RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

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

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Independent auditor's report to the shareholders of Raya Financing Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Raya 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 comprehensive income for the year then ended;
- the statement of changes in 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.

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

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

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

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

Independent auditor's report to the shareholders of Raya Financing Company (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

We also:

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

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Regulations for Companies and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

10 March 2022

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2021	2020
Assets			
Cash and cash equivalents	5	**143,553,351**	148,452,810
Prepayment and other receivables	6	**11,479,196**	11,377,928
Net investment in finance leases	7	**292,064,061**	244,046,390
Net investment in murabaha finance	8	**113,274,294**	84,269,913
Right-of-use assets	9	**2,554,960**	3,508,125
Property and equipment	10	**818,971**	648,512
Intangible assets	11	**3,980,793**	5,411,618
Financial asset at fair value through other comprehensive income	12	**892,850**	892,850
Total assets		**568,618,476**	498,608,146
Equity and liabilities			
Equity			
Share capital	1, 13	**230,000,000**	150,000,000
Accumulated losses	1	**(14,331,149)**	(29,848,470)
Total equity		**215,668,851**	120,151,530
Liabilities			
Accounts payable	14	**65,442,170**	64,630,414
Accrued and other liabilities	15	**16,735,917**	17,683,004
Zakat payable	16	**2,835,779**	1,216,458
Long-term borrowings	17	**262,413,111**	288,221,571
Lease liabilities	9	**2,775,624**	3,692,535
Employee benefit obligations	18	**2,747,024**	3,012,634
Total liabilities		**352,949,625**	378,456,616
Total equity and liabilities		**568,618,476**	498,608,146

The accompanying notes are an integral part of these financial statements.

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2021	2020
Income			
Income from financing activities	19	**52,230,260**	49,963,676
Commission income	22	**3,552,192**	1,624,215
Gain on modification of long-term borrowings	28	**1,530,720**	2,228,272
Gain on finance lease receivables sold to a financial institution	7.7, 25	**-**	16,607,936
		57,313,172	70,424,099
Expenses			
Provision for impairment of financial assets	7,8	**(7,953,813)**	(3,656,704)
Insurance and other cost of financed vehicles		**(11,230,979)**	(13,013,597)
Salaries and employee related expenses		**(19,407,000)**	(19,866,190)
Depreciation and amortization	9,10,11	**(2,194,221)**	(2,625,465)
Loss on modification of finance lease and murabaha finance receivables, net of grant income	28	**(3,542,350)**	(12,645,417)
Other expenses	20	**(7,870,550)**	(5,160,374)
Finance charges	21	**(7,205,637)**	(6,497,741)
(Loss) profit before zakat		**(2,091,378)**	6,958,611
Zakat	16	**(2,398,436)**	(1,434,587)
(Loss) profit for the year		**(4,489,814)**	5,524,024
Other comprehensive income			
Items that will not be reclassified to profit or loss-			
Remeasurements of employee benefit obligations	18	**7,135**	248,226
Total comprehensive (loss) income for the year		**(4,482,679)**	5,772,250

The accompanying notes are an integral part of these financial statements.

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Accumulated losses	Total
Balance at 1 January 2021		150,000,000	(29,848,470)	**120,151,530**
Loss for the year		-	(4,489,814)	**(4,489,814)**
Other comprehensive income for the year		-	7,135	**7,135**
Total comprehensive loss for the year		-	(4,482,679)	**(4,482,679)**
Increase in share capital	1	100,000,000	-	**100,000,000**
Absorption of accumulated losses	1	(20,000,000)	20,000,000	-
Balance at 31 December 2021		**230,000,000**	**(14,331,149)**	**215,668,851**
Balance at 1 January 2020		150,000,000	(35,620,720)	114,379,280
Profit for the year		-	5,524,024	5,524,024
Other comprehensive income for the year		-	248,226	248,226
Total comprehensive income for the year		-	5,772,250	5,772,250
Balance at 31 December 2020		150,000,000	(29,848,470)	120,151,530

The accompanying notes are an integral part of these financial statements.

RAYA 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 31 December	
		2021	**2020**
Cash flows from operating activities			
(Loss) profit before zakat		**(2,091,378)**	6,958,611
Adjustments for			
Provision for impairment of financial assets	7,8	**7,953,813**	3,656,704
Depreciation	9,10	**763,396**	1,106,209
Amortisation	11	**1,430,825**	1,519,256
Finance charges	21	**7,205,637**	6,497,741
Employee benefit obligations		**(258,475)**	575,639
Gain on derecognition of leases	9	**(40,600)**	-
Gain on modification of long-term borrowings	17, 28	**(1,530,720)**	(2,228,272)
Loss on modification of finance lease and murabaha finance receivables, net of grant income	28	**3,542,350**	12,645,417
Gain on finance lease receivables sold to a financial institution	25	**-**	(16,607,936)
Changes in working capital			
Net investment in finance leases and murabaha finance		**(89,116,846)**	(94,565,458)
Cash received on sale of finance lease receivable	25	**-**	96,460,444
Prepayments and other receivables		**(101,268)**	2,131,353
Accounts payable		**811,756**	1,875,097
Accrued and other liabilities		**(1,203,040)**	5,493,862
Cash (used in) generated from operations		**(72,634,550)**	25,518,667
Zakat paid	16	**(779,115)**	-
Net cash (used in) generated from operating activities		**(73,413,665)**	25,518,667
Cash flows from investing activity			
Payments for purchase of property and equipment	10	**(432,455)**	(290,202)
Cash flows from financing activities			
Proceeds from long-term borrowings	17	**45,216,891**	320,661,142
Repayment of long-term borrowings	17	**(70,767,997)**	(181,264,304)
Finance charges paid on long-term borrowings	17	**(4,900,965)**	(3,888,455)
Finance charges paid to a shareholder		**-**	(914,357)
Repayment of loan from related parties		**-**	(65,000,000)
Finance lease liabilities paid	9	**(601,268)**	(1,040,012)
Proceeds from increase in share capital	1	**100,000,000**	-
Net cash generated from financing activities		**68,946,661**	68,554,014
Net change in cash and cash equivalents		**(4,899,459)**	93,782,479
Cash and cash equivalents at beginning of year		**148,452,810**	54,670,331
Cash and cash equivalents at end of year	5	**143,553,351**	148,452,810

continued

RAYA FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2021	**2020**
<u>Supplemental cash flow information</u>			
Non-cash investing and financing activities:			
Absorption of accumulated losses	1	**20,000,000**	-
Derecognition of right-of-use assets upon termination of leases	9	**452,461**	-
Derecognition of lease liabilities upon termination of leases	9	**493,061**	-
Net service liability recognised on derecognition of lease receivables	26	-	1,538,631
Prepaid expenses adjusted from net income on derecognition of lease receivables		-	(986,524)

The accompanying notes are an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

Raya Financing Company (the "Company") is a Saudi closed joint stock company, registered in the Kingdom of Saudi Arabia under the Commercial Registration ("CR") number 2050104609 issued in Dammam on 8 Rabi II 1436H (28 January 2015) and operating under the Saudi Central Bank (SAMA) approval number 351000153064 dated 25 Dhul Hijjah 1435H (19 October 2014). The Company has obtained the license from SAMA to conduct finance leasing activities on 14 Jumada II 1437H (23 June 2016). Further, the Company received no objection certificate from SAMA to conduct murabaha finance business in the Kingdom of Saudi Arabia during 2019. The registered address of the Company is P.O. Box 336, Dammam 31411, Kingdom of Saudi Arabia.

The Company is controlled by Al Majdouie Motors Company Limited (the "Parent Company"), a limited liability company registered in the Kingdom of Saudi Arabia. The Parent Company is effectively owned by Ali Ibrahim Saleh Al Majdouie Company (the 'Ultimate Parent Company'), which is ultimately controlled by Sheikh Ali Ibrahim Saleh Al Majdouie.

The accompanying financial statements include the operations of the Company and its following branches:

Location	**CR No.**
Jeddah	4030296155
Riyadh	1010610746
Dammam	2050104609

During 2021, the shareholders of the Company resolved to increase the Company's share capital through cash contribution by Al Majdouie Motors Company of Saudi Riyals 100,000,000 by increasing the number of issued shares held by Al Majdouie Motors Company. Also see Note 13.

Further during 2021, the shareholders of the Company also resolved to decrease the Company's share capital by absorbing accumulated losses of Saudi Riyals 20,000,000 by decreasing the number of issued shares. Legal formalities for such changes to the share capital of the Company were completed during 2021.

2 Basis of preparation

2.1 Compliance with IFRS

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

2.2 Historical cost convention

These financial statements have been prepared under the historical cost convention except as otherwise disclosed in the accounting policies below.

2.3 New standards and amendment to standards and interpretations

The Company has applied the following standards and interpretations for the first time for the year ending 31 December 2021:

- Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9 and IAS 39; and
- Covid-19-related Rent Concessions - Amendments to IFRS 16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.4 Current versus non-current classification

Until 31 December 2020, the Company presented current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position. Management has reassessed this presentation during 2021 and believes that because of lack of a clearly identifiable operating cycle, presentation of assets and liabilities in order of liquidity provides information that is more relevant than a current/ non-current presentation. Accordingly, assets and liabilities have been presented in order of their liquidity as of 31 December 2021 along with the corresponding figures for 2020. Refer to Note 24 for analysis of financial instruments by undiscounted contractual maturities.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

The Company's statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, prepayment and other receivables, accounts payables, accrued and other liabilities and zakat payable. The following balances would generally be classified as non-current: property and equipment, intangible assets and employee benefit obligations. The balances which are of mixed in nature, i.e. include both current and non-current portions, include net investment in finance leases, net investment in murabaha finance, lease liabilities and long-term borrowings.

3 Significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Foreign currency translations

(a) Functional and presentation currency

These financial statements are presented in Saudi Riyals which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

3.2 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

3.3 Net investment in finance leases and murabaha finance

Finance leases

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. Finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments ("PVMLP) and subsequently measured at amortised cost using the effective commission rate.

Gross investment in finance leases include the total of future lease payments on finance leases including residual amount receivable ("Lease rentals"). Security deposits with right to offset against lease rentals are deducted from gross investments in finance lease. The difference between lease rentals and the cost of the leased asset including transaction costs is recorded as unearned finance income.

For presentation purposes, the unearned finance income and impairment provision for lease losses are deducted from the gross investment in finance leases.

Murabaha finance

Murabaha is an islamic form of financing wherein, the Company based on request from its customers, purchases specific commodities and sells them to the customers at a price equal to the Company's cost plus profit, payable on deferred basis in installments.

3.4 Repossessed assets held for sale

The Company, in the ordinary course of its business, acquires certain vehicles against settlement of related net investment in finance leases. Such assets are considered as assets held for sale are initially recorded at the net realizable value of repossessed assets.

Subsequent to the initial recognition, these assets are carried at the lower of their carrying values or the related net realizable value. Changes in net realisable value and gains or losses on disposal are charged or credited to the statement of comprehensive income.

3.5 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment, if any. Depreciation is charged to the statement of comprehensive income, using the straight-line method, to allocate their cost, net of their residual values, if any, over their estimated useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

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 carrying amount of the replaced part is derecognised.

All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

3.6 Intangible assets

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment, if any, except for intangible assets under development which are carried at cost. Amortisation is charged to the statement of comprehensive income, using the straight-line method, to allocate the cost over the estimated useful lives not exceeding seven years. The 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 the statement of comprehensive income in the period in which they arise.

3.7 Financial instruments

3.7.1 Financial assets

(i) Classification

The Company's financial assets are classified and measured under the following categories:

- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value through other comprehensive income, gains and losses will be recorded in other comprehensive income.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(iv) Impairment

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 finance leases and murabaha finance, the Company applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

Stage 1 ("Performing") 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 interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are 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.

Stage 2 ("Under-performing") 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 do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring etc.), in order 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.

While cash and cash equivalents and other recievables are also subject to impairment requirements of IFRS 9, these are considered as low risk and the impairment loss is not expected to be material.

Financial assets are written-off only when:

(i) the receivable is at least one year past due, and
(ii) there is no reasonable expectation of recovery.

Where financial assets are written-off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, are recognized as other income in the statement of comprehensive income.

3.7.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

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

3.7.3 Offsetting

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

3.8 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

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 the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the statement of comprehensive income.

3.9 Accounts payable and accruals

Liabilities are obligations to pay for goods and services received, whether or not billed to the Company. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.10 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled 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 recognized in statement of comprehensive income as other income or finance costs.

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.

3.11 Employee benefit obligations

The Company provides end-of-service benefits to its employees. The entitlement to these benefits is usually based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds or high-quality corporate bonds.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and is recognised in the statement of comprehensive income.

Remeasurement 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. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the statement of comprehensive income as past service costs.

The calculation of defined benefit obligations is performed periodically using the projected unit credit method.

3.12 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Finance lease and murabaha finance income is recognised using the effective yield method.

Commission income on lease of motor vehicles is recognised when the lease contracts are executed, as per the agreed terms with the respective supplier.

3.13 Government grant

The Company recognizes 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 profit 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. The government grant is recognised in the statement of comprehensive income on a systematic basis over the period in which the Company recognises as expenses the related costs for which the grant is intended to compensate.

3.14 Leases

At the inception of the contract the Company assesses whether a contract is or contains a lease. 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 (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, 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.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. 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.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, if the Company does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts 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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is presented as a separate line in the statement of financial position.

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

Right-of-use assets (ROU)

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, if any.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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 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.

The Company applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

3.16 Zakat and taxes

In accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"), the Company is subject to zakat. Zakat expense is charged to profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income Tax law.

4 Critical accounting estimates and assumptions

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There are no critical estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period.

(All amounts in Saudi Riyals unless otherwise stated)

5 Cash and cash equivalents

	2021	2020
Cash in hand	**48,289**	110,424
Cash at bank	**143,505,062**	148,342,386
	143,553,351	148,452,810

6 Prepayments and other receivables

	Note	2021	2020
Prepayments		**4,820,478**	3,880,361
Advances to suppliers		**1,814,989**	1,545,392
Advances to a related party	22	**1,454,891**	1,956,000
Repossessed assets held for resale		**1,279,253**	707,022
Insurance claims		**1,211,028**	872,243
Advance repayments of long-term borrowings		**-**	1,136,991
Other		**898,557**	1,279,919
		11,479,196	11,377,928

7 Net investment in finance leases

7.1 Reconciliation between gross and net investment in finance leases is as follows:

	Note	2021	2020
Gross investment in finance leases		**381,482,167**	319,007,621
Unearned finance income		**(76,308,994)**	(65,558,130)
Present value of minimum lease payments receivable		**305,173,173**	253,449,491
Provision for impairment of lease receivables	7.3	**(13,109,112)**	(9,403,101)
Net investment in finance leases		**292,064,061**	244,046,390
Investment in finance leases - non-current portion		**(175,010,171)**	(158,640,928)
Investment in finance leases - current portion		**117,053,890**	85,405,462

7.2 Maturity profile of gross investment in finance leases and present value of minimum lease payments receivables is as follows:

	2021	2020
Gross investment in finance leases		
Within one year	**159,612,980**	124,106,593
From one to two years	**93,595,873**	103,958,222
From two to three years	**52,145,087**	48,274,762
From three to four years	**36,495,993**	22,463,810
Four to five years	**39,632,234**	20,204,234
	381,482,167	319,007,621

	2021	2020
Present value of minimum lease payments receivable		
Within one year	**125,474,630**	90,820,340
From one to two years	**73,749,680**	85,691,768
From two to three years	**40,235,973**	39,989,642
From three to four years	**29,640,480**	18,508,740
Four to five years	**36,072,410**	18,439,001
	305,173,173	253,449,491

(All amounts in Saudi Riyals unless otherwise stated)

7.3 The movement in provision for impairment of lease receivables is as follows:

	2021	2020
As at 1 January	**9,403,101**	6,386,306
Charge for the year	**5,123,554**	3,016,795
Amounts written-off	**(1,417,543)**	-
As at 31 December	**13,109,112**	9,403,101

7.4 Category-wise movement in provision for impairment of lease receivables is as follows:

	Performing	Under-performing	Non-performing	Total
2021				
Opening balance as at 1 January 2021	1,970,018	1,094,961	6,338,122	**9,403,101**
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(98,210)	373,934	(243,670)	**32,054**
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(243,354)	(296,527)	5,576,246	**5,036,365**
Individual financial assets transferred to performing (12-month expected credit losses)	66,230	(441,538)	(502,860)	**(878,168)**
New financial assets originated	872,809	190,056	476,163	**1,539,028**
Recoveries	(866,771)	(217,826)	(1,206,194)	**(2,290,791)**
Other changes	96,435	-	1,588,631	**1,685,066**
Amounts written-off	-	-	(1,417,543)	**(1,417,543)**
Closing balance as at 31 December 2021	**1,797,157**	**703,060**	**10,608,895**	**13,109,112**

	Performing	Under-performing	Non-performing	Total
2020				
Opening balance as at 1 January 2020	1,128,075	426,190	4,832,041	6,386,306
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(45,737)	604,571	(230,969)	327,865
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(25,926)	(55,470)	2,813,770	2,732,374
Individual financial assets transferred to performing (12-month expected credit losses)	289,275	(225,252)	(600,215)	(536,192)
New financial assets originated	559,096	118,344	91,625	769,065
Recoveries	(430,965)	(82,167)	(926,916)	(1,440,048)
Other changes	496,200	308,745	358,786	1,163,731
Closing balance as at 31 December 2020	1,970,018	1,094,961	6,338,122	9,403,101

(All amounts in Saudi Riyals unless otherwise stated)

7.5 Category-wise gross lease receivables are as follows:

	2021	**2020**
Performing	**327,411,981**	273,917,234
Under-performing	**14,800,164**	19,451,561
Non-performing	**39,270,022**	25,638,826
	381,482,167	319,007,621

7.6 Category-wise lease receivables (net of impairment provision) are as follows:

	2021	**2020**
Performing	**325,614,824**	271,947,216
Under-performing	**14,097,104**	18,356,600
Non-performing	**28,661,127**	19,300,704
	368,373,055	309,604,520

7.7 During 2020, the Company sold its finance lease receivables under a purchase and agency agreement, amounting to Saudi Riyals 77.3 million to a financial institution and derecognized the same from its books, and recorded a net gain of Saudi Riyals 16.6 million on the derecognition. The outstanding position of sold finance lease receivables has been disclosed in Note 25. In respect of these sold finance lease receivables, the Company acts in the capacity of a servicing agent for subsequent collection of lease instalments on behalf of financial institution. The Company has calculated and accounted for a net servicing liability under the agreement with the financial institution, which is disclosed in Note 26.

8 Net investment in murabaha finance

8.1 Reconciliation between gross and net murabaha finance is as follows:

	2021	**2020**
Gross investment in murabaha finance	**133,344,598**	98,778,908
Unearned murabaha finance income	**(16,531,055)**	(13,800,005)
	116,813,543	84,978,903
Provision for impairment	**(3,539,249)**	(708,990)
Net investment in murabaha finance	**113,274,294**	84,269,913
Investment in murabaha finance - non-current portion	**(57,396,208)**	(48,052,879)
Investment in murabaha finance - current portion	**55,878,086**	36,217,034

8.2 The movement in provision for impairment of murabaha finance is as follows:

	2021	**2020**
At 1 January	**708,990**	69,081
Charge for the year	**2,830,259**	639,909
At 31 December	**3,539,249**	708,990

(All amounts in Saudi Riyals unless otherwise stated)

8.3 Category-wise movement in provision for impairment of murabaha finance is as follows:

	Performing	Under-performing	Non-performing	Total
2021				
Opening balance as at 1 January 2021	676,367	32,623	-	**708,990**
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(15,886)	20,196	-	**4,310**
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(42,165)	-	2,468,301	**2,426,136**
Individual financial assets transferred to performing (12-month expected credit losses)	418	(8,231)	-	**(7,813)**
New financial assets originated	579,619	71,118	48,232	**698,969**
Recoveries	(299,167)	(6,627)	-	**(305,794)**
Other changes	14,451	-	-	**14,451**
Closing balance as at 31 December 2021	**913,637**	**109,079**	**2,516,533**	**3,539,249**

	Performing	Under-performing	Total
2020			
Opening balance as at 1 January 2020	69,081	-	69,081
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(296)	8,231	7,935
New financial assets originated	557,543	24,392	581,935
Recoveries	(927)	-	(927)
Other changes	50,966	-	50,966
Closing balance as at 31 December 2021	676,367	32,623	708,990

8.4 Category-wise gross murabaha finance are as follows:

	2021	**2020**
Performing	**125,692,962**	98,560,816
Under-performing	**2,059,340**	218,092
Non-performing	**5,592,296**	-
	133,344,598	98,778,908

8.5 Category-wise murabaha finance (net of impairment provision) are as follows:

	2021	**2020**
Performing	**124,779,325**	97,884,449
Under-performing	**1,950,261**	185,469
Non-performing	**3,075,763**	-
	129,805,349	98,069,918

(All amounts in Saudi Riyals unless otherwise stated)

9 Leases

i) Amounts recognised in the statement of financial position

	2021	2020
Right-of-use assets		
Office premises and delivery yards	**2,554,960**	3,508,125
Lease liabilities		
Payable within twelve month from the balance sheet date	**294,984**	655,116
Payable after twelve month	**2,480,640**	3,037,419
	2,775,624	3,692,535

There were no additions to the right-of-use assets during 2021 (2020: Saudi Riyals 0.3 million). The Company has terminated a lease contract before its original maturity which has resulted in a gain of Saudi Riyals 40,600 recognised in profit and loss for the year ended 31 December 2021.

ii) Amounts recognised in profit and loss

	2021	2020
Depreciation charge of right-of-use assets		
Office premises and delivery yards	**501,400**	896,620
Finance charge on leases (included in finance charges) (Note 21)	**176,722**	220,301

The total cash outflow for leases in 2021 was Saudi Riyals 0.6 million (2020: Saudi Riyals 1.0 million).

iii) Additional information about the Company's leasing activities

The Company has leases in respect of various offices and delivery yards. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of property leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension options held are exercisable only by mutual agreement of the Company and the respective lessor.

(All amounts in Saudi Riyals unless otherwise stated)

10 Property and equipment

	1 January 2021	Additions	Disposals	31 December 2021
2021				
Cost				
Vehicles	74,752	-	-	**74,752**
Furniture, fixtures and office equipment	1,785,028	432,455	(7,506)	**2,209,977**
	1,859,780	432,455	(7,506)	**2,284,729**
Accumulated depreciation				
Vehicles	(63,445)	(11,307)	-	**(74,752)**
Furniture, fixtures and office equipment	(1,147,823)	(250,689)	7,506	**(1,391,006)**
	(1,211,268)	(261,996)	7,506	**(1,465,758)**
	648,512			**818,971**

	1 January 2020	Additions	Disposals	31 December 2020
2020				
Cost				
Vehicles	46,485	28,267	-	74,752
Furniture, fixtures and office equipment	1,523,093	261,935	-	1,785,028
	1,569,578	290,202	-	1,859,780
Accumulated depreciation				
Vehicles	(35,832)	(27,613)	-	(63,445)
Furniture, fixtures and office equipment	(965,847)	(181,976)	-	(1,147,823)
	(1,001,679)	(209,589)	-	(1,211,268)
	567,899			648,512

Useful lives of property and equipment are as follows:

	Number of years
Vehicles	4
Furniture, fixtures and office equipment	3 - 5

11 Intangible assets

Intangible assets comprise of computer software and license. The movement in intangible assets is as follows:

	2021	2020
Cost		
At 1 January and 31 December	**10,015,785**	10,015,785
Accumulated amortization		
At 1 January	**(4,604,167)**	(3,084,911)
Charge for the year	**(1,430,825)**	(1,519,256)
At 31 December	**(6,034,992)**	(4,604,167)
Net book value		
At 31 December	**3,980,793**	5,411,618

(All amounts in Saudi Riyals unless otherwise stated)

12 Financial asset at fair value through other comprehensive income

The Company holds 89,285 shares in Saudi Finance Leasing Contracts Registry Company, a Saudi joint stock company (the "investee Company") registered in the Kingdom of Saudi Arabia for financing contracts registration, which represents 2% of total share capital of the investee Company. The management believes that the carrying value of the investment approximates to the fair value at 31 December 2021 and 2020.

13 Share capital

At 31 December, the issued, subscribed and paid-up share capital of the Company comprised 23 million (2020: 15 million) shares of Saudi Riyals 10 each held as follows:

Name	County of incorporation	Shareholding 2021	2020
Al Majdouie Motors Company Limited	Saudi Arabia	**68%**	46.68%
Al Majdouie Food Company Limited	Saudi Arabia	**8%**	13.33%
Arsal Operation and Maintenance Company	Saudi Arabia	**8%**	13.33%
Al Majdouie Logistics Company Limited	Saudi Arabia	**8%**	13.33%
Al Majdouie Education and Training Company Limited	Saudi Arabia	**8%**	13.33%
Total		**100%**	100%

During 2021, the shareholders of the Company resolved to transfer 100% shareholding in the Company to Al Majdouie Motors Company. Legal formalities for such change were completed subsequent to the year-end and accordingly the Company became a single shareholder closed joint stock company. Also see Note 1.

14 Accounts payable

	Note	2021	2020
Trade		**16,690,941**	13,064,893
Related parties	22	**48,751,229**	51,565,521
		65,442,170	64,630,414

15 Accrued and other liabilities

	Note	2021	2020
Advance from customers		**7,913,660**	7,602,234
Accrued expenses		**7,519,089**	6,819,485
VAT payable		**1,044,870**	1,722,654
Net servicing liability under agency agreement	26	**258,298**	1,538,631
		16,735,917	17,683,004

(All amounts in Saudi Riyals unless otherwise stated)

16 Zakat matters

16.1 The principal elements of the approximate zakat base are as follows:

	2021	2020
Equity	**135,668,851**	114,379,280
Long-term liabilities and borrowings	**267,935,759**	216,942,274
Total financing resources	**403,604,610**	331,321,554
Total assets	**568,618,476**	498,608,146
Zakat assets	**155,032,547**	148,452,810
Approximate zakat base	**110,041,888**	98,645,833

In accordance with the regulations of the ZATCA, zakat is payable at 2.577% of zakat base subject to a minimum and maximum capping / threshold of 4 times or 8 times, respectively of profit before zakat.

16.2 Provision for zakat

	2021	2020
At 1 January	**1,216,458**	(218,129)
Provision for the year	**2,835,779**	1,434,587
Adjustment for prior year	**(437,343)**	-
Payments	**(779,115)**	-
At 31 December	**2,835,779**	1,216,458

16.3 Status of final assessments

The Company has filed its zakat declarations with the ZATCA upto 2020. ZATCA has finalised Company's assessments upto 2018, whereas assessments for 2019 and 2020 are currently under review by ZATCA.

17 Long-term borrowings

	2021	2020
Murabaha facilities	**136,915,762**	167,349,730
Government bank loan	**88,151,895**	85,824,600
Payable to SAMA	**37,021,179**	32,680,262
Accrued finance cost	**324,275**	2,366,979
	262,413,111	288,221,571
Long-term borrowings are presented as follows:		
Current maturity shown under current liabilities	**98,315,829**	77,329,350
Long-term borrowings	**164,097,282**	210,892,221
	262,413,111	288,221,571

The movement in long-term borrowings is as follows:

	Note	2021	2020
At 1 January		**288,221,571**	151,467,740
Proceeds from long-term borrowings		**45,216,891**	320,661,142
Gain on interest free funding received from SAMA	28	**(598,631)**	(2,095,661)
Gain on modification of long-term borrowings	28	**(1,530,720)**	(2,228,272)
Finance charges for the year		**6,772,962**	5,569,381
Less: repayment of principal		**(70,767,997)**	(181,264,304)
Less: repayment of finance charges		**(4,900,965)**	(3,888,455)
At 31 December		**262,413,111**	288,221,571

17.1 Murabaha facilities

During 2020, the Company has drawn Saudi Riyals 137.0 million from its murabaha facilities. The loans are secured against corporate guarantees from certain related parties, collateral on receivables against certain leased vehicles covering at least 125% to 150% of the outstanding borrowings. The loan agreements contain covenant regarding maintenance of leverage ratio and the Company has complied with this covenant throughout the reporting period. The loans bear financial charges based on prevailing market rates which are based on Saudi Inter Bank Offer Rates. The carrying values of such long-term borrowings are denominated in Saudi Riyals. The repayment of such loans as per the respective repayment schedule is up to 2025. The total murabaha facilities of the Company as at 31 December 2021 is Saudi Riyals 300.0 million (2020: Saudi Riyals 300.0 million), out of which Saudi Riyals 113.0 million was unutilized as at 31 December 2021 (2020: Saudi Riyals 113.0 million). Further during 2020, the Company has settled long-term borrowings of Saudi Riyals 61.4 million before their respective contractual maturities.

17.2 Government bank loan

During 2021, the Company entered into agreements with a government bank to provide financing facilities aggregating to Saudi Riyals 32.0 million (2020: Saudi Riyals 50.0 million) to meet the working capital requirements of the Company, which were fully utilised during the year. Administrative fee is charged by government bank under the loan agreements. The covenants of the borrowing facilities restrict the Company to utilise the loan amounts for the purpose specified in the loan agreements. The carrying values of such long-term borrowings are denominated in Saudi Riyals. The repayment of such loans as per the repayment schedule is up to 2024.

17.3 Payable to SAMA

During 2021, the Company has received interest free deposits aggregating to Saudi Riyals 13.2 million (2020: Saudi Riyals 133.8 million) from SAMA out of which the Company in accordance with instructions from SAMA has repaid Saudi Riyals 8.7 million (2020: Saudi Riyals 98.5 million) during the year. Also see Note 28.

17.4 Contractual maturities of long-term borrowings

The contractual maturities of long-term borrowings are as follows:

	2021	2020
Less than 6 months	**46,547,178**	37,617,154
6 - 12 months	**55,785,783**	45,557,351
Between 1 and 2 years	**95,888,361**	83,890,227
Between 2 and 5 years	**73,218,709**	135,380,956
	271,440,031	302,445,688

Also see Note 28.

(All amounts in Saudi Riyals unless otherwise stated)

18 Employee benefit obligations

18.1 Employee benefit obligations - Defined benefit plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. 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 Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plan is unfunded plan and the benefit payment obligation are met when they fall due upon termination of employment. The most recent comprehensive actuarial valuation coincided with the year-end reporting date.

	2021	**2020**
At 1 January	**3,012,634**	2,685,221
Current service cost	**614,320**	688,669
Interest cost	**49,755**	81,267
Benefits paid	**(922,550)**	(194,297)
Remeasurements	**(7,135)**	(248,226)
At 31 December	**2,747,024**	3,012,634

18.2 Amounts recognised in the statement of comprehensive income

The amounts recognised in the statement of comprehensive income related to employee benefit obligations are as follows:

	2021	**2020**
Current service cost	**614,320**	688,669
Interest expense	**49,755**	81,267
Total amount recognised in profit or loss	**664,075**	769,936
Remeasurements		
Experience gains	**(7,135)**	(248,226)
Total amount recognised in other comprehensive income	**(7,135)**	(248,226)

18.3 Significant actuarial assumptions

	2021	**2020**
Discount rate	**2.4%**	1.8%
Salary growth rate	**2.4%**	1.8%
Retirement age	**60 years**	60 years

(All amounts in Saudi Riyals unless otherwise stated)

18.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
2021				
Discount rate	50 basis points	50 basis points	**(100,228)**	**107,038**
Salary growth rate	50 basis points	50 basis points	**109,977**	**(103,940)**
2020				
Discount rate	50 basis points	50 basis points	(89,769)	95,688
Salary growth rate	50 basis points	50 basis points	95,205	(90,198)

The sensitivity analysis is 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 defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

18.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 7.5 years (2020: 7.2 years). The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	2021	**2020**
Less than a year	**289,940**	672,918
Between 1 - 2 years	**317,877**	261,912
Between 2 - 5 years	**1,129,130**	1,575,847
Over 5 years	**2,783,309**	2,405,258
	4,520,256	4,915,935

19 Income from financing activities

	2021	**2020**
Income from finance leases	**40,115,900**	46,328,730
Income from murabaha finance	**12,114,360**	3,634,946
	52,230,260	49,963,676

(All amounts in Saudi Riyals unless otherwise stated)

20 Other expenses

	Note	2021	2020
Professional fees		**1,688,049**	1,045,219
Software license and support		**1,198,822**	775,422
Bank charges		**530,741**	459,248
Advertising and marketing		**117,118**	167,359
Board of Directors fees	22	**178,000**	90,000
Other		**4,157,820**	2,623,126
		7,870,550	5,160,374

21 Finance charges

	Note	2021	2020
Finance cost on long-term borrowings	17	**6,772,962**	5,569,381
Finance charge on servicing liabilities		**255,953**	-
Finance charge on leases	9	**176,722**	220,301
Finance charges from a related party	22	**-**	708,059
		7,205,637	6,497,741

22 Related party transactions and balances

The Company has transactions with its shareholders and their affiliated entities (collectively "related parties").

Related parties comprise the shareholders, directors, associated companies, key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

22.1 Significant transactions with related parties in the ordinary course of business during the year were as follows:

Nature of transaction	Relationship	2021	2020
Purchases	Shareholder	**121,753,256**	163,774,847
Purchases	Affiliate	**-**	2,733,458
Finance charges	Shareholder	**-**	708,059
Commission income on lease of motor vehicles	Shareholder	**3,552,192**	1,589,929
Lease payments	Shareholder	**408,031**	445,214
Key management personnel			
Key management compensation		**2,517,913**	2,814,788
Employee benefit obligations		**149,513**	170,471
Board of Directors fees		**178,000**	90,000

(All amounts in Saudi Riyals unless otherwise stated)

22.2 Accounts payable include the following amounts due to related parties:

	2021	**2020**
Al Majdouie Motors Company Limited (“Motors”) - shareholder	**48,630,108**	51,373,238
Al Majdouie Holding Company Limited - intermediate parent company	**77,469**	95,449
Arjaa Travel and Tourism Company	**24,850**	3,185
Arsal Operation and Maintenance Company - shareholder	**16,527**	47,606
Al Majdouie Logistics Company Limited	**2,275**	14,028
Al Majdouie Trading Establishment	**-**	30,906
Al Majdouie Manufacturing Company	**-**	1,109
	48,751,229	51,565,521

22.3 Advances to a related party

Advances to a related party at 31 December 2021 and 2020, represent advances given to Al Majdouie Manufacturing Company.

23 Fair values of financial assets and financial liabilities

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: quoted market prices (unadjusted) in active markets for identical financial assets or liabilities.
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); and
Level 3: inputs that are unobservable. This is the case for unlisted equity securities.

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.

All financial assets and financial liabilities of the Company are categorized as held at amortised cost except for financial assets at fair value through other comprehensive income. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

(All amounts in Saudi Riyals unless otherwise stated)

The breakdown of these financial assets and liabilities is as follows:

	Note	2021	2020
Financial assets			
FVTOCI - Level 3			
Financial asset at fair value through other comprehensive income	12	**892,850**	892,850
Financial assets at amortised cost			
Cash and cash equivalents	5	**143,553,351**	148,452,810
Net investment in finance leases	7	**292,064,061**	244,046,390
Net investment in murabaha finance	8	**113,274,294**	84,269,913
Other receivables		**1,238,802**	939,034
		551,023,358	478,600,997
Financial liabilities			
Liabilities at amortised cost			
Long-term borrowings	17	**262,413,111**	288,221,571
Accounts payable	14	**65,442,170**	64,630,414
Accrued and other liabilities		**5,826,984**	5,073,399
Lease liabilities	9	**2,775,624**	3,692,535
		336,457,889	361,617,919
Net financial assets		**214,565,469**	116,983,078

24 Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and commission rate risk), credit risk and liquidity risk. The Company's overall risk management program, which is carried out by senior management, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to shareholders. The risks faced by the Company and their respective mitigating strategies are summarized below.

24.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The management analyses credit risk into the following categories:

Net investment in finance leases and murabaha finance

The Company currently generates revenues from leasing of motor vehicles and murabaha finance in the Kingdom of Saudi Arabia. Financing activities of the Company are related to corporate and retail customers. Investment in finance lease and murabaha finance receivables is generally exposed to significant credit risk. Therefore, the Company has established procedures to manage credit exposure including evaluation of customers' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees whenever considered necessary. The Company also follows a credit classification mechanism as a tool to manage the quality of credit risk of the lease and murabaha portfolio and grades the individual customers based on both subjectivity and payment history taking into consideration factors such as customer credit standing, financial strength, security and quality of management. The Company monitors customers' grading on a regular basis. The credit risk on net investment in finance leases is also mitigated by the retention of legal title documents of the leased assets. The estimated value of collaterals (i.e. leased vehicles) held against non-performing lease receivables at 31 December 2021, amounted to Saudi Riyals 22.7 million (2020: Saudi Riyals 13.6 million).

The ECL are recognized at contract level using the general approach under IFRS 9, considering the historical probability of default and loss given default, which are adjusted for the potential impact of forward looking macro-economic factors and discounted to their present value using the contract's effective interest rate.

Management believes that adequate provision has been accounted for, where required to address the credit risk. Further details related to net investment in finance leases and murabaha finance and related risk are presented in Note 3.7, Note 7 and Note 8 to these financial statements.

Cash and cash equivalents and other receivables

These are placed with banks having good credit ratings, and therefore are not subject to significant credit risk. Other receivables are not exposed to significant credit risk.

24.2 Commission rate risk

Commission rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified period. The most important source of such risk is the Company's leasing activities and long-term borrowings. As at the statement of financial position date, the Company has commission bearing financial assets of Saudi Riyals 405.3 million (31 December 2020: Saudi Riyals 328.3 million). However, the commission rates have been agreed with the respective customers. Further, the Company also had variable commission bearing financial liabilities of Saudi Riyals 262.4 million (31 December 2020: Saudi Riyals 288.2 million), and had the commission rate varied by 1% with all the other variables held constant, total comprehensive income /loss for the year would have been approximately Saudi Riyals 2.8 million (31 December 2020: Saudi Riyals 2.2 million) higher / lower, as a result of lower / higher finance cost on floating rate borrowings.

24.3 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company’s financial assets and liabilities are not exposed to fair value and cash flow interest rate risks.

24.4 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company’s financial instruments are not exposed to price risk.

24.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no significant exposure to currency risk as it mainly deals in Saudi Riyals which is also the functional currency of the Company.

24.6 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity is to ensure, as far as possible, that it will 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.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

(All amounts in Saudi Riyals unless otherwise stated)

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

As at date of statement of financial position, the contractual maturities of the Company's financial assets and financial liabilities are as follows:

	Up to one year	One to three years	More than three years	Total
Financial assets - commission bearing:				
Gross investment in finance leases	159,612,980	145,740,960	76,128,227	**381,482,167**
Gross investment in murabaha finance	68,461,893	63,184,823	1,697,882	**133,344,598**
	228,074,873	208,925,783	77,826,109	**514,826,765**
Financial assets - non commission bearing:				
Cash and cash equivalents	143,553,351	-	-	**143,553,351**
Other receivables	1,238,802	-	-	**1,238,802**
2021	**372,867,026**	**208,925,783**	77,826,109	**659,618,918**
2020	317,519,215	205,260,138	44,399,020	567,178,373
Financial liabilities - commission bearing:				
Lease liabilities	446,500	849,000	2,200,000	**3,495,500**
Long-term borrowings	102,332,961	143,917,609	25,189,461	**271,440,031**
	102,779,461	**144,766,609**	**27,389,461**	**274,935,531**
Financial liabilities - non commission bearing:				
Accounts payable	65,442,170	-	-	**65,442,170**
Accrued and other liabilities	5,826,984	-	-	**5,826,984**
2021	**174,048,615**	**144,766,609**	**27,389,461**	**346,204,685**
2020	153,670,896	157,851,029	65,160,761	376,682,686
Net financial assets (liabilities)				
Commission bearing	125,295,412	64,159,174	50,436,648	**239,891,234**
Non-commission bearing	73,522,999	-	-	**73,522,999**
2021	**198,818,411**	**64,159,174**	**50,436,648**	**313,414,233**
2020	163,848,319	47,409,109	(20,761,741)	190,495,687

25 Finance lease receivables - purchase and agency agreement

In accordance with the terms of purchase and agency agreement, the Company has sold certain finance lease receivables to a financial institution during 2020. The Company continues to manage these derecognized finance lease receivables as an agent in accordance with the terms of agreement entered into with such financial institution (see Note 7). The Company is continuing to manage these sold receivables for an agreed fee which is netted-off with related cost of servicing these finance lease receivables sold to such financial institution.

(All amounts in Saudi Riyals unless otherwise stated)

The outstanding position of such off-statement of financial position finance lease receivables is as follows:

	2021	2020
Finance lease receivables sold under securitization agreements	**62,641,717**	76,324,782

Maturity profile of finance lease receivables sold is as follows:

	2021	2020
Less than one year	**12,708,024**	11,414,129
One to five year	**49,933,693**	64,910,653
	62,641,717	76,324,782

26 Net servicing liability under agency agreement

Under the purchase and agency agreement, the Company has been appointed by a financial institution to service the receivables sold to such financial institution against a servicing fee. The Company initially recognizes 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 specified 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. The management assesses the cost of servicing at the end of each reporting period. Variations in one or a combination of these assumptions could affect the estimated values of a net servicing liability.

27 Capital risk management

The Company's objective when managing capital is to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital. Borrowings represent long-term borrowings, loan from a shareholder and lease liabilities. The management analyses the gearing ratio as follows:

	2021	2020
Equity	**215,668,851**	120,151,530
Borrowings	**265,188,735**	291,914,106
Total	**480,857,586**	412,065,636
Gearing ratio (borrowing as a percentage of total)	**55.15%**	70.84%

Further, the Company monitors aggregate amount of financing offered by the Company in line with the regulatory requirements of SAMA, which requires companies engaged in financing other than real estate, not to exceed aggregate financing to capital ratio of three times, which is calculated by dividing net investment in finance lease and murabaha finance contracts by total equity.

	2021	2020
Net investment in finance lease and murabaha finance contracts	**405,338,355**	328,316,303
Total equity	**215,668,851**	120,151,530
Aggregate financing to capital ratio	**1.9**	2.7

28 Impact of COVID-19 on expected credit losses ("ECL") and SAMA and other public authorities' programs

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

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

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

SAMA and other public authorities' support programs and initiatives

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H.

As part of the deferred payments program ("DPP") launched by SAMA in March 2020 and with further extensions to the program subsequently announced, the Company deferred payments on lending facilities to all eligible MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow shortages. The Company implemented the payment reliefs by deferring the instalments falling due from 14 March 2020 to 31 December 2021 and extending the facility tenors accordingly at no additional costs to the customer. Since July 2021 this support only applies to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard. The Company continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

The accounting impact of above changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to Saudi Riyals 18.9 million of which Saudi Riyals 4.2 million has been recorded in the year ended 31 December 2021, which has been presented net of grant income in profit or loss. During the year ended 31 December 2021, Saudi Riyals 8.1 million has been charged to profit or loss relating to unwinding of modification losses.

In order to compensate the related cost that the Company is expected to incur under the SAMA and other public authorities program, during 2020 and 2021 the Company received multiple profit free deposits from SAMA amounting to Saudi Riyals 48.5 million with varying maturities, which qualify as government grants. Management has determined based on the communication from SAMA that the government grants primarily relate to compensation for the modification losses incurred on the deferral of payments. The benefits of the subsidised funding rate have been accounted for on a systematic basis, in accordance with government grant accounting requirements. The management has exercised certain judgements in the recognition and measurement of such grant income. Total income of Saudi Riyals 2.7 million arose on these profit free deposits of which Saudi Riyals 0.6 million has been recorded during 2021 in profit or loss.

Also, the Company was allowed deferments of periodic repayments on certain of its long-term borrowings under SAMA and other public authorities' programs. Deferment of such periodic instalments allowed to the Company has resulted in cumulative modification gains of Saudi Riyals 3.7 million of which Saudi Riyals 1.5 million has been recorded in 2021 and presented separately in profit or loss.

29 Date of authorization of issue

The accompanying financial statements were authorized for issue by the Board of Directors on 10 March 2022.