently measured at FVTPL and is not part of a hedging relationship, is recognised in profit or loss.

Subsequent measurement of equity instruments

The Company subsequently measures all equity investments at FVTPL, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is opted for at the time of initial recognition, fair value gains or losses against such financial assets are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Company's right to receive payments is established. Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Company changes its business model for managing financial assets.

4 Summary of significant accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.6 Derecognition of 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.

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

4.7.1.7 Modification of financial assets

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

4.7.1.8 Reclassification

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

4.7.1.9 Impairment of financial assets

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

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

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

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

4 Summary of significant accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.9 Impairment of financial assets (continued)

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

The Company, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available, to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. Other instruments are considered as low risk and the Company uses a provision matrix in calculating the expected credit losses.

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

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

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

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

Financial assets are written off only when:

(i) the debt is at least one year past due;
(ii) the Company has attempted to recover and engaged in all relevant legal enforcement activities,
(iii) it is concluded that there is no reasonable expectation of recovery, and
(iv) the write-off is approved by the Board of Directors, or management to the extent delegated by the Board of Directors, at the recommendation of collections department based on conclusion above.

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

4 Summary of significant accounting policies (continued)

4.7 Financial instruments (continued)

4.7.1 Financial assets (continued)

4.7.1.11 Regular way contracts

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

4.7.2 Financial liabilities

4.7.2.1 Classification of financial liabilities

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

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

4.7.2.2 Initial measurement

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

4.7.2.3 Subsequent measurement

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

4.7.2.4 Derecognition of financial liabilities

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

4.7.2.5 Off-setting of financial assets and financial liabilities

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

4.7.3 Effective profit rate ("EPR")

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

4 Summary of significant accounting policies (continued)

4.8 Investment properties

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

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

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

4.9 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses if any. Amortisation is charged as disclosed in note 14 applying the straight-line method over the useful life of 4 years. Amortisation is charged from the month in which the asset is available for use, while no amortisation is charged for the month in which the asset is disposed-off.

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

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

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

4.10 Property and equipment

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

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

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

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

4 Summary of significant accounting policies (continued)

4.10 Property and equipment (continued)

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

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

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

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

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

4.11 Impairment of non-financial assets

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

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

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

4.12 Trade payables

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

4.13 Provisions

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

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

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

4 Summary of significant accounting policies (continued)

4.14 Zakat and value added tax

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

Value added tax

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

4.15 Borrowings

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

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

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

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

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

4.16 Employees' end-of-service benefits

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

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

4 Summary of significant accounting policies (continued)

4.16 Employees' end-of-service benefits (continued)

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

4.17 Other operating expenses

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

4.18 Proposed dividend and transfer between reserves

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

4.19 Government grants

The Company recognises a government grant related to income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants is intended to compensate.

4.20 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets for which fair value is disclosed in the annual financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4 Summary of significant accounting policies (continued)

4.20 Fair value measurement (continued)

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

4.21 Current vs. non-current classification

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

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

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

All other assets are classified as non-current.

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

All other liabilities are classified as non-current.

4.22 Net servicing asset or liability

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

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

Discount rates

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

4 Summary of significant accounting policies (continued)

4.22 Net servicing asset or liability (continued)

Servicing costs

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

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

4.23 Repossessed assets held for sale

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

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

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as real estate, vehicles. Collateral, unless repossessed, is not recorded on the 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 and vehicles are valued based on data provided by third parties such as professional valuators or based on housing price indices.

Collateral repossessed

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

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

(All amounts in Saudi Riyals unless otherwise stated)

5 Cash and cash equivalents

Cash and cash equivalents - For the purpose of statement of financial position:

	2021	2020 Restated*
Cash at banks	**14,846,580**	127,007,728

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

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

	2021	2020 Restated*
Cash at banks	**14,846,580**	127,007,728
Less: bank overdrafts (note 19)	**(49,551,266)**	(6,001,702)
	(34,704,686)	121,006,026

*The amounts disclosed are after the restatement for the correction of the error disclosed in note 35.

6 Margin deposits – restricted

	Note	2021	2020 Restated*
Margin deposits with banks	6.1	**94,975,375**	125,138,747
Less: Effect of discounting	6.2	**(2,081,493)**	(2,876,453)
		92,893,882	122,262,294

6.1 This amount represents the margin deposits placed by the Company according to certain securitisation and agency agreements entered into with banks as borrowings (Note: 19) amounting SR 84,843,234 as at December 31, 2021 (2020: SR 122,262,294). These margin deposits also include cash margin amounted to SR 8,050,648 as at December 31, 2021 (2020: Nil) with a bank against a letter of guarantee provided to Zakat, Tax and Customs Authority against a disputed VAT assessment related to prior years.

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

	Note	2021	2020 Restated*
Opening balance		**2,876,453**	3,859,376
Income during the year	23	**(794,960)**	(982,923)
		2,081,493	2,876,453

*The amounts disclosed are after the restatement for the correction of the error disclosed in note 35.

(All amounts in Saudi Riyals unless otherwise stated)

7 Prepayments, advances and other receivables

	Notes	2021	2020 Restated*
Other receivables from customers	7.1	**78,515,888**	72,097,273
Insurance claims receivable		**8,924,185**	9,043,256
Service assets		**3,566,913**	6,457,925
VAT receivable		**6,936,878**	-
Advance to suppliers – unsecured		**5,587,383**	2,294,061
Advances to employees		**622,677**	903,712
Prepaid rentals		**562,033**	399,963
Other prepayments and receivables		**3,833,966**	2,536,694
		108,549,923	93,732,884
Less: ECL allowance on other receivables	7.1	**(45,742,771)**	(50,321,707)
Total		**62,807,152**	43,411,177

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

	Note	2021	2020 Restated*
As at January 1,		**50,321,707**	44,133,524
(Reversal)/provision for ECL allowance	9.7	**(4,578,936)**	6,188,183
As at December 31,		**45,742,771**	50,321,707

* The amounts disclosed are after the restatement for the correction of the error disclosed in note 35.

(All amounts in Saudi Riyals unless otherwise stated)

8 Related parties balances and transactions

8.1 Related party balances

In the ordinary course of the company's activities, the company enters into business transactions with related parties. The following balances are outstanding at the years ended December 31, 2021 and 2020 in relation to transactions with related parties:

	Note	Nature of relationship	2021	2020 Restated*
8.1.1 Due from related parties				
- Abdullatif Alissa Group Holding Company	29	Parent Company	**453,619,998**	516,551,254
- Abdullatif Alissa Automotive Company		Affiliate	**99,671,727**	94,380,923
- Best Trading Company		Affiliate	**629,747**	629,747
- National Automotive Trading Company		Affiliate	**264,651**	264,651
- Alissa Universal Motor Company		Affiliate	**181,198**	98,569
- General Automotive Company (GACO)		Affiliate	**1,771,003**	-
			556,138,324	611,925,144
8.1.2 Due to related parties				
- Abdullatif Alissa Group Holding Company	29	Parent Company	**21,645,497**	23,161,587
- Abdullatif Alissa Automotive Company		Affiliate	-	60,000,000
- Aqar and Memar Real Estate Company		Affiliate	**320,665**	320,665
			21,966,162	83,482,252
8.1.3 Key management personnel (KMP)**				
(No. of KMP in 2021: 12 (2020: 7)				
Prepayments and other receivables		Advance to key management personnel	**142,777**	344,063
Accruals, provisions, and other liabilities		Accrued Directors' meeting attendance fee	**1,107,641**	845,675

(All amounts in Saudi Riyals unless otherwise stated)

8 Related parties' balances and transactions (continued)

8.2 Related party transactions made during the year

Name of related party	Nature of relationship	Nature of transaction	For the year ended December 31, 2021	2020 Restated*
Abdullatif Alissa Group Holding Company	Parent Company	Sale of certain receivables portfolios under investment in Islamic financing *(note 29)*	-	902,823,297
		Provision of ECL allowance transferred to the Parent Company on sale of certain receivables portfolios under investment in Islamic financing *(note 29)*	-	(361,783,793)
		Collections against the portfolio sold to the Parent Company	**(96,645,877)**	(23,161,587)
		IT cost allocated by the Parent Company and expensed out during the year	**(3,206,518)**	(357,195)
		Expense incurred by the Company on behalf of the Parent Company	**2,509,397**	1,292,758
		Expenses incurred by the Parent Company on behalf of the Company	**(4,202,697)**	(588,492)
Abdullatif Alissa Automotive Company	Affiliate	Vehicles purchases from the affiliate for the purpose of Islamic financing	-	125,295,980
		Bank borrowings related to the affiliate assumed by the Company during the year	**60,000,000**	-
		Expenses incurred by the affiliate on behalf of the Company	**(315,249)**	(11,978,593)
Alissa Universal Motor Company	Affiliate	Vehicles purchases from the affiliate for Islamic financing	-	166,358
		Expenses incurred by affiliate on behalf of the Company	**82,629**	-

(All amounts in Saudi Riyals unless otherwise stated)

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

8.2 Related party transactions made during the year *(continued)*

Name of related party	Nature of relationship	Nature of transaction	For the year ended December 31, 2021	2020 Restated*
General Automotive Company	Affiliate	Vehicles purchased from the affiliate for Islamic financing to the customers	**476,000**	-
		Payments made to the affiliate	-	(92,045,264)
		Finance cost charged by the affiliate	-	4,079,073
		Sales of repossessed vehicles assets through the affiliate	**6,748,406**	-
		Expenses incurred by the Company on behalf of the affiliate	**437,322**	6,674,161
Key management personnel**	-	Salaries and other short-term employee benefits	**7,160,134**	6,704,052
		Post-employment benefits (end of service benefits charged to profit or loss)	**543,965**	466,057
Key management personnel**	-	Directors' meeting attendance fee	**4,133,215**	3,608,641

*The amounts disclosed are after the restatement for the correction of the error disclosed in note 35.

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

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net

	Note	2021	2020 Restated*
Gross investment in Islamic financings		**2,579,930,537**	3,004,647,540
Unearned Islamic financing income		**(404,971,974)**	(443,958,405)
Unearned origination fee		**(3,580,821)**	(4,964,689)
	9.1	**2,171,377,742**	2,555,724,446
Less: Provision for ECL allowance		**(460,806,649)**	(555,658,864)
		1,710,571,093	2,000,065,582

* The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

9.1 Product-wise classification of investment in Islamic financing

	2021	2020 Restated*
Financial asset carried at amortised cost		
Murabaha	**692,671,497**	775,203,567
Tawarruq	**576,190,308**	241,029,338
Ijara	**902,515,937**	1,539,491,541
	2,171,377,742	2,555,724,446

* The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

9.2 Details of net investment in Islamic financings:

	Murabaha		Tawarruq		Ijara		Total	
	2021	2020 Restated*	2021	2020 Restated*	2021	2020 Restated*	2021	2020 Restated*
Gross investment in Islamic financing	779,284,007	906,049,050	791,235,895	305,039,152	1,009,410,635	1,793,559,338	2,579,930,537	3,004,647,540
Unearned Islamic financing income	(84,969,342)	(128,773,240)	(215,045,587)	(64,009,814)	(104,957,045)	(251,175,351)	(404,971,974)	(443,958,405)
	694,314,665	**777,275,810**	**576,190,308**	**241,029,338**	**904,453,590**	**1,542,383,987**	**2,174,958,563**	**2,560,689,135**
Unearned origination fees	(1,643,168)	(2,072,243)	-	-	(1,937,653)	(2,892,446)	(3,580,821)	(4,964,689)
Total	**692,671,497**	**775,203,567**	**576,190,308**	**241,029,338**	**902,515,937**	**1,539,491,541**	**2,171,377,742**	**2,555,724,446**

	2021	2020 Restated*
Provision for ECL	(460,806,649)	(555,658,864)
Net investment in Islamic financing	1,710,571,093	2,000,065,582
Current portion	1,002,870,067	1,237,667,708
Non-current portion	707,701,026	762,397,874
	1,710,571,093	2,000,065,582

*The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

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

	2021	2020 Restated*
Year 1	**700,763,047**	1,066,439,100
Year 2	**181,227,211**	405,461,187
Year 3	**106,633,031**	197,477,195
Year 4	**16,171,701**	110,601,361
Year 5 onwards	**4,615,645**	13,580,495
Gross investment in Ijara	**1,009,410,635**	1,793,559,338
Less: unearned income	**(104,957,045)**	(251,175,352)
Less: Unearned origination fees	**(1,937,653)**	(2,892,446)
Net investment in Ijara	**902,515,937**	1,539,491,540

*The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

9.4 Portfolio provision analysis for gross investment in Islamic financing:

December 30, 2021	Gross investment in Islamic financing	Provision for impairment	Expected loss rates
Not yet due	**1,030,278,275**	**29,409,078**	**3%**
1-90 days	**663,479,815**	**105,896,100**	**16%**
91-180 days	**50,237,470**	**13,331,053**	**27%**
181-365 days	**96,655,529**	**39,054,231**	**40%**
Above 365 days	**739,279,448**	**273,116,188**	**37%**
	2,579,930,537	**460,806,650**	**18%**

December 31, 2020 - Restated*	Gross investment in Islamic financing	Provision for impairment	Expected loss rates
Not yet due	894,015,641	48,310,537	5%
1-90 days	691,021,619	72,937,921	11%
91-180 days	201,432,518	35,677,388	18%
181-365 days	262,011,104	76,814,652	29%
Above 365 days	956,166,658	321,918,366	34%
	3,004,647,540	555,658,864	18%

*The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

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

9.5.1 Murabaha:

December 31, 2021	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Investment in Islamic financing receivables	**122,520,727**	**154,941,348**	**415,209,422**	**692,671,497**
Less: Provision for ECL allowance	**22,674,845**	**67,675,099**	**151,962,032**	**242,311,976**
Investment in Islamic financing receivables, net	**99,845,882**	**87,266,249**	**263,247,390**	**450,359,521**

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

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

9.5.1 Murabaha (continued)

December 31, 2020 Restated*	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Investment in Islamic financing receivables	105,211,669	41,820,340	628,171,558	775,203,567
Less: Provision for ECL allowance	33,124,592	18,644,495	237,710,087	289,479,174
Investment in Islamic financing receivables, net	72,087,077	23,175,845	390,461,471	485,724,393

*The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

9.5.2 Tawarruq:

December 31, 2021	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Investment in Islamic financing receivables	**514,625,697**	**33,709,488**	**27,855,123**	**576,190,308**
Less: Provision for ECL allowance	**16,842,058**	**12,254,232**	**11,160,663**	**40,256,953**
Investment in Islamic financing receivables, net	**497,783,639**	**21,455,256**	**16,694,460**	**535,933,355**

December 31, 2020 Restated*	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Investment in Islamic financing receivables	193,983,873	20,611,844	26,433,621	241,029,338
Less: Provision for ECL allowance	15,422,152	9,418,614	12,113,708	36,954,474
Investment in Islamic financing receivables, net	178,561,721	11,193,230	14,319,913	204,074,864

*The amounts disclosed are after the restatement for correction of the error disclosed in note 35

9.5.3 Ijara finance lease:

December 31, 2021	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Investment in Islamic financing receivables	**422,934,329**	**80,981,488**	**398,600,120**	**902,515,937**
Less: Provision for ECL allowance	**8,871,067**	**6,987,877**	**162,378,777**	**178,237,721**
Investment in Islamic financing receivables, net	**414,063,262**	**73,993,611**	**236,221,343**	**724,278,216**

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

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

9.5.3 Ijara finance lease (continued):

December 31, 2020 Restated*	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
Investment in Islamic financing receivables	733,672,844	187,887,540	617,931,156	1,539,491,540
Less: Provision for ECL allowance	20,671,312	23,967,290	184,586,614	229,225,216
Investment in Islamic financing receivables	713,001,532	163,920,250	433,344,542	1,310,266,324

*The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

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

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
As at January 1, 2021	69,171,028	51,983,010	434,504,826	555,658,864
Transfer from performing	(7,277,592)	5,019,180	2,258,412	-
Transfer from under-performing	14,454,001	(19,291,243)	4,837,242	-
Transfer from non-performing	20,775,417	16,416,427	(37,191,844)	-
Financial assets - settled	(2,1904,440)	(1,4671,216)	(99,275,311)	(135,850,967)
Financial assets originated	26,889,052	49,839,996	7,499,413	84,228,461
Changes in PDs/LGDs/EADs	(54,378,967)	(2,703,234)	(4,472,021)	(61,554,222)
ECL Overlays (Note 9.7.2)	-	-	11,931,011	11,931,011
ECL on income	-	-	6,393,503	6,393,503
	(21,442,529)	34,609,910	(108,019,595)	(94,852,214)
As at December 31, 2021	47,728,499	86,592,920	326,485,231	460,806,650

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
As at January 1, 2020 (Restated*)	118,664,133	140,164,400	783,638,174	1,042,466,707
Transfer from performing	(54,751,033)	16,754,306	37,996,727	-
Transfer from under-performing	34,593,775	(94,276,496)	59,682,721	-
Transfer from non-performing	11,710,327	6,454,019	(18,164,346)	-
Financial assets - settled	(12,581,558)	(24,400,833)	(446,025,052)	(483,007,443)
Financial assets originated	9,916,734	4,663,711	2,512,177	17,092,622
Changes in PDs/LGDs/EADs	(38,381,350)	2,623,903	7,111,066	(28,646,381)
	-	-	2,903,694	2,903,694
ECL Overlays (Note 9.7.2)	-	-	4,849,665	4,849,665
ECL on income	(49,493,105)	(88,181,390)	(349,133,348)	(486,807,843)
As at December 31, 2020 (Restated*)	69,171,028	51,983,010	434,504,826	555,658,864

(All amounts in Saudi Riyals unless otherwise stated)

9 Investment in Islamic financings, net (continued)

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

	Note	For the year ended December 31, 2021	For the year ended December 31, 2020 Restated*
Reversal of ECL allowance - investment in Islamic financing	9.7.2	**105,248,700**	140,839,416
Reversal / (provision for) ECL allowance - other receivables from customers	7.1	**4,578,936**	(6,188,183)
Recoveries after write-off	9.7.1	**7,700,621**	5,411,505
Net reversal		**117,528,257**	140,062,738

*The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

9.7.1 This includes recoveries from written-off balances in the previous years. The effect of 'recoveries after write-off', on calculating the LGD and consequently on the loss factor, has been considered consistently in the expected credit loss model. Considering the recoveries from previously written off balances, write-off to the extent of 0.0029% from outstanding balance which was past due for more than 2 years of respective contracts was recorded during the year ended December 31, 2021.

9.7.2 This included full provision on remaining exposure over and above the expected recovery through disposal of repossessed cars.

9.8 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 1,863 million (December 31, 2020: SR 2,599 million) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 1,007 million (December 31, 2020: SR 1,460 million). These Islamic financing receivables have not been derecognised from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk. The Company is liable to the repayments of its assigned receivables to local commercial banks in case of customers' default. The amount received on assignment of Islamic financing receivables has been recognised as Islamic bank financing in the statement of financial position.

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

9.9 Amounts written off still subject to enforcement activity

As of December 31, 2021, the receivables amount written off still subject to enforcement activity amounts to SR Nil million (2020: SR Nil).

9.10 Reconciliation of gross receivables:

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

	2021	2020 Restated*
Gross carrying amount as at January 1	**3,004,647,540**	5,010,660,550
Financial assets originated during the year (all stage 1)	**754,728,460**	260,096,515
Financial assets collections (significantly pertaining to stage 1 customers)	**(1,179,445,463)**	(1,363,286,228)
Portfolio sold to Parent Company – note 29	-	(902,823,297)
Gross carrying amount as at December 31	**2,579,930,537**	3,004,647,540

*The amounts disclosed are after the restatement for correction of the error disclosed in note 34.

9 Investment in Islamic financings, net (continued)

9.10 Reconciliation of gross receivables (continued):

During the year ended December 31, 2021, gross receivables of SR 2.15 million were transferred from stage 1 to stage 2 (2020: SR 5.07 million) and SR 4.53 million were transferred from stage 2 to stage 3 (2020: SR 107.17). An amount of SR 9.41 million was transferred from stage 2 to stage 1 (2020: SR 18.58) and an amount of SR 16.6 million was transferred from 3 to stage 1 (2020: SR 7.53).

9.11 Changes in assumptions including 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 Company has used GDP and Crude Oil growth rates as key macroeconomic factors giving a weight of 42% to GDP growth rate and 58% to Crude Oil growth rate factors. The macroeconomic factors have been updated based on the latest available information (as issued by IMF Oct'21 forecasts), where the average GDP and Crude Oil growth rates for the next three years are expected to be 0.86% and -0.87% respectively). The Company has incorporated the forecasts from IMF which are representatives of the current and projected macro-economic outlook.

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

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

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

9.12 Collateral

The Company in the ordinary course of its business holds collateral in respect of the Islamic financing (being the title of assets leased out) to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults. As at December 31, 2021, the Company held vehicles as collateral amounting to SAR 754 million (December 31, 2020: SR 1,367 million).

9.13 Finance leases agreements

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

(All amounts in Saudi Riyals unless otherwise stated)

10 Repossessed assets held for sale

	Notes	As at December 31, 2021	As at December 31, 2020 Restated*
Vehicles repossessed against investment in Islamic financing (Ijarah)			
Gross investment in Islamic financing	10.1	**43,983,776**	20,893,803
Less: Provision for impairment on financial assets	10.2	**(9,547,275)**	(7,909,911)
Net carrying amount		**34,436,501**	12,983,892
Fair value of vehicles repossessed	10.3	**27,106,227**	10,951,890
Additional provision for impairment on financial assets	10.4	**7,330,274**	2,032,002
Vehicles repossessed against other receivables			
Other receivables	10.5	**892,679**	-
Less: Fair value of vehicles repossessed	10.6	**2,992,609**	-
Other liabilities related to customers	10.7	**(2,099,930)**	-
Repossessed vehicles held for sale	10.3/10.6	**30,098,836**	10,951,890

*The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

10.1 This represents gross investment in Islamic financing receivables pertaining to customers whose past due balances exceed 150 days without any payments.

10.2 These represents provisions for expected credit loss allowance determined and accounted so far in the financial statements till the date of repossession of the vehicles and classification as held-for-sale.

10.3 These amounts represent the fair value of repossessed vehicles which are based on the independent valuations by an independent valuer, as engaged by the Company, who hold a recognised and relevant professional qualification and have recent experience in the category of the vehicles being valued. These fair values are determined at the date of initial recognition as vehicles which are subsequently classified as held-for-sale will be recovered principally through a sale transaction rather than through continuing use by the Company.

10.4 These amounts represent the additional provision for ECL allowance against the remaining exposures under the contracts with those customers from whom these vehicles, which are classified as held-for-sale, are repossessed as a consequence of foreclosures.

10.5 This represents other receivables pertaining to the customers whose past due balances (related to other income) exceed 150 days without any payments. These customers have already settled the balances due under their respective financing arrangement. However, other receivables like traffic violations, additional insurance cost, legal charges, vehicle registration charges, extra mileage etc. are not being settled yet.

10.6 This represents fair value of repossessed assets pertaining to the other receivables' customers.

10.7 This represents liabilities towards customers wherein the fair value of repossessed vehicles exceeds the related other receivables balances, and the Company is liable to refund all the extra sales proceeds after recovering its due balances as per the leasing agreements.

11 Investment in equity investments at FVOCI

During 2017, in accordance with instructions issued by Saudi Central Bank ("SAMA"), the Company has made an investment of SR 892,875 in 89,288 shares of Saudi Financial Lease Contract Registry Company (SIJIL) at the rate of SR 10 per share. This investment is not held for trading. Instead, it is held for the medium to long-term purposes. Accordingly, the Company has elected to designate this investment in equity instruments as at FVOCI. Due to the non-availability of the financial information relating to SIJIL in order to determine the fair value of investment in the aforementioned investee, the cost of the investment is considered to be the reasonable estimate of its fair value. As at December 31, 2021, the Company still holds 89,288 numbers of shares (December 31, 2020: 89,288 shares).

(All amounts in Saudi Riyals unless otherwise stated)

12 Investment properties

	Note	Real estate
Balance as of January 1, 2020 (Restated)*		7,587,000
Fair value gains during the year	23	632,250
Balance as of December 31, 2020 (Restated)*		8,219,250
Fair value gains during the year	23	632,250
Balance as of December 31, 2021		**8,851,500**

*The amounts disclosed are after the restatement for correction of the error disclosed in note 35.

12.1 These amounts represent fair values of two real estate properties which were acquired through as a partial settlement of a due financing from one customer. These properties are held by the Company for unintended use. The fair value of investment properties is based on a valuation performed by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The Company has accounted for fair value gain of SR 0.63 million in profit or loss for the year ended December 31, 2021 (2020: SR 0.63 million).

13 Right-of-use assets and lease liabilities

13.1 Right-of-use assets

	Note	Buildings
Cost		
Balance as at January 1, 2020		19,445,108
Additions during the year		612,885
Balance as at December 31, 2020		**20,057,993**
Additions during the year*		**24,199,800**
Right-of-use assets derecognised		**(826,173)**
Balance as at December 31, 2021		**43,431,620**
Accumulated Depreciation		
Balance as at January 1, 2020		(6,322,042)
Depreciation charge for the year	25	(6,046,062)
Balance as at December 31, 2020		**(12,368,104)**
Depreciation charge for the year	25	**(5,976,703)**
Balance as at December 31, 2021		**(18,344,807)**
Net book value as at December 31, 2020		7,689,889
Net book value as at December 31, 2021		**25,086,813**

*During the year 2021, the Company renewed its headquarters lease agreement for a period of 10 years with a yearly lease amount of SR 2.5 million.

13.2 Lease liabilities

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

	2021	2020
January 1	**4,898,582**	8,874,853
Additions	**24,199,800**	613,386
Interest on lease liabilities	**726,331**	467,123
Payments against lease liabilities (principal plus interest)	**(2,794,000)**	(5,056,780)
Termination	**(928,823)**	-
December 31	**26,101,890**	4,898,582

(All amounts in Saudi Riyals unless otherwise stated)

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

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

	2021		
	Current	**Non-current**	**Total**
Lease contracts obligations	**6,964,000**	**22,818,000**	**29,782,000**
Deferred financing cost	**(864,985)**	**(2,815,125)**	**(3,680,110)**
	6,099,015	**20,002,875**	**26,101,890**

	2020		
	Current	**Non-current**	**Total**
Lease contracts obligations	2,910,780	2,369,281	5,280,061
Deferred financing cost	(220,135)	(161,344)	(381,479)
	2,690,645	2,207,937	4,898,582

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

Year	2021 Minimum lease payments	2020 Minimum lease payments
2021	-	2,910,780
2022	**6,964,000**	1,310,780
2023	**3,644,000**	644,000
2024	**3,544,000**	414,000
2025	**3,130,000**	-
2026 and onwards	**12,500,000**	-
Finance cost	**(3,680,110)**	(381,478)
	26,101,890	4,898,082

13.3 The Company has charged short-term and low values leases amounted to SR 5.97 million as lease expenses directly to the statement of profit or loss during the year ended December 31, 2021 (2020: SR 6.04 million).

14 Intangible assets

	Note	Computer Software
Cost		
Balance as at January 1, 2020		11,725,727
Additions		244,317
Balance as of December 31, 2020		11,970,044
Additions		8,550,651
Balance as of December 31, 2021		**20,520,695**
Accumulated amortisation		
Balance as at January 1, 2020		(8,276,281)
Charge for the year	25	(1,737,920)
Balance as of December 31, 2020		(10,014,201)
Charge for the year	25	(1,267,155)
Balance as of December 31, 2021		**(11,281,356)**
As of December 31, 2020		1,955,843
As of December 31, 2021		**9,239,339**

(All amounts in Saudi Riyals unless otherwise stated)

15 Property and equipment

	Note	Furniture & Fixture	Office equipment	Leasehold improvements	Office Equipment – IT	Vehicles	Total
Cost							
Balance as at January 1, 2020		7,936,436	7,030,138	9,908,692	10,977,350	198,690	36,051,306
Additions during the year		10,445	67,211	120,682	230,848	-	429,186
Reclassification adjustments		(18,965)	58,393	(39,405)	(23)	-	-
Balance as of December 31, 2020		**7,927,916**	**7,155,742**	**9,989,969**	**11,208,175**	**198,690**	**36,480,492**
Additions during the year		169,353	329,150	695,270	2,770,135	-	3,963,908
Balance as of December 31, 2021		**8,097,269**	**7,484,892**	**10,685,239**	**13,978,310**	**198,690**	**40,444,400**
Accumulated Depreciation							
Balance as at January,1 2020		(7,221,550)	(6,311,943)	(7,432,422)	(4,996,601)	(34,010)	(25,996,526)
Charge for the year	25	(359,362)	(337,957)	(2,012,185)	(1,636,543)	(81,624)	(4,427,671)
Reclassification adjustments		19,735	(56,512)	36,777	2	-	2
Balance as of December 31, 2020		**(7,561,177)**	**(6,706,412)**	**(9,407,830)**	**(6,633,142)**	**(115,634)**	**(30,424,195)**
Charge for the year	25	(198,325)	(254,837)	(422,587)	(2,090,806)	(57,011)	(3,023,566)
Balance as of December 31, 2021		**(7,759,502)**	**(6,961,249)**	**(9,830,417)**	**(8,723,948)**	**(172,645)**	**(33,447,761)**
Net book value:							
As of December 31, 2020		**366,739**	**449,330**	**582,139**	**4,575,033**	**83,056**	**6,056,297**
As of December 31, 2021		**337,767**	**523,643**	**854,822**	**5,254,362**	**26,045**	**6,996,639**

(All amounts in Saudi Riyals unless otherwise stated)

16 Accruals, provisions, and other liabilities

	Notes	2021	2020 Restated*
Liabilities related to customers	16.1	**50,400,249**	56,401,377
Accrued salaries, wages and other benefits		**6,909,614**	8,598,559
Accrued insurance		**5,502,261**	-
VAT accrual		**1,729,934**	-
Accrued key management bonus and board remuneration	8.1.3	**1,107,641**	845,675
Other accruals, provisions, and liabilities	16.2	**14,710,669**	16,053,877
		80,360,368	81,899,488

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

16.1 'Liabilities related to customers' include unclaimed recoveries against insurance, advances from customers, as well as unidentified deposits from customers. The Company recognised balances outstanding for a long period of time as other income with an amount of SR 2.87 million as at December 31, 2021 (2020: SR 4.95 million).

16.2 These include legal provision of SR 7.58 million as at December 31, 2021 (2020: SR 5.97 million) made against the legal cases filed against the Company.

17 Zakat payable

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

17.1 Component of zakat base

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

	2021	2020 Restated*
Additions- balance at beginning of the year:		
Share capital	**500,000,000**	500,000,000
Equity and its equivalent and internal fund sources	**334,861,655**	286,825,305
Long-term loans and its equivalent	**422,850,278**	441,322,943
Sources of funds	**1,257,711,933**	1,228,148,248
Deductions- balances at the end of the year		
Property and equipment	**6,996,639**	6,056,297
Intangible assets	**9,239,338**	1,955,843
Investment's properties	**8,851,500**	8,219,250
ROU Assets	**25,086,813**	7,689,889
Long-term debts and its equivalent	**1,198,795,879**	1,388,789,980
Non-Zakatable assets	**1,248,970,169**	1,412,711,259
Total assets	**(2,518,423,033)**	(2,940,437,969)
Zakatable assets ("Total assets" less "Non-Zakatable assets")	**1,269,452,864**	1,527,726,710
Zakat base (Sources of funds * Zakatable assets / Total assets)	**633,970,542**	638,093,679
Zakat due at 2.58% "Provision for zakat during the year"	**16,370,198**	16,450,055

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

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

(All amounts in Saudi Riyals unless otherwise stated)

17 Zakat payable (continued)

17.2 Adjusted net income

	2021	2020 Restated*
Income before zakat and income tax	**86,771,776**	174,640,497
Adjustments:		
Provisions during the year	**2,977,000**	3,307,000
Adjusted net income for the year	**89,748,776**	177,947,497

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

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

	2021	2020 Restated*
Balance at the beginning of the year	**37,682,556**	31,210,105
Charge for the year	**25,811,393**	16,450,055
(Reversal)/ additional charge for prior years	**(9,441,195)**	-
Provision for zakat during the year	**16,370,198**	16,450,055
Payment during the year	**(9,180,703)**	(9,977,604)
Balance at the end of the year	**44,872,051**	37,682,556
Less: non-current portion	**6,650,344**	13,300,688
Current portion	**38,221,707**	24,381,868

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

17.4 Status of zakat assessments

The Zakat, Tax and Customs Authority ("ZATCA") has finalised the assessments for the years till 2013, and there are no outstanding zakat dues. In 2018, the Company received zakat assessments from ZATCA for the years 2014 to 2017, claiming zakat differences totaling Saudi Riyals 170.45 million as compared to zakat paid for those years.

The Company objected to those assessments and filed an appeal letter in due time. Early 2019, the Company has entered into a settlement agreement with ZATCA whereby ZATCA has reduced the assessed zakat liability for 2013 till 2017 (as mentioned above) to SR 41,564,652. This amount, as per settlement agreement, is agreed to be paid in installments with 1st installment, being 20% of the above agreed amount due within 5 days of the settlement agreement while rest of the amount is payable in 5 equals annually installments falling due from December 1, 2019 till December 1, 2023. Till the year ended December 31, 2021, the Company has made total agreed payments of SR 28,263,964 (2020: SR 21,613,618) against the above mentioned liability.

The Company has filed the Zakat return with ZATCA for the years till 2020. On June 14, 2021, the Company has filed its return for the year ended December 31, 2020 and obtained a certificate from the ZATCA valid until Ramadan 29, 1443H corresponding to April 30, 2022.

18 Employees' post-employment benefits

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

(All amounts in Saudi Riyals unless otherwise stated)

18 Employees' post-employment benefits (continued)

18.1 Amounts recognised in the statement of financial position

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

	Notes	For the year ended December 31, 2021	For the year ended December 31, 2020
As at January 1		**17,754,000**	21,414,000
Current service cost		**2,482,000**	2,695,000
Finance cost		**495,000**	612,000
Total amount recognised in profit or loss		**2,977,000**	3,307,000
Loss / (gain) from change in financial assumptions		**130,000**	(290,000)
Loss / (gain) resulting from experience adjustments		**1,979,305**	(3,797,414)
Loss / (gain) attributable to the re-measurements of employees' end of service termination benefits obligation		**2,109,305**	(4,087,414)
Settlements during the year		**(6,351,305)**	(2,879,586)
At December 31		**16,489,000**	17,754,000

18.2 Amount recognised in the statement of other comprehensive income

	Note	Year ended December 31, 2021	Year ended December 31, 2020
Loss/(gain) attributable to the re-measurements of employees' end of service termination benefits obligation		**2,109,305**	(4,087,414)

18.3 Significant actuarial assumptions

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

	December 31, 2021	December 31, 2020
Discount rate	**2.80%**	2.90%
Salary increase rate	**2.00%**	2.00%
Mortality table	**Saudi life table**	Saudi life table
Mortality rate	**0.29%**	0.35%
Employee turnover rate	**19.61%**	19.60%

(All amounts in Saudi Riyals unless otherwise stated)

18 Employees' post-employment benefits (continued)

18.4 Sensitivity analysis

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

	Sensitivity level % increase	Impact on termination benefit obligation	Sensitivity level % decrease	Impact on termination benefit obligation
December 31, 2021				
Discount rate	**1%**	**(1,262,000)**	**1%**	**1,482,000**
Salary increase rate	**1%**	**1,479,000**	**1%**	**(1,283,000)**
Mortality rate	**+ 1 year**	**(846)**	**- 1 year**	**169**
Employee turnover rate	**1%**	**(63,000)**	**1%**	**60,000**
December 31, 2020				
Discount rate	1%	(1,331,000)	1%	1,558,000
Salary increase rate	1%	1,557,000	1%	(1,354,000)
Mortality rate	+ 1 year	(452)	- 1 year	493
Employee turnover rate	1%	(68,000)	1%	64,000

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

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

The weighted average duration of the employees' end of service termination benefits obligation is 8 years. The expected maturity analysis of undiscounted employees' end of service termination benefits obligation is as follows:

	December 31, 2021	December 31, 2020
2021	-	2,109,000
2022	**1,988,000**	2,022,000
2023	**2,098,000**	2,575,000
2024	**2,231,000**	2,336,000
2025	**1,891,000**	2,091,000
2026 and thereafter	**49,963,000**	42,713,000
Total	**58,171,000**	53,846,000

(All amounts in Saudi Riyals unless otherwise stated)

19 Borrowings

		2021	2020 Restated*
Bank borrowings		**1,439,122,024**	1,928,341,130
Bank overdrafts		**49,551,266**	6,001,702
Accrued finance cost	19.2	**2,909,786**	27,706,436
Present value gain on profit free borrowings	19.5	**(4,698,757)**	(7,117,385)
		1,486,884,319	1,954,931,883
Borrowings payable on demand	19.7	**647,903,436**	1,176,243,980
Borrowings:			
Current portion		**539,136,030**	541,075,704
Non-current portion		**299,844,853**	237,612,199
Total borrowings		**838,980,883**	778,687,903

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

The Company has long-term financing facilities with banks to finance current and long-term funding needs, primarily to finance Islamic finance receivables, amounting to SR 3,615 million (2020: SR 5,530 million) of which SR 1,487 million was utilised as of December 31, 2021 (December 31, 2020: SR 1,954 million). These financing facilities, the majority of these financing facilities are repayable in three to four years in monthly, quarterly, or six-monthly installments. The Company is required to maintain margin deposits (as disclosed in Note 6). The cash cannot be withdrawn or used by the Company for liquidity purposes whilst the borrowing is still outstanding.

19.1 The movement schedule of borrowings is as follows:

	2021	2020 Restated*
Borrowings balance as at January 1	**1,954,931,883**	2,586,638,327
Additions to bank borrowings during the year	**707,440,424**	749,886,057
Payments made during the year	**(1,181,401,493)**	(1,386,381,408)
Finance cost on profit free borrowings	**5,913,505**	4,788,907
Borrowings balance as at December 31	**1,486,884,319**	1,954,931,883

19.2 Maturity profile

	2021	2020 Restated*
2021	-	1,516,137,541
2022	**1,089,257,399**	337,532,654
2023	**229,903,674**	77,416,234
2024	**121,303,246**	23,845,454
2025	**26,420,000**	-
2026 and onwards	**20,000,000**	-
	1,486,884,319	1,954,931,883

19.3 Unsecured financial facilities at amortised cost

	2021	2020 Restated*
Profit free deposits/loans	**115,821,344**	143,176,011

19.4 Secured financial facilities at amortised cost

	2021	2020 Restated*
Secured financial facilities at amortised cost	**325,646,355**	663,403,328

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

(All amounts in Saudi Riyals unless otherwise stated)

19 Borrowings *(continued)*

19.5 Gain on profit free borrowings

	2021	2020 Restated*
As at January 1	**7,117,385**	5,134,927
Additional - Government grant income	**3,494,877**	6,771,365
Finance cost incurred during the period	**(5,913,505)**	(4,788,907)
As at December 31	**4,698,757**	7,117,385

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

19.5.1 SAMA programs and initiatives launched

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME"). Under the program, the Company was required to defer repayments for a total of 24.5 months on lending and leasing facilities to eligible MSMEs. The initial deferment was announced for six months (March 2020 to September 2020) and subsequently extended several times for each quarter till March 2022.

The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company effected the payment reliefs for deferral by extending the tenure of the finance facilities with no additional costs to the customers. The accounting impact of changes in terms of the leasing facilities has been assessed and were as per the requirements of IFRS 9 as modification in terms of arrangement.

During December 2021, SAMA announced an extension of deferral program for an additional three-months for qualifying MSMEs that are still affected by the COVID-19 precautionary measures for the period from January 1, 2022 to March 31, 2022. The implementation of new deferral is in the process and the modification impact is expected to be immaterial to these financial statements.

The Company has received in total SR 130 million as profit-free deposit in various tranches with varying maturities from SAMA for the deferral program from March 2020 to Dec 2021. Based on the communication with SAMA, the management had determined that the deposits are primarily for the compensation of modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with accounting requirements for government grant. This resulted in recognition of grant income amounting to SR7.4 million for the whole deferment program from March 2020 to December 2021, based on certain judgements exercised by the management in the recognition and measurement of this grant income. During the year ended December 31, 2021, SR 2.9 million (December 2020: SR 1.3 million) has been charged to the statement of profit or loss as finance income related to profit-free deposit from SAMA.

19.5.2 SDB Loan

In order to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") by SDB and Monsha'at, The Company has received profit free loans from SDB amounting to 500 million during 2018 and 500 million during 2019 which qualify as government grants. These profit free loans will be settled over 36 monthly installments starting from March 2019 and August 2019 over a period of three year, respectively.

19.6 Working capital financing

The Company has obtained bank financial facilities from Islamic banks for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates up to 6%.

(All amounts in Saudi Riyals unless otherwise stated)

19 Borrowings *(continued)*

19.7 Breach of covenants

The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. The Company breached the covenants during the current period with three banks (2020: four banks) which led to the reclassification of the non-current portion of the loan from non-current liabilities to current liabilities amounting to SR 123.3 million as at December 31, 2021 (December 31, 2020: SR 385.3 million). The details of the borrowings with these banks are as follow:

Banks	**December 31, 2021**	**December 31, 2020 Restated***
Gulf International Bank	**5,874,215**	29,452,834
National Bank of Kuwait	**89,062,500**	-
Saudi Kuwaiti Finance House	**253,650,000**	223,483,328
Saudi British Bank (SABB)**	-	193,728,819
Bank Aljazira (BAJ)**	-	285,836,556
	348,586,715	732,501,537

Borrowings payable on demand also include an amount of SAR 299,316,722 (2020: SAR 443,742,443) relating to borrowings with cross default clauses (Refer to Note 2.4).

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

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

**For SABB and BAJ, there was no breach of related covenants in 2021 (2020: SABB and BAJ had a breach in covenant).

20 Share capital

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

	2021			**2020**		
	Holding %	No. of Shares	Amount	Holding %	No. of Shares	Amount
Abdullatif Alissa Group Holding Company ("Parent Company")	**99.8%**	**49,900,000**	**499,000,000**	99.8%	49,900,000	499,000,000
Gulf Development Company	**0.2%**	**100,000**	**1,000,000**	0.2%	100,000	1,000,000
Total	**100%**	**50,000,000**	**500,000,000**	100%	50,000,000	500,000,000

21 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income to a statutory reserve until such reserve equals to 30% of its share capital. Accordingly, SR 7 million (2020: SR 15.8 million) has been transferred from the net income for the year to the statutory reserve. This reserve is currently not available for distribution to the shareholders of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

22 Income from Islamic financing, net

	2021	2020 Restated*
Income from Murabaha	**37,159,508**	71,340,753
Income from Ijara	**134,779,072**	292,287,552
Income from Tawarruq	**77,708,229**	41,341,564
	249,646,809	404,969,869

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

23 Other income

		2021	2020 Restated*
Modification (loss)/income on receivable against portfolio sold to the Parent Company	29	**(2,931,291)**	2,893,314
Income from legal charges, net		**7,055,518**	1,042,784
Reversal of provisions, net		**4,000,002**	- -
Ijara product processing fees		**3,969,018**	3,230,598
Tawarruq product processing fees		**4,038,285**	2,504,272
Commission on transfer of vehicles ownership		**6,545,765**	12,145,914
Reversal of long outstanding unidentified deposits		**2,876,521**	4,951,671
Income from margin deposits	6	**794,960**	982,923
Administration fee on additional services to customers, net		**744,123**	575,172
Fair value gain on investment properties	12	**632,250**	632,250
Others **		**1,708,366**	241,538
Additional other insurance cost, net of collections		**(2,150,830)**	(13,249,953)
		27,282,687	15,950,483

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

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

24 Salaries, wages, and other employee benefits

	2021	2020
Salaries, wages, and other employee related costs	**106,376,707**	92,942,938
Chairman, Directors and Board committee fees	**4,133,215**	3,608,641
	110,509,922	96,551,579

25 Depreciation and amortisation

	2021	2020
Depreciation on right-of-use assets – note 13	**5,976,703**	6,046,062
Depreciation on property and equipment – note 15	**3,023,566**	4,427,671
Amortisation of intangible assets – note 14	**1,267,155**	1,737,920
	10,267,424	12,211,653

(All amounts in Saudi Riyals unless otherwise stated)

26 Other operating expenses

	2021	2020 Restated*
Insurance cost	**46,056,984**	89,816,656
Repair and maintenance	**10,042,211**	4,327,402
Legal, professional and consultancy fees	**9,899,058**	13,899,821
Telephone and postage	**5,892,579**	3,116,198
Professional expenses	**4,147,612**	3,512,184
Collection service expenses	**1,825,490**	1,790,864
Nonrefundable VAT expenses	**6,110,736**	(1,494,135)
Outsourcing - security & others	**4,098,803**	3,899,856
IT cost allocation	**4,049,936**	4,641,990
Rent expense	**1,897,756**	1,223,190
Advertising expenses	**1,093,111**	608,251
Stationery and printing	**462,756**	487,501
Other operating expenses	**3,136,305**	3,545,909
	98,713,337	129,375,687

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

27 Impairment on financial assets

	Note	For the year ended December 31, 2021	For the year ended December 31, 2020 Restated*
Reversal of ECL allowance - investment in Islamic financing		**105,248,700**	140,839,416
Reversal/ (provision for) ECL allowance - Other receivables from customers	9.7.1	**4,578,936**	(6,188,183)
Recoveries after write-off		**7,700,621**	5,411,505
Net reversal		**117,528,257**	140,062,738

During 2020 and 2021, the Company has gone through a significant collection drive on its portfolio of assets which has resulted in SAR 428 million and SAR 1.124 billion of collections in 2020 and 2021, respectively. Therefore, in addition to other factors, the reduction in gross carrying amount of financial instruments during 2020 and 2021 contributed to changes in the loss allowance. Additionally, in 2020, the Company has also sold Islamic financing receivables with no recourse to a Related Party (Refer: Note 29).

* The amounts disclosed are after the restatement for correction of error disclosed in note 35

28 Finance costs, net

	Notes	2021	2020 Restated*
Finance costs on borrowings		**51,132,447**	59,801,851
Finance cost on borrowings secured by sold Islamic financing receivables		**28,054,281**	71,022,715
Finance charges on overdraft		**4,759,497**	9,555,359
Finance cost charged by related parties		**-**	4,512,403
Accretion of finance cost on lease liabilities	13.2	**726,331**	467,123
Finance cost on end of service benefits' obligations	18.1	**495,000**	612,000
Other finance cost		**3,027,738**	2,232,223
		88,195,294	148,203,674

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

(All amounts in Saudi Riyals unless otherwise stated)

29 Transaction with Parent Company

During the year ended December 31, 2020, the Company has sold Islamic financing receivables with no recourse to Abdullatif Alissa Group Holding Company (the "Parent Company") amounting to the net of SR 536 million (gross receivables sold amounted to SR 903 million less provision of ECL allowance against the sold portfolio of SR 362 million). As per the agreement, the Parent Company is required to settle SR 536 million over ten semiannually instalments starting from March 2021 over a period of five years. As a result, the Company has incurred a loss of SR 27.9 million from the transaction sale date on September 30, 2020. Furthermore, the Company has collected two instalments amounting to SR 60 million during the year ended December 31, 2021 (2020: Nil).

29.1 Loss on derecognition

		As at December 31, 2020 Restated*
Gross value of Islamic financing receivables sold to the Parent Company		902,823,297
ECL allowance against the portfolio sold to the Parent Company		(361,783,793)
Net value of Islamic financing receivables sold to the Parent Company		541,039,504
Less: present value of receivables from parent	29.2	(513,657,937)
Add: net service liability cost	29.3	508,017
Loss on derecognition – equity		(27,889,584)

29.2 Loss on initial recognition

	As at December 31, 2020 Restated*
Gross amount of proceeds	536,000,000
Fair value (present value) on date of initial recognition	513,657,937
Loss on initial recognition at fair value	(22,342,063)

29.3 Loss service assets/liabilities

As per the agreement the Company performs collection services on behalf of the Parent Company for fee, which is on a reimbursement basis. As a result, the Company assessed the fair value of the agreement related service liabilities and service assets as detailed below:

	As at December 31, 2020 Restated*
Total service liability	(23,465,534)
Total service asset	22,957,517
Net liability	**(508,017)**

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

29.4 Due from Parent Company

	2021	2020 Restated*
Opening balance as at January 1	**516,551,254**	-
Fair value on date of initial recognition	-	513,657,937
Income during the period	**(2,931,256)**	2,893,317
Collection during the period	**(60,000,000)**	-
Closing the balance as at December 31	**453,619,998**	516,551,254

(All amounts in Saudi Riyals unless otherwise stated)

29 Transaction with Parent Company (continued)

29.5 Collections payable

	Notes	As at December 31, 2021	As at December 31, 2020 Restated*
Due to related parties:			
Collections payable to the Parent Company against sold portfolio		16,745,679	23,161,587

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

30 Contingency and commitments

Contingency

The Company has certain legal cases pending in courts against it. However, based on management's best estimate the recorded provision of SR 7.58 million as at December 31, 2021 (December 31, 2020 SR 5.97) is sufficient to cover any future liabilities that might result for the legal cases.

The Company has cash margin amounted to SR 8,050,648 as at December 31, 2021 (2020: Nil) with a bank against a letter of guarantee provided to Zakat, Tax and Customs Authority against a disputed VAT assessment related to prior years.

Capital commitments

There are no significant capital commitments at the statement of financial position date.

Operating leases commitments

The Company's operating leases commitments are only for branches office premises and are not considered as significant. Commitments for short term leases amounts to SR 6.09 million (2020: SR 2.69 million.

31 Fair values of financial assets and financial liabilities

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

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

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

31.1 Valuation models

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

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

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

31.2 Fair value hierarchy of financial assets and liabilities

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

31.3 Financial instruments by category

	Note	As at December 31, 2021	As at December 31, 2020 restated*
Financial asset – at amortised cost			
Cash at bank	5	**14,846,580**	127,007,728
Margin deposits – restricted	6	**92,893,882**	122,262,294
Other receivables	7	**62,807,152**	43,411,177
Due from related parties	8.1.1	**556,138,324**	611,925,144
Investment in Islamic financing, net	9	**1,710,571,093**	2,000,065,582
		2,437,257,031	2,904,671,925
Financial asset – at fair value through other comprehensive income			
Investments in equity instruments at FVOCI		**892,875**	892,875
Financial liabilities – at amortised cost			
Borrowings payable on demand	19	**647,903,436**	1,176,243,980
Trade payables		**36,421,191**	22,753,429
Accruals and other liabilities	16	**80,360,368**	81,899,488
Due to related parties	8	**21,966,162**	83,482,252
Provision for zakat	17.3	**44,872,051**	37,682,556
Lease liabilities	13.2	**26,101,890**	4,898,582
Borrowings	19	**838,980,883**	778,687,903
		1,696,605,981	2,185,648,190

* The amounts disclosed are after the restatement for correction of error disclosed in note 35.

(All amounts in Saudi Riyals unless otherwise stated)

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

31.4 Fair value hierarchy of non - financial assets

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

As at December 31, 2021	Note	Level 1	Level 2	Level 3	Total
Repossessed assets held for sale		-	30,098,836	-	30,098,836
Investment properties		-	8,851,500	-	8,851,500
		-	38,950,336	-	38,950,336

As at December 31, 2020 (restated)	Note	Level 1	Level 2	Level 3	Total
Repossessed assets held for sale		-	10,951,890	-	10,951,890
Investment properties		-	8,219,250	-	8,219,250
		-	19,171,140	-	19,171,140

32 Financial risk management

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

32.1 Risk management structure

32.1.1 Board of Directors

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

32.1.2 Credit and risk management committee

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

32.1.3 Audit committee

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

32 Financial risk management (continued)

32.2 Market risk

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

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

32.2.1 Currency risk

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

32.2.2 Profit rate risk

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

Financial liabilities of SR 336 million (2020: SR 529 million) are based on floating rates and not subject to profit rate swap and thus, a 100 basis points increase in profit rates could have approximately a SR 3.36 million (2020: SR 5.29 million) annual effect on the Company's profitability and equity. Similar decrease in profit rates will have an opposite impact on the Company's profitability and equity. The Company's management, through the CRMC, monitors the fluctuations in profit rates on a regular basis and takes appropriate measures to minimise the profit rates risk by adjusting lending rate for future contracts.

32.2.3 Price risk

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

32.3 Credit risk

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

Credit quality analysis

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

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

Credit quality analysis (continued)

An allowance for potential lease losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease installment that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history. However, the rating for the quality of the Company's investments cannot be determined because the customer base of the Company consist of small business for which such data is not readily available. The concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. The concentration of credit risk indicates the relative sensitivity of the Company's performance to the developments affecting a particular industry or geographic location. The Company's ten largest customers account form 11.23% (2020: 11.05%) of the outstanding balance of investment in Islamic financing as of December 31, 2021.

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

	Classification	As at December 31	
		2021	2020
Cash at banks	Amortised cost	**14,846,580**	127,007,728
Margin deposits – restricted	Amortised cost	**92,893,882**	122,262,294
Other receivables	Amortised cost	**62,807,153**	43,411,177
Due from related parties	Amortised cost	**556,636,043**	597,679,046
Net investment in Islamic financing	Amortised cost	**1,710,571,093**	2,000,065,582
		2,437,754,751	2,890,425,827

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

32.3.1 Investment in Islamic financing, net

Investment in Islamic financing (IIF) are exposed to significant credit risk. The Company has established procedures to manage credit exposure including evaluation of credit worthiness, formal credit approvals, assigning credit limits, and obtaining collateral such as personal guarantees for retail whereas tangible collateral for SME customers above 100% from the amount financed. The overall underwriting decision is based on the following key parameters:

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

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

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing, net (continued)

Staging Categorisation of financial assets

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

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

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

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

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

The assessment of credit risk of IIF also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD. The key inputs into the measurement of ECL are the term structure of the following variables:
i) probability of default (PD);
ii) loss given default (LGD);
iii) exposure at default (EAD).

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

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

Definition of default:

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

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing, net (continued)

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

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

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

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

Generating the term structure of EAD
EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current IIF receivables from the customer and potential changes to the current amount allowed under the lease contract including amortisation. The EAD of a IIF receivable is its carrying amount before allowance for impairment. As described above, and subject to using a maximum of a 12-month PD for the receivables for which credit risk has not significantly increased, the 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 installment.

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

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the 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 and including forward-looking information.

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in expectations related to earlier settlement).

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing, net (continued)

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

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

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

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

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

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

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

The base case represents a most-likely outcome and is aligned with information used by 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.

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing, net (continued

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The management has used inflation rates as the key macro-economic variable as of December 31, 2020 and January 1, 2021 to develop the

base case scenario which the management estimates are the best estimate of the forecasted macro-economic variable for determination of the PD. Predicted relationships between the key indicators and default and loss rates on various business sectors of the receivables have been developed based on analysing historical data over the past 10 to 15 years.

Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the receivable's credit risk has increased significantly reflects the comparison of:
- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

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

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing, net (continued)

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

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

	2021	**2020 (restated)**
Neither past nor due	**1,030,278,275**	894,015,641
Past due 1-30 days	**337,058,404**	392,721,889
Past due 31-60 days	**137,175,554**	175,991,515
Past due 61-90 days	**189,245,857**	122,308,215
Past due 91-180 days	**50,237,470**	201,432,518
Past due over 180 days	**835,934,978**	1,218,177,762
	2,579,930,538	3,004,647,540
Less: Unearned / deferred Islamic financing income	**(404,971,974)**	(443,958,405)
Less: Unearned origination fee	**(3,580,821)**	(4,964,689)
	2,171,377,743	2,555,724,446
Less: Provision for ECL allowance	**(460,806,650)**	(555,658,864)
Investment in Islamic financing, net	**1,710,571,093**	2,000,065,582
Total portfolio coverage ratio (%)	**26.9%**	27.8%

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

As at December 31, 2021	**Non-Performing**	**Provision for ECL allowance**	**Total net of provision**
Aging of Islamic financing receivables (Tawarruq) based on past due days			
90-180 days	7,634,608	3,014,640	4,619,967
180 to 270 days	3,205,480	1,268,812	1,936,668
270 to 360 days	2,104,004	829,429	1,274,575
360 to 450 days	1,777,423	703,222	1,074,201
450 to 540 days	2,038,587	810,868	1,227,719
540 to 630 days	1,749,103	697,623	1,051,480
630 and above days	9,345,918	3,836,069	5,509,849
	27,855,123	11,160,663	16,694,459

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing, net (continued)

As at December 31, 2021	Non-Performing	Provision for ECL allowance	Total net of provision
Aging of Islamic financing receivables (Murabaha) based on past due days			
90-180 days	10,293,792	5,596,030	4,697,762
180 to 270 days	3,427,181	1,766,483	1,660,698
270 to 360 days	40,924,511	22,660,878	18,263,633
360 to 450 days	3,815,375	1,987,003	1,828,372
450 to 540 days	4,355,919	2,121,724	2,234,195
540 to 630 days	2,965,095	1,514,828	1,450,267
630 and above days	349,427,549	116,315,086	233,112,463
	415,209,422	151,962,032	263,247,390

As at December 31, 2021	Non-Performing	Provision for ECL allowance	Total net of provision
Aging of Islamic financing receivables (Ijara) based on past due days			
90-180 days	24,942,438	4,720,382	20,222,056
180 to 270 days	15,240,504	5,345,854	9,894,650
270 to 360 days	19,825,701	6,914,526	12,911,175
360 to 450 days	11,006,906	4,741,995	6,264,911
450 to 540 days	12,992,925	5,670,093	7,322,832
540 to 630 days	15,754,959	7,137,303	8,617,656
630 and above days	298,836,687	127,848,624	170,988,063
	398,600,120	162,378,777	236,221,343

As at December 31, 2020 (Restated)	Non-Performing	Provision for ECL allowance	Total net of provision
Aging of Islamic financing receivables (Tawarruq) based on past due days			
90-180 days	8,713,557	3,903,970	4,809,587
180 to 270 days	3,687,801	1,650,375	2,037,426
270 to 360 days	4,382,138	1,983,872	2,398,266
360 to 450 days	5,141,944	2,344,368	2,797,576
450 to 540 days	2,039,598	1,030,746	1,008,852
540 to 630 days	1,694,414	841,974	852,440
630 and above days	774,169	358,403	415,766
	26,433,621	12,113,708	14,319,913

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.1 Investment in Islamic financing, net (continued)

As at December 31, 2020 (Restated)	Non-Performing	Provision for ECL allowance	Total net of provision
Aging of Islamic financing receivables (Murabaha) based on past due days			
90-180 days	69,207,761	18,290,371	50,917,390
180 to 270 days	35,468,635	16,271,788	19,196,847
270 to 360 days	63,060,047	32,270,662	30,789,385
360 to 450 days	44,476,669	21,560,385	22,916,284
450 to 540 days	27,444,363	12,668,820	14,775,543
540 to 630 days	44,563,321	12,743,779	31,819,542
630 and above days	343,950,762	123,904,282	220,046,480
	628,171,558	237,710,087	390,461,471

As at December 31, 2020 (restated)	Non-Performing	Provision for ECL allowance	Total net of provision
Aging of Islamic financing receivables (Ijara) based on past due days			
90-180 days	87,690,635	13,483,047	74,207,588
180 to 270 days	50,108,331	8,901,193	41,207,138
270 to 360 days	60,579,054	12,276,894	48,302,160
360 to 450 days	44,897,813	11,532,467	33,365,346
450 to 540 days	44,394,977	13,014,791	31,380,186
540 to 630 days	43,338,502	14,769,704	28,568,798
630 and above days	286,921,844	110,608,518	176,313,326
	617,931,156	184,586,614	433,344,542

Concentration of credit risk
The concentration of credit risk is the risk that the Company is exposed to if they invested all their assets in one sector or one industry. The Company's IIF receivables constitute Tawarruq personal financing to retail customers and SMEs, Muarabaha financing for SMEs and financial leases to retail customers. Concentrations of credit risk arise when a number of 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 affected similarly 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 manages its credit risk exposure through diversification of Islamic financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

Collateral held as security and other credit enhancements
The credit risks on gross amounts due in relation to the investment in Islamic financing is mitigated by holding collaterals which are either leased vehicles under Ijara financing or real-estate. Further, the gross carrying amount of investment in Islamic financing amounts against which collateral has been obtained amounted to SR 552 million as at December 31, 2021 (December 31, 2020: SR 1,147 million). The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.3 Credit risk (continued)

32.3.2 Cash and cash equivalents and margin deposits

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

Bank credit ratings

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

	2021	2020
Cash at bank:		
A-	**507,326**	77,471,880
BBB+	**13,367,729**	49,472,724
BBB	**971,525**	63,124
	14,846,580	127,007,728
– Restricted:		
A-	**58,507,367**	96,378,444
BBB+	**34,386,515**	25,883,850
	92,893,882	122,262,294
Grand total	**107,740,462**	249,270,022

32.3.3 other receivables from customers

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

The aging of "other receivables" is as follow:

	Note	2021	2020 (restated)
Neither past nor due		**1,042,362**	7,963,333
Past due 1-30 days		**661,149**	49,732
Past due 31-60 days		**4,010,605**	375,930
Past due 61-90 days		**1,532,779**	813,324
Past due 91-180 days		**1,247,338**	606,584
Past due over 180 days		**70,021,655**	62,288,370
		78,515,888	72,097,273
Less: Provision for ECL allowance		**(45,742,771)**	(50,321,707)
Net other receivables		**32,773,117**	21,775,566
Total other receivables coverage ratio (%) against ECL		**57.4%**	72.2%

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.4 Liquidity Risk

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

The Company's financial liabilities primarily consist of trade payables, due to related parties, borrowings and other payables and accruals. Trade payables, due to related parties, borrowings, and other payables and accruals aggregating SR 1,101 million (2020: SR 1,324 million) have a short-term maturity. The Company expects to have adequate liquid funds to settle its current liabilities through close monitoring of both current assets and current liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. The effect of discounting of liabilities with contractual maturity of less than 1 year is not considered material. Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring the statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

	Carrying amount	Less than 3 months including on demand	3-12 months	1-5 years	Total
Financial assets - commission bearing					
Investment in Islamic Financing - Gross	1,710,571,093	889,426,342	572,196,822	1,118,307,373	2,579,930,537
	1,710,571,093	889,426,342	572,196,822	1,118,307,373	2,579,930,537
Financial assets - noncommission bearing					
Cash at banks	14,846,580	14,846,580	-	-	14,846,580
Other receivables	62,807,152	26,639,041	33,871,307	48,039,575	108,549,923
Margin deposits	92,893,882	10,195,439	62,157,963	22,621,972	94,975,374
Due from related parties	556,138,324	45,000,000	45,000,000	488,518,364	578,518,364
Investment in equity instruments carried at FVOCI	892,875	-	-	892,875	892,875
	727,578,813	96,681,060	141,029,270	560,072,786	797,783,116
Total financial assets	2,438,149,906	986,107,402	713,226,092	1,678,380,159	3,377,713,653
Financial liabilities - commission bearing					
Lease liabilities	26,101,890	3,000,000	3,964,000	22,818,000	29,782,000
Borrowings	1,486,884,319	932,933,669	258,804,554	299,844,853	1,491,583,076
	1,512,986,209	935,933,669	262,768,554	322,662,853	1,521,365,076
Financial liabilities - non-commission bearing					
Trade payables	36,421,191	36,421,191	-	-	36,421,191
Accruals, provisions, and other liabilities	80,360,368	25,778,214	54,582,154	-	80,360,368
Due to related parties	21,966,162	16,745,679	5,220,483	-	21,966,162
Zakat payable	44,872,051	-	38,221,707	6,650,344	44,872,051
	183,619,772	78,945,084	98,024,344	6,650,344	183,619,772
Total financial liabilities	1,696,605,981	1,014,878,753	360,792,898	329,313,197	1,704,984,848

(All amounts in Saudi Riyals unless otherwise stated)

32 Financial risk management (continued)

32.4 Liquidity Risk (continued)

	December 31, 2021				
	Carrying amount	Less than 3 months including on demand	3-12 months	1-5 years	Total
Net financial assets:					
Commission bearing	197,584,884	(46,507,327)	309,428,268	795,644,520	1,058,565,461
Noncommission bearing	543,959,041	17,735,976	43,004,926	553,422,442	614,163,344
	741,543,925	(28,771,351)	352,433,194	1,349,066,962	1,672,728,805

	Carrying amount	Less than 3 months including on demand	3-12 months	1-5 years	Total
Financial assets - commission bearing					
Investment in Islamic Financing - Gross	2,000,065,582	1,064,279,183	730,914,081	1,209,454,276	3,004,647,540
	2,000,065,582	1,064,279,183	730,914,081	1,209,454,276	3,004,647,540
Financial assets - noncommission bearing					
Cash at banks	127,007,728	127,007,728	-	-	127,007,728
Other receivables	43,411,177	17,772,636	22,071,628	53,888,620	93,732,884
Margin deposits	122,262,294	26,381,702	26,461,663	72,295,383	125,138,748
Due from related parties	611,925,144	30,000,000	30,000,000	574,266,207	634,266,207
Investment in equity instruments carried at FVOCI	892,875	-	-	892,875	892,875
	905,499,218	201,162,066	78,533,291	701,343,085	981,038,442
Total financial assets	2,905,564,800	1,265,441,249	809,447,372	1,910,797,361	3,985,685,982
Financial liabilities - commission bearing					
Lease liabilities	4,898,582	727,695	2,183,085	2,369,281	5,280,061
Borrowings	1,954,931,883	1,418,952,138	305,484,931	237,612,199	1,962,049,268
	1,959,830,465	1,419,679,833	307,668,016	239,981,480	1,967,329,329
Financial liabilities - noncommission bearing					
Trade payables	22,753,429	22,753,429	-	-	22,753,429
Accruals, provisions, and other liabilities	81,899,488	24,979,703	56,919,785	-	81,899,488
Due to related parties	83,482,252	83,161,587	320,665	-	83,482,252
Zakat payable	37,682,556	-	24,381,868	13,300,688	37,682,556
	225,817,725	130,894,719	81,622,318	13,300,688	225,817,725
Total financial liabilities	2,185,648,190	1,550,574,552	389,290,334	253,282,168	2,193,147,054

Net financial assets:					
Commission bearing	40,235,117	(355,400,650)	423,246,065	969,472,796	1,037,318,211
Noncommission bearing	679,681,493	70,267,347	(3,089,027)	688,042,397	755,220,717
	719,916,610	(285,133,303)	420,157,038	1,657,515,193	1,792,538,928

(All amounts in Saudi Riyals unless otherwise stated)

33 Capital risk management

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

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes for managing capital during the years ended December 31, 2021 and 2020.

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

	2021	**2020**
Aggregate financing to capital ratio (Net investment in Islamic financing divided by total equity)	**2.12 times**	2.77 times

34 Impact of COVID-19 on expected credit losses ("ECL") and Saudi Central Bank (SAMA) programs

34.1 Impact of COVID-19

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience "fourth wave" and its different variants of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns, and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government.

The Company's business operations have shown improvement in disbursements in the current year after showing a decline during the year 2020. On the other hand, the collection recovery percentages of the Company have achieved the same levels as it was the case pre-COVID-19. This is mainly due to the reason that majority of the retail customer base is Government employees. From a liquidity perspective, owing to regular collections, the Company has sufficient liquidity available and therefore the Company is not significantly exposed to liquidity risk. Based on these factors, the Company's management believes that the COVID-19 pandemic has had its impact on the profitability of the Company, only due to ECL and reduced disbursals, however, this is expected to be temporary. Therefore, if the COVID-19 pandemic situation arises with lockdown restrictions being re-imposed, this may impact the profitability of the Company in view of the reduction in loan bookings compared to the previous period and may also have an impact on the collections from higher buckets dues. The Company's management continues to monitor the situation closely and will modify its strategy based on the prevalent situation as may be required. The prevailing economic conditions do require the Company to continue to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily involves adjusting macroeconomic factors used by the Company in the estimation of ECL and haircut percentages applied to facilities with real estate as collateral as at December 31, 2021. The Company will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

The Company continues to be cognizant of both the micro and macroeconomic challenges that COVID-19 has posed, and it is confident that the business model of the Company has steered clear of the difficulties and has proven its strength. On a continued basis, the management is closely monitoring its exposures at a granular level and will adjust its policy to reflect any change in the conditions.

(All amounts in Saudi Riyals unless otherwise stated)

34 Impact of COVID-19 on expected credit losses ("ECL") and Saudi Central bank (SAMA) programs *(continued)*

34.2 Saudi Central Bank (SAMA) programs and initiatives launched

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H.

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till December 2021 announced subsequently, the Bank deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Programs	Type	Instalment deferred / Tenor extended (SR million)	Cost of deferral / extension (SR million)
April 2020 – September 2020	Instalments deferred	43,042,190	20,363,439
October 2020 – December 2020	Instalments deferred	21,065,631	9,168,712
January 2021 – March 2021	Instalments deferred	16,865,930	7,763,781
April 2021 – June 2021	Tenor extension	18,506,083	8,039,961
July 2021 – September 2021	Tenor extension	16,304,045	7,348,182
October 2021 – December 2021	Tenor extension	18,574,691	6,766,065

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

This resulted in total modification losses due to collection deferment amounting to SR 59.45 million of which SR 29.92 million are recovered through unwinding of these losses during the year ended December 31, 2021 (2020: SR 29.53 million). These losses have been accounted for under investment in Islamic financing with corresponding impact on income from investment in Islamic financing.

The Company continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk for assessment of impairment of financial assets on its portfolio. As disclosed in note 19, in order to compensate the related cost that the Company is expected to incur under the SAMA program, the Company received profit free deposits from SAMA (Note 19).

34.4 Monsha'at – Indirect Lending Initiative (which in substance is part of the SAMA program and initiatives launched)

In line with Government's initiatives to support MSMEs during the pandemic, Monsha'at also announced a 12-month moratorium of loan instalments due from MSMEs with no extensions. The Company has affected the payment reliefs by extending the tenure of the finance facilities from March 2020 for a period of one year, with no additional costs to the customers. The accounting impact of changes in terms of the finance lease and Murabaha contracts has been assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

This resulted in total modification losses due to collection deferment amounting to SR 10.44 million of which SR 2.22 million are recovered through unwinding of these losses during the year ended December 31, 2021 (2020: SR 8.22 million). These losses have been accounted for under investment in Islamic financing with corresponding impact on income from investment in Islamic financing.

35 Prior year adjustments and comparative information

Management has re-evaluated the accounting treatment of certain transactions and balances recorded in the financial statements in the prior years to determine if such transactions and balances have been accounted for appropriately under International Financial Reporting Standards ("IFRS ") as endorsed in the Kingdom of Saudi Arabia. Where necessary, adjustments were made in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" as endorsed in the Kingdom of Saudi Arabia.

As a result, management restated the comparatives to correct the errors detailed below in the financial statements for the year ended 31 December 2021 as prior year restatements.

A) Derecognition of Net Investment in Islamic Financing

In prior years the Company entered into factoring arrangements with certain financial institutions in respect of its finance lease receivable. The Company accounted for the factoring arrangements as a sale of receivables without recourse and as such derecognised the finance lease receivables.

During the year ended December 31, 2021, management reassessed the accounting of the factoring arrangements considering the contractual terms as set out below, obtained a legal opinion with respect to the arrangement and judged that the arrangement is not a sale/assignment of the finance lease receivables and the contractual right to the cash flows from the finance lease receivables has not expired.

In terms of the contractual terms, management noted the following:

- It was determined that the arrangements are considered passthrough arrangements and not a transfer of cash flow.
- The Company has a contractual obligation to pay the amount due as per the collection schedule agreed with the financial institutions irrespective of whether those amounts are collected from the assigned finance lease receivables.
- It was noted in the contractual terms that if the customer terminates the contract or defaults or repossesses the leased asset - the Company is required to pay the amount which the customer would have been required to pay in absence of the termination of the contract/default.
- Furthermore, in the event a customer prepays any amount which is subject to the sold receivables the Company is obligated to pay the amount which the customer would have been required to pay had the customer not prepaid the amount before the due date, the Company is exposed to prepayment risks.
- In one of the contracts, the Company has a repurchase option which is exercisable 6 months from the date of the service agreement.
- It was noted that in other contracts, the Company is required to maintain a cash reserve account with the financial institution to meet any shortfalls on payments not made by the customers.

Management considered the derecognition of requirements in IFRS 9 - Financial Instruments ("IFRS 9") as endorsed in the Kingdom of Saudi Arabia by the Saudi Organisation for Chartered and Professional Accountants ('SOCPA') and judged that the arrangement does not meet the 'pass-through arrangement'. The Company is required to pay the amount due as per the collection schedule agreed with the financial institutions irrespective of whether those amounts are collected from the customers which would result in no derecognition. Further, the entity has retained substantially all the risks and rewards with respect to the finance lease receivables. As such, the Company should not have derecognised the finance lease receivables in the financial statements. The prior year comparatives have been adjusted to reinstate their finance lease receivables, reverse the related gain and recognising the financing from the financial institutions and ensure the finance lease receivables are accounted for appropriately in IFRS 9 as endorsed in the Kingdom of Saudi Arabia.

The full impact of the adjustment has been included in the below table.

35 Prior year adjustments and comparative information *(continued)*

B) Modification gains/(losses) from restructuring certain investment in Islamic financing

In prior years, management restructured/modified a number of Islamic financing agreements with its customers by extending the repayment terms of the receivables and considering such modifications as extinguishments. Management reassessed the modifications and judged the extension of repayment terms does not result in the derecognition of the receivables in accordance with the requirement of IFRS 9 as endorsed in the Kingdom of Saudi Arabia. The prior year financial statements did not reflect the modification of the terms of the Islamic financing agreements in the financial statements. Management did not recalculate the revised gross carrying amount of the restructured receivable and consequently no modification loss was recognised in the income statement consistent with the requirements of IFRS 9 as endorsed in the Kingdom of Saudi Arabia.

Management reassessed the above treatment and consequently restated the comparative figures to recognize the loss on modification of Islamic financing agreements appropriately under IFRS 9 as endorsed in the Kingdom of Saudi Arabia. This resulted in an increase in finance income of SR 26.64 million for the year ended December 31, 2020 (January 1, 2020: modification losses of SR 45.97 million reflected within retained earnings).

C) Repossessed vehicles classified as assets held for sale

The Company repossesses vehicles from defaulting customers as part of its debt recovery strategy. The Company has a legal right to resale the assets to settle the amount defaulted by the Customer. In prior years, the Company took possession of certain vehicles from defaulting customers in settlement of overdue balances, however the Company did not account for those vehicles in the financial statements. Management has reassessed the accounting treatment and concluded that these repossessed vehicles meet the criteria to be recognised as assets by the Company. Furthermore, management determined the assets would meet the requirements as assets held for sale under IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, as endorsed in the Kingdom of Saudi Arabia. As a result, management has restated the comparative figures by initially recognizing the repossessed vehicles at fair value, against a reduction in the corresponding receivables by the same amount, and subsequently treated such assets as held for sale.

This has resulted in recognizing repossessed assets held-for-sale amounting to SR 10.95 million as of December 31, 2020 (January 1, 2020: SR 5.38 million), a reduction in corresponding receivables by the same amount and an additional ECL allowance on investment in Islamic financing of SR 5.18 million as of December 31, 2020 (January 1, 2020: decrease in retained earnings by SR 1.70 million).

D) Investment properties

Management determined that in prior years, the real estate properties received as a settlement of net investment in Islamic financing from defaulting customers were not accounted for in the financial statements of the Company. Management determined that the Company had control over such real estate properties. Management reassessed the accounting treatment of the above and concluded that these acquired real estate properties meet the investment properties criteria under IAS 40 - Investment Property, as endorsed in the Kingdom of Saudi Arabia. As a result, management has restated the comparative figures by initially recognizing the acquired real estate properties at fair value, against the corresponding receivables with the same amount and subsequently treated such assets as investment properties.

This has resulted in recognizing acquired assets classified as investment properties at the date of the acquisition by SR 6.16 million. The fair value of recognized investment properties amounted to SR 8.22 million as at December 31, 2020 (January 1, 2020: SR 7.59 million). In addition, this has resulted in a reduction in the corresponding receivables by SR 6.16 million as at January 1, 2020 and an additional ECL allowance on receivables of SR 0.43 million as at December 31, 2020 (January 1, 2020: decrease in retained earnings by SR 1.34) and an increase in fair value of investment properties for the year ended December 31, 2020 amounting to SR 0.63 million (January 1, 2020: increase in retained earnings by SR 1.43 million).

35 Prior year adjustments and comparative information *(continued)*

E) Long outstanding liabilities related to unidentified deposits and insurance recoveries

In prior years, management received direct deposits to its bank accounts from unidentified parties other than its customers and long outstanding unclaimed insurance recoveries. As such, management was unable to allocate such deposits or recoveries to their respective customers, hence recognized them as other liabilities (within 'accruals, provisions, and other liabilities). Management has reassessed those unidentified deposits and unclaimed insurance recoveries and consequently recognized balances outstanding for a long period of time as other income and it was determined that legally no parties have the contractual rights to claim such amounts and that such liabilities are extinguished.

Given that management have determined that legally such liabilities are extinguished, the comparative figures have been restated to reflect the increase in other income for the year ended December 31, 2020 and the reduction in accruals, provisions, and other liabilities as of December 31, 2020 by SR 6.27 million (January 1, 2020: increase in retained earnings and decrease in other liabilities by SR 14.92 million).

F) Income suspension

In prior years, management erroneously recognized income from credit impaired facilities based on gross carry amount of the investment in Islamic financings. As per the requirements of IFRS 9 as endorsed in the Kingdom of Saudi Arabia, income from credit impaired facilities should be recognized on a net basis. As such, interest is calculated based on the amortized cost of the investment in Islamic financings (i.e., gross carrying amount less impairment). The interest recognised net of impairment should be recognised on this basis in subsequent reporting periods.

Management has reassessed the accounting treatment related to the income suspension and restated the comparative figures to reflect the impact of income suspension which resulted in decrease in income from investment in Islamic financing for the year ended December 31, 2020 by SR 14.89 million and increase in the expected credit loss allowance by the same amount. The expected credit loss decreased by an amount of SR 10.04 million due to full recovery of income in suspension for periods before year ended December 31, 2020 (January 1, 2020: reduction in retained earnings and increase in ECL allowance by SR 17.09 million).

G) Income recognition - incorrect interest recognition

In prior years, management applied the effective profit rate method in the calculation of the amortized cost of the investment in Islamic financing and in the allocation and recognition of income, however the income was not allocated and recognised correctly during the relevant financial reporting period. The amortized cost and allocation/recognition of income was based on the amortisation schedule agreed with customers which in most cases does not coincide with the financial reporting period.

Management has reassessed the accounting treatment related to the income recognition and restated the comparative figures to reflect the impact of incorrect interest recognition end of each reporting period which resulted in decrease in income from investments in Islamic financing as of 31 December 2020 by SR 8.95 million and decrease in investment in Islamic financing by SR 10 million (January 1, 2020: increase in retained earnings and investment in Islamic financing by SR 19.94 million).

H) Finance cost

During the year ended December 31, 2020, as a result of arithmetical error management accounted for additional accruals against finance cost related to borrowing arrangements. Furthermore, management erroneously accounted for a cash release from margin deposits as finance cost instead of a release of cash which results in increase in cash at banks.

As a result, management restated the comparative figures which resulted in decrease in finance cost as of December 31, 2020 by SR 10.16 million, decrease in accruals, provisions, and other liabilities by SR 8.92 million and increase in cash and cash equivalent by SR 1.24 million. There was no impact on the opening balances of the comparative period presented as a result of the above matter.

35 Prior year adjustments and comparative information *(continued)*

I) SAMA Private Sector Financing Program ("PSFSP")

In March 2020, SAMA launched the Private Sector Financing Program ("PSFSP") to provide the necessary support to the Micro Small and Medium Enterprises ("MSME" or "the deferred payment program"). The deferred payment program initiative was for a period of six months during the COVID19 pandemic from the date of launching the PSFSP with a further extension until 31 March 2022 based on certain eligibility criteria. In order to compensate for the related cost that the Company is expected to incur under the SAMA deferred payment program, the Company received profit free deposits from SAMA.

Financing entities accounted for the respective modification of the receivables as a result of the deferred payment program in the income statement as an expense and the related benefit from the profit free deposit was accounted for as a government grant.

Management did not account for the modification losses resulting from SAMA deferment program and profit free deposits as government grant as per the requirements of IFRS 9 as endorsed in the Kingdom of Saudi Arabia and IAS 20 - Accounting for Government Grants and disclosure of Government Assistance as endorsed in the Kingdom of Saudi Arabia.

Management reassessed the above treatment and consequently restated the comparative figures to recognize government grant net income amounting to SR 2.43 for the profit free deposits for the year ended December 31, 2020 and modification loss of SR 29.53 million from the deferred payment program which was fully recovered in the same year as part of income recognition. There was no impact on the opening balances of the comparative period presented as a result of the above matters.

J) Monsha'at - Indirect Lending Initiative

In March 2020, Small and Medium Enterprises General Authority ("Monsha'at") also launched a deferred payment program to support the Micro Small and Medium Enterprises ("MSME") financed through Saudi Social Development Bank (SDB) loans for a period of twelve months during the COVID19 pandemic with no extension.

Management did not account for the modification losses resulting from the SDB deferment program as per the requirements of IFRS 9 as endorsed in the Kingdom of Saudi Arabia.

Management reassessed the above treatment and consequently restated the comparative figures to recognize net modification losses amounting to SR 2.22 million within income from investment in Islamic financing for the year ended December 31, 2020 (January 1, 2020: no impact on the opening balances of the comparative period presented) and finance cost of SR 0.58 million related to the profit free loans for the year ended December 31, 2020 and a decrease in the corresponding borrowings by SR 4.55 million (January 1, 2020: increase in retained earnings and a decrease in borrowings by SR 5.13 million).

35 Prior year adjustments and comparative information *(continued)*

K) Expected Credit Losses

Provision on Investment in Islamic financing

As part of the assessment of the accounting for the investments in Islamic financing and because of the various errors noted, management reassessed whether the calculation for expected credit losses under IFRS 9 as endorsed in the Kingdom of Saudi Arabia, was appropriate. Management involved experts in determining the appropriate expected credit losses.

As a result of the exercise, it was determined that the financial statements as at December 31, 2020 and January 1, 2020 needed to be restated to correct the expected credit losses. This resulted in a reduction in expected credit loss provision on investment in Islamic financing by SR 87.64 million for the year ended 31 December 2020 (January 1, 2020: decrease in retained earnings by SR 277 million against an increase in the corresponding cumulative impairment provision on Islamic financing by the same amount).

Provision on other receivables

As a result of the impact of reassessing the expected credit loss model as at December 31, 2020 and January 1, 2020, management considered the impact of the reassessed expected credit loss on the adequacy of the expected credit loss provision on other receivables and consequently restated the comparative figures. This reassessment resulted in additional expected credit loss provision on other receivables by SR 6.19 million for the year ended December 31, 2020 (January 1, 2020: decrease in retained earnings by SR 10.82) against an increase in the corresponding provision on other receivables.

L) Zakat Payable

As a result of the impact resulting from the above restatement matters, management has reassessed the Zakat amount as at December 31, 2020 and January 1, 2020 and consequently restated the respective comparative figures. This reassessment resulted in an increase in the Zakat expense by SR 8.16 million for the year ended December 31, 2020 (January 1, 2020: decrease in retained earnings by SR 1.38 million) against an increase in the corresponding zakat payable by the same amount.

M) Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income to a statutory reserve until such reserve equals to 30% of its share capital. As a result of the impact resulting from the above restatement matters, management has reassessed the amount transferred to statutory reserve as at December 31, 2020 and consequently restated the respective comparative figures. This reassessment resulted in an additional transfer to the statutory reserve amounting to SR 15.82 million for the year ended December 31, 2020.

There was no change to the statutory reserve as at January 1, 2020 as the impact of the restatement at that date represents the cumulative effect for the years 2019 backwards and it is impractical to calculate the individual impact of the restatement for those years.

N) Other income/ (other operating expenses)

Prior years' other income included certain amounts charged back to customers in relation to leased vehicles insurance cost, fines and other legal costs paid by the Company during the lease period on behalf of those customers. These amounts should be offset against their related expenses (within other operating expenses) as they represent reimbursement of expenses incurred on leased vehicles on behalf of customers. As a result, management has netted off other income amounting to SR 20.44 million against other operating expenses for the year ended December 31, 2020. There was no impact on retained earnings as of January 1, 2020.

35 Prior year adjustments and comparative information *(continued)*

O) *Group Portfolio derecognition loss*

During 2020, the Company entered into a securitization and agency agreement with the Parent Company whereby the Company transferred certain investments in finance leases to the Parent Company. The arrangement was structured as assets purchase and sale agreements without recourse and as a result the Company derecognized the finance lease receivables and recognized the difference between the carrying amount of the finance lease receivables and the consideration received in profit or loss.

Management considered the economic substance of the above transaction and judged that the difference between the carrying amount and the consideration received should be recognized in Equity, as the Parent Company in its capacity as a shareholder, entered into the transaction to provide financial support to the Company. Accordingly, management has restated the comparative figures to reflect the impact of the transaction which resulted in an increase in profit for the year ended December 31, 2020 by SR 27.89 million and the amount is recognised directly in retained earnings within equity and a reduction in fair value loss of SR 14.25 million. There was no impact on the opening balances of the comparative period presented as a result of the above matter.

P) *Cash and cash equivalent*

Management has classified deposits at banks of SAR 20.66 million as restricted margin deposits as at 31 December 2020, however these deposits were available for use in the short term without restrictions from the banks. Therefore, management concluded the deposits meet the definition of 'cash and cash equivalents' and as a result restated the comparative figures to reflect these deposits as cash and cash equivalents.

This resulted in a decrease in restricted margin deposits by SR 20.66 million as at December 31, 2020 and an increase in cash and cash equivalents by the same amount. There was no impact on the opening balance of the comparative period presented as a result of the above matter.

Q) Non-compliance with debt covenants

In prior years, the Company breached debt covenants on borrowing facilities with a carrying value of SR 733 million as at December 31, 2020 and SR 573 million as at January 1, 2020. In terms of the contractual terms of other borrowing agreements because the amounts are due and payable on demand these borrowings would also be considered current. These amounted to SR 444 million as at December 31,2020 and SR 810 million as at January 1, 2020. As of December 31, 2021, there was no agreement from the Lenders to provide the Company with a period of grace ending at least 12 months after the reporting period, within which the Company can rectify the breach of debt covenants and remedies in the other agreements.

As a result, management restated the prior year financial statements to reclassify borrowings with a carrying value of SR 1,176 million as at December 31, 2020 as borrowings payable on demand (January 1, 2020: SR 1,383 million as borrowings payable on demand).

*The quarterly financial information for the quarter ended 31 March 2022 and the quarters ending 30 June and 30 September 2022 will be appropriately adjusted to reflect the impact of the above restatements.

(All amounts in Saudi Riyals unless otherwise stated)

35 Prior year adjustments and comparative information *(continued)*

R) *Other presentation errors and reclassification*

Certain financial statement line items and figures have been reclassified for the purpose of better presentation, to correct presentation errors and to be consistent with the financial statements' presentation for the current year. A summary of the changes made as part of restatement adjustments above on the presentation of certain items and figures as of December 31, 2020 and January 1, 2020 are as follows:

Reclassification from	Reclassification to	Amount (SR)	Explanation
Statement of profit or loss and other comprehensive income for the year ended December 31, 2020			
Income from Islamic Financing, net – Insurance costs	Other operating expenses – Insurance costs	93,352,282	Insurance cost was previously netted against Income from Islamic financing instead of other operating expenses because this should not be considered revenue for the entity.
Other income	Other operating expenses – Other expenses	668,407	Other expenses were netted from other income in prior years instead of being presented under other expenses
Group portfolio derecognition losses – Finance income on fair value of portfolio sold to the Parent Company	Other income - Finance income on fair value of portfolio sold to the Parent Company	4,901,124	Income from the Parent receivable was presented as a separate financial statement line item as part of the initial loss from the transaction in 2020. In terms of adjustment O above, the loss of the transaction was accounted for in equity and as such the income should now be presented as part of finance income.
Reversal of provision in respect of present value of margin deposit	Other income	982,923	In prior years, the balance was presented as a separate financial statement line item on the face of the income statement. This year it has been reclassified as part of other income as it represents profit income on margin deposits.
Salaries, wages, and other employee related costs	Finance cost - End of service benefits obligations	612,000	Finance cost related to end of service benefit was included in Salaries and wages rather than Finance cost
Other operating expenses	Finance cost	1,532,951	Finance cost was previously presented as part of other operating income rather than part of finance cost. This was amended and prior year restated.

(All amounts in Saudi Riyals unless otherwise stated)

35 Prior year adjustments and comparative information *(continued)*

R) *Other presentation errors and reclassification (continued)*

Reclassification from	Reclassification to	Amount (SR)	Explanation
Statement of financial position as at December 31, 2020			
Prepayments, advances, and other receivables	Due from related parties	502,305,156	The receivable from parent was previously presented as other receivable rather than Due from related party
Prepayments, advances, and other receivables	Accruals, provisions, and other liabilities	26,237,490	These represent unidentified deposits which were netted from other receivables in prior years. This should be presented as part of other liabilities
Trade payables	Accruals, provisions, and other liabilities	1,901,638	In prior years, in the note accruals were presented in trade payables rather than other liabilities. This was reclassified to accruals.
Accruals, provisions, and other liabilities	Due to related parties	83,161,587	Liabilities from an associate were previously presented as other liability rather than due to a related party.
Statement of financial position as at January 1, 2020			
Prepayments, advances, and other receivables	Accruals, provisions, and other liabilities	30,225,581	In prior years, other liabilities were presented net prepayment, advances, and other receivables rather that Accruals, provisions, and other liabilities. This has been adjusted.
Prepayments, advances, and other receivables	Net investment in Islamic financings	1,476,460	In prior years, a receivable from financing was presented as part of other receivables rather than Investment in Islamic financing.
Investment in Islamic financings, net	Accruals, provisions, and other liabilities	8,421,214	These represent advances from customers obtained (for Ijara and Murabaha financing) which are subject to deal finalization and recoveries on the behalf of customers. The liability amounts were presented against investment in Islamic financing and have been reclassified to "other liabilities in Accruals, provisions, and other liabilities.
Trade payables	Due to related parties	60,000,000	The liability from an associate was previously presented as trade payables rather than Due to related party

Disclosures changes

On restatement of the comparative figures, certain disclosures were enhanced in respect to the above-mentioned adjustments.

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

35 Prior year adjustments and comparative information *(continued)*

The tables below set out the full impact by adjustment on the individual financial line items impacted:

I. Prior year adjustment to the impacted financial statement line items within the statement of financial position

As at January 1, 2020

	As at 31 December 2019 As previously reported	Adjustments Adj a)	Adj b)	Adj c)	Adj d)	Adj e)	Adj f)	Adj g)	Adj h)	Adj i)	Adj j)	Adj k)	Adj l)	Adj m)	Adj n)	Adj q & r)	January 1, 2020 As restated
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Assets																	
Cash and cash equivalents	36,613,543	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,613,543
Margin deposits – restricted	163,870,328	74,924,471	-	-	-	-	-	-	-	-	-	-	-	-	-	-	238,794,799
Prepayments, advances, and other receivables	205,052,685	(165,817,532)	-	-	-	-	-	-	-	-	-	(10,820,336)	-	-	-	28,840,011	57,254,828
Due from related parties	2,759,156	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,759,156
Net investment in Islamic financings	2,537,044,903	956,947,810	(45,973,333)	(7,076,777)	(7,500,665)		(17,090,826)	19,942,053	-	-	-	(277,157,878)	-	-	-	9,897,674	3,169,032,961
Repossessed vehicles classified as held-for-sale	-	-	-	5,378,432	-	-	-	-	-	-	-	-	-	-	-	-	5,378,432
Investment properties	-	-	-	-	7,587,000	-	-	-	-	-	-	-	-	-	-	-	7,587,000
Total assets	**2,972,860,782**	**866,054,749**	**(45,973,333)**	**(1,698,345)**	**86,335**	-	**(17,090,826)**	**19,942,053**	-	-	-	**(287,978,214)**	-	-	-	**38,737,685**	**3,544,940,886**
Liabilities																	
Borrowings payable on demand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,382,988,911	1,382,988,911
Trade payables	96,959,028	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(60,000,000)	36,959,028
Accruals, provisions, and other liabilities	90,428,712	(58,489,782)	-	-	-	(14,917,192)	-	-	-	-	-	-	-	-	-	38,737,685	55,759,423
Due to related parties	141,437,643	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60,000,000	201,437,643
Zakat payable	29,828,365	-	-	-	-	-	-	-	-	-	-	-	1,381,740	-	-	-	31,210,105
Net servicing liability for securitized receivables	121,823,384	(121,823,384)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,319,652,376	1,272,120,878	-	-	-	-	-	-	-	-	(5,134,927)	-	-	-	-	(1,382,988,911)	1,203,649,416
Total liabilities	**1,830,418,361**	**1,091,807,712**	-	-	-	**(14,917,192)**	-	-	-	-	**(5,134,927)**	-	-	-	-	**38,737,685**	**2,942,293,379**
Shareholders' equity																	
Retained earnings	542,734,750	(225,752,963)	(45,973,333)	(1,698,345)	86,335	14,917,192	(17,090,826)	19,942,053	-	-	5,134,927	(287,978,214)	(1,381,740)	-	-	-	2,939,837
Total shareholder's equity	**1,142,442,420**	**(225,752,963)**	**(45,973,333)**	**(1,698,345)**	86,335	**14,917,192**	**(17,090,826)**	**19,942,053**	-	-	**5,134,927**	**(287,978,214)**	**(1,381,740)**	-	-	-	**602,647,507**
Total liabilities and shareholder's equity	**2,972,860,782**	**866,054,749**	**(45,973,333)**	**(1,698,345)**	86,335	-	**(17,090,826)**	**19,942,053**	-	-	-	**(287,978,214)**	-	-	-	**38,737,685**	**3,544,940,886**

(All amounts in Saudi Riyals unless otherwise stated)

35 Prior year adjustments and comparative information *(continued)*

II. Prior year adjustment to the impacted financial statement line items within the statement of financial position (continued)

As at 31 December 2020

	As at December 31, 2020																		As at December 31, 2020
	As previously reported	Adjustments																	
		Adj a)	Adj b)	Adj c)	Adj d)	Adj e)	Adj f)	Adj g)	Adj h)	Adj i)	Adj j)	Adj k)	Adj l)	Adj m)	Adj o)	Adj p)	Adj n)	Adj q & r)	As restated
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Assets																			
Cash and cash equivalents	105,105,843	-	-	-	-	-	-	-	1,238,275	-	-	-	-	-	-	20,663,610	-	-	127,007,728
Margin deposits – restricted	133,102,147	9,823,757	-	-	-	-	-	-	-	-	-	-	-	-	-	(20,663,610)	-	-	122,262,294
Prepayments, advances, and other receivables	852,180,436	(315,693,074)	-	-	-	-	-	-	-	-	-	(17,008,519)	-	-	-	-	-	(476,067,666)	43,411,177
Due from related parties	95,373,891	-	-	-	-	-	-	-	-	-	-	-	-	-	14,246,098	-	-	502,305,156	611,925,144
Net investment in Islamic financings	1,589,882,924	680,011,947	(19,335,108)	(17,832,850)	(7,065,103)		(21,940,491)	10,989,646	-	-	(2,220,167)	(212,425,216)	-	-	-	-	-	-	2,000,065,582
Repossessed vehicles classified as held for sale	-	-	-	10,951,890		-	-	-	-	-	-	-	-	-	-	-	-	-	10,951,890
Investment properties	-	-	-	-	8,219,250	-	-	-	-	-	-	-	-	-	-	-	-	-	8,219,250
Total assets	**2,792,240,145**	**374,142,630**	**(19,335,108)**	**(6,880,960)**	**1,154,147**	**-**	**(21,940,491)**	**10,989,646**	**1,238,275**	**-**	**(2,220,167)**	**(229,433,735)**	**-**	**-**	**14,246,098**	**-**	**-**	**26,237,490**	**2,940,437,969**
Liabilities																			
Borrowings payable on demand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,176,243,980	1,176,243,980
Trade payables	24,655,069	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,901,640)	22,753,429
Accruals, provisions, and other liabilities	291,402,700	(133,291,126)				(21,189,628)											-	(55,022,458)	81,899,488
Due to related parties	320,665	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83,161,587	83,482,252
Zakat payable	31,922,585	-	-	-	-	-	-	-	-	-	-	-	5,759,971	-	-	-	-		37,682,556
Net servicing liability for securitized receivables	65,231,776	(65,231,776)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Borrowings	1,289,911,878	681,052,923	-	-	-	-	-	-	(8,915,534)	(2,564,345)	(4,553,039)	-	-	-	-	-	-	(1,176,243,980)	778,687,903
Total liabilities	**1,726,097,255**	**482,530,021**	**-**	**-**	**-**	**(21,189,628)**	**-**	**-**	**(8,915,534)**	**(2,564,345)**	**(4,553,039)**	**-**	**5,759,971**	**-**	**-**	**-**	**-**	**26,237,489**	**2,203,402,190**
Shareholders' equity																			
Statutory reserve	98,512,706	-	-	-	-	-	-	-	-	-	-	-	-	15,819,044	-	-	-	-	114,331,750
Retained earnings	462,347,806	(108,387,391)	(19,335,108)	(6,880,960)	1,154,147	(21,189,628)	(21,940,491)	10,989,646	10,153,809	2,564,345	2,332,872	(229,433,735)	(5,759,971)	(15,819,044)	14,246,098	-	-	-	117,421,651
Total shareholder's equity	1,066,142,890	(108,387,391)	(19,335,108)	(6,880,960)	1,154,147	(21,189,628)	(21,940,491)	10,989,646	10,153,809	2,564,345	2,332,872	(229,433,735)	(5,759,971)	-	14,246,098	-	-	-	737,035,779
Total liabilities and shareholder's equity	**2,792,240,145**	**374,142,630**	**(19,335,108)**	**(6,880,960)**	**1,154,147**	**-**	**(21,940,491)**	**10,989,646**	**1,238,275**	**-**	**(2,220,167)**	**(229,433,735)**	**-**	**-**	**14,246,098**	**-**	**-**	**26,237,489**	**2,940,437,969**

AL YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the financial statements for the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

35 Prior year adjustments and comparative information *(continued)*

III. Prior year adjustment to the statement of income
For the year ended 31 December 2020

	For the year ended 31 December 2020	Adjustments																For the year ended 31 December 2020
	As previously reported	Adj(a)	Adj(b)	Adj(c)	Adj(d)	Adj(e)	Adj(f)	Adj(g)	Adj(h)	Adj(i)	Adj(j)	Adj(k)	Adj(l)	Adj m)	Adj(n)	Adj(o)	Adj(r)	As restated
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Revenue																		
Income from Islamic Financing, Net	197,405,793	113,637,812	26,638,225	-	-	-	(14,891,669)	(8,952,407)	-	-	(2,220,167)	-	-	-	-	-	93,352,282	404,969,869
Other income	26,281,896	-	-	-	632,250	6,272,435	-	-	-	-	-	-	-	-	(20,443,929)	(2,007,809)	5,215,640	15,950,483
Total revenue as per financial statements with the impact of restatements	**223,687,689**	**113,637,812**	**26,638,225**	-	**632,250**	**6,272,435**	**(14,891,669)**	**(8,952,407)**	-	-	**(2,220,167)**	-	-	-	**(20,443,929)**	**(2,007,809)**	**98,567,922**	**420,920,352**
Expenses																		
Salaries, wages, and other employee related costs	(97,163,579)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	612,000	(96,551,579)
Reversal of provision against expected default of margin deposits	21,295,680	(21,295,680)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(682,993)	-
Reversal of provision in respect of present value of margin deposit	6,992,642	(6,009,719)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment on financial assets, net	(49,339,247)	96,464,624	-	(5,182,617)	435,562	-	10,042,004	-	-	-	-	87,642,411			-	-	-	140,062,738
Group portfolio derecognition losses	(33,694,845)	(5,547,521)	-	-	-	-	-	-	-	-	-	-	-	-	-	44,143,490	(4,901,124)	-
Other operating expenses	(48,950,192)	(9,718,501)	-	-	-	-	-	-	-	-	-	-	-	-	20,443,929	-	(91,150,924)	(129,375,688)
Modification loss on Islamic financing, net	(3,895,606)	3,895,606	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance cost	(75,036,008)	(83,158,982)	-	-	-	-	-	-	10,153,809	2,564,345	(581,888)	-	-	-	-	-	(2,144,951)	(148,203,674)
Total expenses as per financial statements with the impact of restatements	**(292,002,807)**	**(25,370,173))**	-	**(5,182,617)**	**435,562**	-	**10,042,004**	-	**10,153,809**	**2,564,345**	**(581,888)**	**87,642,411**	-	-	**20,443,929**	**44,143,490**	**(98,567,922)**	**(246,279,855)**
Profit before zakat as per financial statements with the impact of restatements	**(68,315,118)**	**88,267,639**	**26,638,225**	**(5,182,617)**	**1,067,812**	**6,272,435**	**(4,849,665)**	**(8,952,407)**	**10,153,809**	**2,564,345**	**(2,802,055)**	**87,642,411**	-	-	-	**42,135,681**	-	**174,640,497**
Zakat charge for the year	**(12,071,827)**	-	-	-	-	-	-	-	-	-	-	-	(4,378,228)	-	-	-		**(16,450,055)**
Net income for the year as per financial statements with the impact of restatements	**(80,386,945)**	**88,267,639**	**26,638,225**	**(5,182,617)**	**1,067,812**	**6,272,435**	**(4,849,665)**	**(8,952,407)**	**10,153,809**	**2,564,345**	**(2,802,055)**	**87,642,411**	**(4,378,228)**	-	-	**42,135,681**	-	**158,190,442**

AL YUSR LEASING AND FINANCING COMPANY
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35 Prior year adjustments and comparative information *(continued)*

IV. Prior years adjustments to the statement of cash flows
For the year ended December 31, 2020

	For the year ended 31 December 2020	Adjustments														For the year ended 31 December 2020
	As previously reported	Adj a)	Adj b)	Adj c)	Adj d)	Adj e)	Adj f)	Adj g)	Adj h)	Adj i)	Adj j)	Adj k)	Adj o)	Adj m)	Adj p)	Adj q & r)	As restated
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Loss for the year before zakat	(68,315,118)	88,267,639	26,638,225	(5,182,617)	1,067,812	6,272,435	(4,849,665)	(8,952,407)	10,153,809	2,564,345	(2,802,055)	87,642,412	42,135,681	-	-	-	174,640,497
Adjustments																	
Depreciation of right of use assets	6,046,062	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,046,062)	-
Depreciation of property and equipment	4,427,671	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,427,671)	-
Amortization of intangibles	1,737,920	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,737,920)	-
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,211,653	12,211,653
(Provision) / reversal of ECL allowance on financial assets	49,339,247	(96,464,624)		5,182,617	(435,562)		(10,042,005)					(87,642,412)				5,411,505	(134,651,233)
Reversal of Impairment on margin deposits	(21,295,680)	21,295,680	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of provision in respect of present value of margin deposits	(6,992,642)	6,009,719	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(982,923)
Finance income on receivable against portfolio sold to the Parent Company	-	-	-	-	-	-	-	-	-	-	-	-	2,007,809			(4,901,124)	(2,893,314)
Loss from collection deferment	33,694,845	5,547,521	-	-	-	-	-	-	-	-	-	-	(44,143,490)			4,901,124	-
Fair value gain on investment properties	-	-	-	-	(632,250)	-	-	-	-	-	-	-	-	-	-	-	(632,250)
Income from reversal of long outstanding unidentified deposits and unclaimed insurance recoveries	-	-	-	-		(6,272,435)	-	-	-	-	-	-	-	-	-	-	(6,272,435)
Provision on credit-impaired income	-	-	-	-			14,891,669	-	-	-	-	-	-	-	-	-	14,891,669
Gain on modification of investment in Islamic financing, net	-		(26,638,225)	-	-	-	-	-	-	-	2,220,167	-	-	-	-	-	(24,418,058)
Finance cost	75,036,008	83,158,982	-	-	-	-	-	-	(10,153,809)	(2,564,345)	581,888	-	-	-	-	2,144,951	148,203,674
Provision for employees' post-employment benefits	3,307,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(612,000)	2,695,000
	76,985,313	107,814,917	-	-	-	-	-	(8,952,407)	-	-	-	-	-	-	-	6,944,457	182,792,280

(All amounts in Saudi Riyals unless otherwise stated)

35 Prior year adjustments and comparative information *(continued)*

IV. Prior years adjustments to the statement of cash flows *(continued)*
For the year ended December 31, 2020

	For the year ended 31 December 2020	Adjustments															For the year ended 31 December 2020
	As previously reported	Adj a)	Adj b)	Adj c)	Adj d)	Adj e)	Adj f)	Adj g)	Adj h)	Adj i)	Adj j)	Adj k)	Adj l)	Adj m)	Adj p)	Adj q)	As restated
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Changes in working capital:																	
Investment in Islamic financings, net	897,822,733	395,190,040		10,756,073	(435,562)		(4,849,665)	-	-	-	-	-	-	-	-	9,897,674	1,308,381,293
Prepayments, advances, and other receivables	(647,127,749)	149,875,542		-	-	-	-	-	-	-	-	-	-	-	-	504,907,675	7,655,468
Due from related parties	(647,127,749)	(5,547,521)		-	-	-	-	-	-	-	-	-	-	-	-	(502,305,155)	(634,162,256)
Margin deposit - restricted	59,056,503	37,795,315		-	-	-	-	-	-	-	-	-	-	-	20,663,610		117,515,428
Trade payables	(72,303,963)			-	-	-	-	-	-	-	-	-	-	-	-	58,098,364	(14,205,599)
Accruals, provisions, and other liabilities	200,973,988	(74,801,344)		-	-	-	-	-	-	-	-	-	-	-	-	(93,760,144)	32,412,500
Due to related parties	(141,116,978)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,161,587	(117,955,391)
Repossessed assets classified as held-for-sale	-	-	-	5,378,432													5,378,432
Net servicing liability for securitized receivables	(56,591,608)	56,591,608		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Employees' post-employment benefits paid	(2,879,586)	-	-	-	-	-	-	-	-	-	-	-	-	-	-		(2,879,586)
Payment against lease liabilities	(5,056,279)	-		-	-	-	-	-	-	-	-	-	-	-	-	5,056,279	-
Cash generated from operating activities before zakat paid	**183,452,794**	**666,918,557**	**-**	**16,134,505**	**(435,562)**	**-**	**(4,849,665)**	**(8,952,407)**	**-**	**-**	**-**	**-**	**-**	**-**	**20,663,610**	**12,000,737**	**884,932,569**
Zakat paid	(9,977,604)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,977,604)
Net cash generated from operating activities	**173,475,190**	**666,918,557**	**-**	**16,134,505**	**(435,562)**	**-**	**(4,849,665)**	**(8,952,407)**	**-**	**-**	**-**	**-**	**-**	**-**	**20,663,610**	**12,000,737**	**874,954,965**
Cash flows from investing activities																	
Purchases of property and equipment	(429,186)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(429,186)
Additions to intangible assets	(244,317)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(244,317)
Net cash used in investing activities	**(673,503)**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**(673,503)**

(All amounts in Saudi Riyals unless otherwise stated)

35 Prior year adjustments and comparative information *(continued)*

IV. Prior years adjustments to the statement of cash flows *(continued)*
For the year ended December 31, 2020

	For the year ended 31 December 2020	Adjustments															For the year ended 31 December 2020
	As previously reported	Adj a)	Adj b)	Adj c)	Adj d)	Adj e)	Adj f)	Adj g)	Adj h)	Adj i)	Adj j)	Adj k)	Adj o)	Adj m)	Adj p)	Adj q)	As restated
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Cash flows from financing activities																	
Proceeds from borrowings	1,407,615,658	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(797,446,040)	610,169,618
Repayment of borrowings	(1,451,810,040)	(591,067,955)	-	-	-	-	-	-	-	-	-	-	-	-	-	779,379,028	(1,263,548,967)
Payment against lease liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,056,780)	(5,056,780)
Finance cost paid	(60,115,005)	(83,158,982)	-	-	-	-	-	-	1,238,275	-	-	-	-	-	-	16,584,567	(125,451,145)
Net cash used in financing activities	**(104,309,387)**	**(674,226,937)**	-	-	-	-	-	-	**1,238,275**	-	-	-	-	-	-	**(6,589,225)**	**(783,887,274)**
Net increase / (decrease) in cash and cash equivalents	**68,492,300**	**(7,308,380)**	-	**16,134,505**	**(435,562)**	-	**(4,849,665)**	**(8,952,407)**	**1,238,275**	-	-	-	-	-	**20,663,610**	**5,411,512**	**90,394,188**
Cash and cash equivalents at beginning of the year	36,613,543	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,001,705)	30,611,838
Cash and cash equivalents at end of the year	**105,105,843**	**(7,308,380)**	-	**16,134,505**	**(435,562)**		**(4,849,665)**	**(8,952,407)**	**1,238,275**	-	-	-	-	-	**20,663,610**	**(590,193)**	**121,006,026**