UNITED COMPANY FOR FINANCIAL SERVICES
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

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

Independent auditor's report to the shareholder of United Company for Financial Services

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 United Company for Financial Services (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 Organisation 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 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.

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Independent auditor's report to the shareholder of United Company for Financial Services (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

Ali A. Alotaibi
License Number 379

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CERTIFIED PUBLIC ACCOUNTANTS
Lic No 323/11/25/1
C.R 4030289002

14 February 2022

UNITED COMPANY FOR FINANCIAL SERVICES
(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	4	**34,278,848**	57,003,181
Prepayments and other receivables	5	**14,847,526**	3,490,877
Investment in Islamic financing contracts	6	**1,186,060,140**	703,166,901
Property and equipment	7	**5,464,958**	4,601,029
Intangible assets	8	**16,933,534**	13,007,888
Total assets		**1,257,585,006**	781,269,876
Equity and liabilities			
Equity			
Share capital	9	**350,000,000**	350,000,000
Statutory reserve	10	**13,132,432**	254,989
Retained earnings		**118,191,890**	2,294,905
Actuarial reserve	14	**(582,709)**	(782,772)
Total equity		**480,741,613**	351,767,122
Liabilities			
Trade and other payables	11	**80,305,069**	78,975,638
Zakat payable	12	**15,423,663**	5,320,509
Borrowings	13	**675,743,904**	340,681,964
Employee benefit obligations	14	**5,370,757**	4,524,643
Total liabilities		**776,843,393**	429,502,754
Total equity and liabilities		**1,257,585,006**	781,269,876

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December	
		2021	**2020**
Income from Islamic financing contracts	16	**300,895,114**	130,631,662
Finance cost	13	**(11,216,610)**	(5,382,161)
Net income from Islamic financing activities		**289,678,504**	125,249,501
General and administrative expenses	17	**(40,761,640)**	(27,400,369)
Selling and marketing expenses	18	**(80,674,658)**	(53,465,084)
Net impairment losses on financial assets	4, 6	**(26,303,698)**	(17,972,738)
Other income - net		**1,144,190**	267,051
Profit before zakat		**143,082,698**	26,678,361
Zakat expense	12	**(14,308,270)**	(5,335,647)
Profit for the year		**128,774,428**	21,342,714
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of employee benefit obligations	14	**200,063**	(598,467)
Total comprehensive income for the year		**128,974,491**	20,744,247
Earnings per share			
Basic and diluted	19	**3.68**	1.00

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

UNITED COMPANY FOR FINANCIAL SERVICES
(A Saudi Closed Joint Stock Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	(Accumulated losses) retained earnings	Actuarial reserve	Total
At 1 January 2020		150,000,000	-	(18,792,820)	(184,305)	131,022,875
Additional share capital issued		200,000,000	-	-	-	200,000,000
Profit for the year		-	-	21,342,714	-	21,342,714
Other comprehensive loss for the year		-	-	-	(598,467)	(598,467)
Total comprehensive income for the year		-	-	21,342,714	(598,467)	20,744,247
Transfer to statutory reserve	10	-	254,989	(254,989)	-	-
At 31 December 2020		350,000,000	254,989	2,294,905	(782,772)	351,767,122
Profit for the year		-	-	128,774,428	-	**128,774,428**
Other comprehensive income for the year		-	-	-	200,063	**200,063**
Total comprehensive income for the year		-	-	128,774,428	200,063	**128,974,491**
Transfer to statutory reserve	10	-	12,877,443	(12,877,443)	-	-
At 31 December 2021		**350,000,000**	**13,132,432**	**118,191,890**	(582,709)	**480,741,613**

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

UNITED COMPANY FOR FINANCIAL SERVICES
(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			
Profit before zakat		**143,082,698**	26,678,361
Adjustments for:			
Depreciation and amortization	7,8	**2,613,798**	1,906,882
Finance costs		**11,216,610**	5,382,161
Intangible assets written off	8	**71,682**	-
Property and equipment written off	7	**380**	-
Net impairment losses on financial assets	4,6	**26,303,698**	17,972,738
Employee benefit obligations	14	**1,500,025**	825,200
Changes in working capital:			
Increase in investment in Islamic financing contracts		**(509,196,937)**	(577,240,567)
Increase in prepayments and other receivables		**(11,356,649)**	(1,399,459)
Increase in trade and other payables		**1,329,431**	36,647,346
Cash utilized in operations		**(334,435,264)**	(489,227,338)
Finance costs paid		**(11,133,836)**	(4,700,197)
Zakat paid	12	**(4,205,116)**	(303,663)
Employee benefit obligations paid	14	**(453,848)**	(194,787)
Net cash outflow from operating activities		**(350,228,064)**	(494,425,985)
Cash flows from investing activities			
Payments for purchases of property and equipment	7	**(2,204,200)**	(3,323,869)
Payments for purchases of intangible assets	8	**(5,271,235)**	(5,135,690)
Net cash outflow from investing activities		**(7,475,435)**	(8,459,559)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	200,000,000
Proceeds from long-term borrowings	13	**510,000,000**	220,000,000
(Repayment of) proceeds from short-term borrowings	13	**(120,000,000)**	120,000,000
Repayment of long-term borrowings	13	**(55,020,834)**	-
Net cash inflow from financing activities		**334,979,166**	540,000,000
Net change in cash and cash equivalents		**(22,724,333)**	37,114,456
Cash and cash equivalents at beginning of year		**57,003,181**	19,888,725
Cash and cash equivalents at end of year	4	**34,278,848**	57,003,181
Non-cash operating activity:			
Employee benefit obligations transferred from the shareholder	15	-	1,817,013

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

1 Legal status and operations

United Company for Financial Services ("the Company") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration ("CR") number 2051224103 issued in Al-Khobar on 15 Jumada Al Awwal 1440 H (21 January 2019). The principal business activities of the Company include various types of consumer and product finance services under the license number 201905/Ash/52 obtained from Saudi Central Bank ("SAMA"), on 26 Shaban 1440 H (1 May 2019).

The Company's head office is located in Al-Khobar, Kingdom of Saudi Arabia. The Company is a subsidiary of United International Holding Company ("UIHC'), a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia which is ultimately controlled by United Electronics Company ("UEC"), a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia. Also see Note 9.

During the year ended 31 December 2021, the Company has obtained a license from SAMA to engage in credit card financing activities. Management expects to commence such activities during the first half of 2022.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

a) Statement of compliance

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

b) Historical cost convention

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

c) New standards and amendment to standards and interpretations

The Company has applied the following amendments for the first time for their reporting period commencing on or after 1 January 2021.

- Covid-19 - Related Rent Concessions - amendments to IFRS 16 'Leases' ("IFRS 16"); and
- Interest Rate Benchmark Reform - Phase 2 - amendments to IFRS 9 'Financial Instruments' ("IFRS 9"), IAS 39 'Financial Instruments: Recognition and Measurment', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16.

No material impact was identified upon adoption of the amended standards.

d) Standards issued but not yet effective

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

2.2 Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The accompanying financial statements have been 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 other than Saudi Riyals are recognized in the profit or loss.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including 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.

2.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any, except capital work-in-progress which are carried at cost. 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 recognized 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 any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated on property and equipment so as to allocate its cost, less estimated residual value, on a straight line basis over the estimated useful lives of the assets. Depreciation is charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. 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.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Assets in the course of construction or development are capitalized in the capital work-in-progress account. The asset under construction or development is transferred to the appropriate category in property and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development costs and any other directly attributable costs to the construction or acquisition of an item of capital work-in-progress intended by management. Capital work-in-progress is not depreciated.

2.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognized at their fair value. Intangible assets under development are stated at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

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

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

2.6 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 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 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 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); 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 remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets (ROU)

The Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and future restoration costs, if any. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

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.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

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.

2.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 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 rate method.

Borrowings are derecognised 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 profit or loss as other income or finance costs.

2.9 Employee benefit obligations

The level of benefit is based on the terms and conditions of the labor laws applicable to the Company on termination of their employment contracts.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under the plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consists of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to actuarial reserve in the statement of changes in equity in the period in which they occur.

Changes in the present value of defined benefit obligations resulting from the plan amendments or curtailments are recognized immediately in profit or loss as past service costs. The Company has no further payment obligations once the contributions have been paid.

2.10 Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and airfare allowance etc., that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within accrued employees' costs under trade and other payables in the statement of financial position.

2.11 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

2.13 Revenue recognition

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. Income from Islamic financing contracts is recognized in profit or loss using the effective yield method, by applying the Effective Profit Rate ("EPR"), on the outstanding balance over the term of the contract.

The calculation of EPR includes transaction costs and origination fees income received that represent an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets. Origination fees is charged in respect of processing of Islamic financing contracts.

2.14 Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.15 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Additional amounts, if any, are accounted for when determined to be required for payment.

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.

2.16 Financial Instruments

2.16.1 Financial Assets

a) Classification

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 Fair Value Through Profit or Loss ("FVTPL").

SPPI: 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 interest (the "SPPI" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest 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. The Company measures financial assets 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.

The Company's financial assets are classified and measured at amortised cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI").

b) Recognition and 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 of Company's financial assets are at amortised cost. Financial income from these financial assets is included in finance income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

c) De-recognition of financial assets

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.

d) 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.

The Company applies the three-stage model for impairment of financial assets, based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial assets 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 financial assets, 12-month expected credit losses ("ECL") are recognised and financial income is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). A 12-month ECL is the ECL that results 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 assets that have had a significant increase in credit risk since initial recognition, but 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 financial assets, lifetime ECL are recognised, but financial income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that results 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.

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 financial assets, lifetime ECL are recognised and financial income is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial asset 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 asset.

Financial assets are written-off only when 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. Recoveries made, after write-off, are recognized in profit or loss.

Impairment losses on financial assets are presented separately on the statement of profit or loss and other comprehensive income. For details regarding credit risk management, refer Note 21.

2.16.2 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 profit or loss.

2.16.3 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right, which is not contingent on anything, to set off the recognised amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

2.17 Investment in Islamic financing contracts

2.17.1 Tawarruq financing contracts

Tawarruq is an agreement wherein the Company sells a product to its customer which the Company has purchased and subsequently to such sale, arranges to sell the underlying asset and pay out the sale proceeds to the customer. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale payments on the Tawarruq agreement ("Tawarruq financing contracts"). The difference between the Tawarruq financing contracts and the cost of the product sold, is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under Tawarruq financing contracts.

2.17.2 Murabaha financing contracts

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 equals to the Company's cost plus profit, payable on deferred basis in installments. The difference between the Murabaha sale contracts receivable and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the reconciliation of gross and net investment amount under the Murabaha financing contracts.

2.18 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on liquidity. However, 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.

(All amounts in Saudi Riyals unless otherwise stated)

3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Measurement of ECL allowance on investment in Islamic financing contracts is an estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year. See Notes 6 and 21.

4 Cash and cash equivalents

	2021	2020
Cash in hand	**13,050**	19,175
Cash at bank	**34,265,798**	56,984,006
	34,278,848	57,003,181

Also see Note 21.

5 Prepayments and other receivables

	2021	2020
Prepaid expenses	**12,587,255**	1,718,519
Advances to employees	**742,745**	1,716,568
Advances to suppliers	**722,831**	55,790
Other receivables	**794,695**	-
	14,847,526	3,490,877

Classification of prepayments and other receivables is presented below:

Current portion	**11,617,622**	3,490,877
Non-current portion	**3,229,904**	-
	14,847,526	3,490,877

Also see Note 15.2 and Note 21.

6 Investment in Islamic financing contracts

	2021	2020
Investment in Tawarruq financing contracts, net	**832,643,696**	451,175,950
Investment in Murabaha financing contracts, net	**353,416,444**	251,990,951
	1,186,060,140	703,166,901
Less: non-current portion	**(748,432,280)**	(448,321,843)
Current portion	**437,627,860**	254,845,058

(All amounts in Saudi Riyals unless otherwise stated)

6.1 Reconciliation between gross and net investment in Islamic financing contracts is as follows:

	Tawarruq finance		Murabaha finance		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Gross investment in Islamic financing contracts	**1,314,158,451**	753,833,231	**490,019,644**	356,473,902	**1,804,178,095**	1,110,307,133
Unearned finance and processing fee income	**(457,581,869)**	(287,922,472)	**(127,172,415)**	(98,600,769)	**(584,754,284)**	(386,523,241)
Present value of investment in Islamic financing contracts (P.V. of I.F.C.)	**856,576,582**	465,910,759	**362,847,229**	257,873,133	**1,219,423,811**	723,783,892
Allowance for ECL	**(23,932,886)**	(14,734,809)	**(9,430,785)**	(5,882,182)	**(33,363,671)**	(20,616,991)
Net investment in Islamic financing contracts (Net investment in I.F.C.)	**832,643,696**	451,175,950	**353,416,444**	251,990,951	**1,186,060,140**	703,166,901
Net investment in Islamic financing contracts - non-current portion	**(616,068,175)**	(347,324,668)	**(132,364,105)**	(100,997,175)	**(748,432,280)**	(448,321,843)
Net investment in Islamic financing contracts - current portion	**216,575,521**	103,851,282	**221,052,339**	150,993,776	**437,627,860**	254,845,058

6.2 The movement in allowance for ECL on Islamic financing contracts is as follows:

	Tawarruq finance		Murabaha finance		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Opening balance	**14,734,809**	1,312,502	**5,882,182**	1,331,751	**20,616,991**	2,644,253
Charge for the year	**19,374,646**	13,422,307	**6,920,310**	4,550,431	**26,294,956**	17,972,738
Amounts written-off	**(10,176,569)**	-	**(3,371,707)**	-	**(13,548,276)**	-
Closing balance	**23,932,886**	14,734,809	**9,430,785**	5,882,182	**33,363,671**	20,616,991

(All amounts in Saudi Riyals unless otherwise stated)

6.3 Stage-wise analysis of Islamic financing contracts and the respective ECL are as follows:

31 December 2021	Tawarruq finance P.V. of I.F.C.	Tawarruq finance Allowance for ECL	Tawarruq finance Net investment in I.F.C.	Murabaha finance P.V. of I.F.C.	Murabaha finance Allowance for ECL	Murabaha finance Net investment in I.F.C.	Total P.V. of I.F.C.	Total Allowance for ECL	Total Net investment in I.F.C.
Performing (Stage 1)	812,453,495	(6,019,104)	806,434,391	341,693,147	(1,719,015)	339,974,132	1,154,146,642	(7,738,119)	1,146,408,523
Under-performing (Stage 2)	9,813,848	(2,067,066)	7,746,782	5,149,276	(574,371)	4,574,905	14,963,124	(2,641,437)	12,321,687
Non-performing (Stage 3)	34,309,239	(15,846,716)	18,462,523	16,004,806	(7,137,399)	8,867,407	50,314,045	(22,984,115)	27,329,930
	856,576,582	(23,932,886)	832,643,696	362,847,229	(9,430,785)	353,416,444	1,219,423,811	(33,363,671)	1,186,060,140

31 December 2020	Tawarruq finance P.V. of I.F.C.	Tawarruq finance Allowance for ECL	Tawarruq finance Net investment in I.F.C.	Murabaha finance P.V. of I.F.C.	Murabaha finance Allowance for ECL	Murabaha finance Net investment in I.F.C.	Total P.V. of I.F.C.	Total Allowance for ECL	Total Net investment in I.F.C.
Performing (Stage 1)	445,805,392	(4,424,601)	441,380,791	247,880,856	(1,832,768)	246,048,088	693,686,248	(6,257,369)	687,428,879
Under-performing (Stage 2)	4,516,818	(1,071,306)	3,445,512	2,790,931	(310,276)	2,480,655	7,307,749	(1,381,582)	5,926,167
Non-performing (Stage 3)	15,588,549	(9,238,902)	6,349,647	7,201,346	(3,739,138)	3,462,208	22,789,895	(12,978,040)	9,811,855
	465,910,759	(14,734,809)	451,175,950	257,873,133	(5,882,182)	251,990,951	723,783,892	(20,616,991)	703,166,901

(All amounts in Saudi Riyals unless otherwise stated)

6.4 Stage-wise movement in provision for impairment of investment in Islamic financing contracts is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
2021				
1 January 2021	**6,257,369**	**1,381,582**	**12,978,040**	**20,616,991**
Individual financial assets transferred to under-performing (lifetime expected credit losses)	**(96,402)**	**1,062,064**	**(103,526)**	**862,136**
Individual financial assets transferred to non-performing (credit-impaired financial assets)	**(515,957)**	**(924,692)**	**14,854,391**	**13,413,742**
Individual financial assets transferred to performing (12-month expected credit losses)	**11,351**	**(377,736)**	**(593,292)**	**(959,677)**
New financial assets originated	**5,410,006**	**1,555,126**	**7,286,224**	**14,251,356**
Amounts written-off	**(126,114)**	**(111,848)**	**(13,310,314)**	**(13,548,276)**
Other changes	**(3,202,134)**	**56,941**	**1,872,592**	**(1,272,601)**
31 December 2021	**7,738,119**	**2,641,437**	**22,984,115**	**33,363,671**

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
2020				
1 January 2020	1,350,703	384,654	908,896	2,644,253
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(37,128)	370,624	(5,662)	327,834
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(153,319)	(302,761)	5,165,091	4,709,011
Individual financial assets transferred to performing (12-month expected credit losses)	621	(122,191)	(88,137)	(209,707)
New financial assets originated	5,393,014	1,092,474	7,278,360	13,763,848
Other changes	(296,522)	(41,218)	(280,508)	(618,248)
31 December 2020	6,257,369	1,381,582	12,978,040	20,616,991

(All amounts in Saudi Riyals unless otherwise stated)

6.5 Category-wise movement in stage-wise ECL allowance is as follows:

2021	**Tawarruq finance**			**Murabaha finance**			**Total**		
	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**
At 1 January	**4,424,601**	**1,071,306**	**9,238,902**	**1,832,768**	**310,276**	**3,739,138**	**6,257,369**	**1,381,582**	**12,978,040**
Transfers	**(445,081)**	**(120,931)**	**10,185,724**	**(155,927)**	**(119,433)**	**3,971,849**	**(601,008)**	**(240,364)**	**14,157,573**
New financial assets originated	**4,049,105**	**1,150,467**	**4,450,395**	**1,360,901**	**404,659**	**2,835,829**	**5,410,006**	**1,555,126**	**7,286,224**
Amounts written-off	**(117,042)**	**(92,717)**	**(9,966,810)**	**(9,072)**	**(19,131)**	**(3,343,504)**	**(126,114)**	**(111,848)**	**(13,310,314)**
Other changes	**(1,892,479)**	**58,941**	**1,938,505**	**(1,309,655)**	**(2,000)**	**(65,913)**	**(3,202,134)**	**56,941**	**1,872,592**
At 31 December	**6,019,104**	**2,067,066**	**15,846,716**	**1,719,015**	**574,371**	**7,137,399**	**7,738,119**	**2,641,437**	**22,984,115**

2020	**Tawarruq finance**			**Murabaha finance**			**Total**		
	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Performing (Stage 1)**	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**
At 1 January	812,250	8,304	491,948	538,453	376,350	416,948	1,350,703	384,654	908,896
Transfers	(133,816)	234,379	4,027,911	(56,010)	(288,707)	1,043,381	(189,826)	(54,328)	5,071,292
New financial assets originated	3,833,479	828,623	4,698,310	1,559,535	263,851	2,580,050	5,393,014	1,092,474	7,278,360
Other changes	(87,312)	-	20,733	(209,210)	(41,218)	(301,241)	(296,522)	(41,218)	(280,508)
At 31 December	4,424,601	1,071,306	9,238,902	1,832,768	310,276	3,739,138	6,257,369	1,381,582	12,978,040

(All amounts in Saudi Riyals unless otherwise stated)

Following factors contributed to the change in the ECL allowance during the years ended 31 December 2021 and 2020:

- Transfers between stage 1, 2 and 3, due to balances experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial assets recognised during the period;
- Financial assets written off; and
- Other changes to ECL representing impact of changes in PDs and EADs in the period, arising from update of inputs to ECL models, and unwinding of discount due to the passage of time since ECL is measured on a present value basis.

6.6 Maturity profile of gross investment in Islamic financing contracts and present value of investment in Islamic financing contracts is as follows:

	2021	2020
Gross investment in Islamic financing contracts		
Within one year	**744,820,501**	429,290,161
From one to two years	**507,928,450**	310,412,886
From two to three years	**305,159,676**	201,616,221
From three to four years	**182,192,169**	111,205,239
Four to five years	**64,077,299**	57,782,626
	1,804,178,095	1,110,307,133
Present value of investment in Islamic financing contracts		
Within one year	**537,568,427**	299,856,305
From one to two years	**341,111,475**	202,513,219
From two to three years	**192,735,203**	124,234,044
From three to four years	**110,520,231**	64,742,104
Four to five years	**37,488,475**	32,438,220
	1,219,423,811	723,783,892

(All amounts in Saudi Riyals unless otherwise stated)

7 Property and equipment

	1 January	Additions	Write-offs	Transfers	31 December
2021					
Cost					
Furniture and fixtures	**2,630,359**	**320,062**	**-**	**35,256**	**2,985,677**
Office equipment	**103,066**	**83,586**	**-**	**577,861**	**764,513**
Computers	**2,201,766**	**1,211,039**	**(380)**	**398,610**	**3,811,035**
Leasehold improvements	**92,367**	**-**	**-**	**216,622**	**308,989**
Capital work-in-progress	**638,836**	**589,513**	**-**	**(1,228,349)**	**-**
	5,666,394	**2,204,200**	**(380)**	**-**	**7,870,214**
Accumulated depreciation					
Furniture and fixtures	**(465,836)**	**(575,203)**	**-**	**-**	**(1,041,039)**
Office equipment	**(18,398)**	**(64,500)**	**-**	**-**	**(82,898)**
Computers	**(556,141)**	**(678,103)**	**-**	**-**	**(1,234,244)**
Leasehold improvements	**(24,990)**	**(22,085)**	**-**	**-**	**(47,075)**
	(1,065,365)	**(1,339,891)**	**-**	**-**	**(2,405,256)**
Net book value	**4,601,029**				**5,464,958**

	1 January	Additions	Write-offs	Transfers	31 December
2020					
Cost					
Furniture and fixtures	971,303	1,538,377	-	120,679	2,630,359
Office equipment	53,447	38,642	-	10,977	103,066
Computers	943,190	1,060,816	-	197,760	2,201,766
Leasehold improvements	45,169	47,198	-	-	92,367
Capital work-in-progress	329,416	638,836	-	(329,416)	638,836
	2,342,525	3,323,869	-	-	5,666,394
Accumulated depreciation					
Furniture and fixtures	(39,596)	(426,240)	-	-	(465,836)
Office equipment	(3,563)	(14,835)	-	-	(18,398)
Computers	(109,627)	(446,514)	-	-	(556,141)
Leasehold improvements	(7,305)	(17,685)	-	-	(24,990)
	(160,091)	(905,274)	-	-	(1,065,365)
Net book value	2,182,434				4,601,029

The estimated useful lives of assets are as follows:

	Number of years
• Furniture and fixtures	5
• Office equipment	5
• Computers	5
• Leasehold improvements	5

(All amounts in Saudi Riyals unless otherwise stated)

8 Intangible assets

	1 January	Additions	Write-offs	31 December
2021				
Cost				
Computer software	**9,957,941**	**2,640,758**	**(130,688)**	**12,468,011**
Work-in-progress	**4,695,186**	**2,630,477**	**-**	**7,325,663**
	14,653,127	**5,271,235**	**(130,688)**	**19,793,674**
Accumulated amortization				
Computer software	**(1,645,239)**	**(1,273,907)**	**59,006**	**(2,860,140)**
Net book value	**13,007,888**			**16,933,534**

	1 January	Additions	Write-offs	31 December
2020				
Cost				
Computer software	9,517,437	440,504	-	9,957,941
Work-in-progress	-	4,695,186	-	4,695,186
	9,517,437	5,135,690	-	14,653,127
Accumulated amortization				
Computer software	(643,631)	(1,001,608)	-	(1,645,239)
Net book value	8,873,806			13,007,888

Intangible assets, with finite useful lives, are amortized on a straight-line basis over their estimated useful lives of 5 - 10 years. The remaining useful lives of such intangible assets range from 2 - 10 years.

9 Share capital

The share capital of the Company as of 31 December 2021 and 2020 comprised 35 million shares stated at Saudi Riyals 10 per share.

During the year ended 31 December 2021, UEC transferred its shareholding in the Company to UIHC, a wholly owned subsidiary of UEC. The legal formalities including update to underlying shareholder's register and By-laws were completed subsequent to the year-end during January 2022.

10 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company is required to transfer 10% of the profit for the year to a statutory reserve until such reserve equals to 30% of its share capital. This reserve is currently not available for distribution to shareholder of the Company.

(All amounts in Saudi Riyals unless otherwise stated)

11 Trade and other payables

	Note	2021	2020
Due to related parties	15	**41,046,239**	44,824,244
Trade payables		**13,454,566**	16,694,752
Accrued expenses		**8,922,883**	6,552,139
Accrued salaries and other benefits		**8,213,313**	5,502,355
Advances from customers		**6,585,782**	3,513,823
Accrued Board of Directors' fee		**1,983,850**	1,778,000
Value added tax payable		**98,436**	110,325
		80,305,069	78,975,638

12 Zakat payable

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

	2021	2020
Equity at beginning of year	**351,767,122**	131,022,875
Non-current liabilities and borrowings	**523,002,701**	187,941,310
Total financing resources	**874,769,823**	318,964,185
Total assets	**1,257,585,006**	781,269,876
Zakat assets	**486,754,234**	315,339,116
Zakat assets / Total assets	**39%**	40%
Approximate zakat base	**338,583,804**	128,741,536

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.

12.2 Provision for zakat

	2021	2020
1 January	**5,320,509**	288,525
Provisions		
-For current year	**15,423,663**	5,335,647
-Adjustments related to prior years	**(1,115,393)**	-
	14,308,270	5,335,647
Payments	**(4,205,116)**	(303,663)
31 December	**15,423,663**	5,320,509

12.3 Status of final assessments

The Company's zakat assessment since inception are currently under review by the ZATCA. The Company has obtained zakat certificates from ZATCA for the years through 2020.

(All amounts in Saudi Riyals unless otherwise stated)

13 Borrowings

	2021	2020
Long-term borrowings		
Murabaha facilities	**674,979,166**	220,000,000
Short-term borrowings		
Murabaha facilities	-	50,000,000
Tawarruq facilities	-	70,000,000
	674,979,166	340,000,000
Accrued finance cost	**764,738**	681,964
	675,743,904	340,681,964

Classification of borrowings is presented below:

	2021	2020
Current portion (including short term borrowings)	**158,111,960**	157,265,297
Non-current portion	**517,631,944**	183,416,667
	675,743,904	340,681,964

The Company has been allocated amounts under borrowings facilities available to United Electronics Company. Details of the type of borrowings facilities as allocated to and availed by the Company are as follows:

Murabaha l

Total amount allocated to the Company under such facility is Saudi Riyals 250 million. Each tranche of facility utilization is repayable in 20 quarterly installments commencing 6 months after receipt of the borrowed amount. As at 31 December 2021, the Company had an outstanding loan balance of Saudi Riyals 233.0 million against this facility (31 December 2020: Saudi Riyals 120 million).

Murabaha ll

Total amount allocated to the Company under such facility is Saudi Riyals 50.0 million. The tenure of the borrowing facility was less than one year, and the amount was settled in February 2021.

Murabaha III

Total amount allocated to the Company under such facility is Saudi Riyals 500 million. Each tranche of facility utilization is repayable in 48 monthly installments commencing 6 months from receipt of the borrowed amount. As at 31 December 2021, the Company had an outstanding loan balance of Saudi Riyals 392.0 million against this facility (31 December 2020: Saudi Riyals 100 million).

Murabaha IV

Total amount allocated to the Company under such facility is Saudi Riyals 400.0 million. Each tranche of facility utilization is repayable in 16 quarterly installments commencing 6 months from receipt of the borrowed amount. As at 31 December 2021, the Company had an outstanding loan balance of Saudi Riyals 50.0 million against this facility (31 December 2020: Saudi Riyals Nil).

Tawarruq I

Total amount allocated to the Company under such facility is Saudi Riyals 70 million. The tenure of the borrowing facility was less than one year, and the amount was settled in February 2021.

All loan facilities above are denominated in Saudi Riyals and bear financial charges based on Saudi Arabian Interbank Offered Rate ("SAIBOR") ranging between SAIBOR plus 1.1% to 1.4%. Certain credit facility agreements contain financial covenants requiring maintenance of certain financial ratios and other matters, of which the Company was in compliance with at 31 December 2021.

The maturities of the Company's borrowings are as follows:

	2021	**2020**
Less than 6 months	**71,638,889**	132,083,333
Between 6 to 12 months	**85,708,333**	24,500,000
Between 1 and 2 years	**171,416,667**	49,000,000
Between 2 and 5 years	**342,215,277**	131,416,667
Above 5 years	**4,000,000**	3,000,000
	674,979,166	340,000,000

Maturity profile of borrowings, including finance cost component, is disclosed in note 21.

14 Employee benefit obligations

14.1 General description of the plan

The Company operates a defined benefit plan in line with the Labor Law requirements 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 Labor Law of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan and the benefit payment obligations are met when they fall due upon termination of or resignation from employment. The latest valuation of employee benefit obligations under the projected unit credit method was carried out by an independent actuary as of 31 December 2021.

14.2 Movement in net liability recognized in the statement of financial position

	2021	**2020**
As at 1 January	**4,524,643**	1,478,750
Current service cost	**1,395,500**	738,199
Interest cost	**104,525**	87,001
Remeasurements	**(200,063)**	598,467
Obligation transferred from the shareholder	**-**	1,817,013
Payments	**(453,848)**	(194,787)
As at 31 December	**5,370,757**	4,524,643

(All amounts in Saudi Riyals unless otherwise stated)

14.3 Amounts recognized in statement of profit or loss and other comprehensive income

	2021	2020
Current service cost	**1,395,500**	738,199
Interest cost	**104,525**	87,001
Total amount recognized in profit or loss	**1,500,025**	825,200
Remeasurements		
(Gain) loss due to change in financial assumptions	**(272,569)**	537,026
Gain due to change in demographic assumptions	**(8,332)**	-
Loss due to change in experience adjustments	**80,838**	61,441
Total amount recognized in other comprehensive income	**(200,063)**	598,467

14.4 Key actuarial assumptions

	2021	2020
Discount rate	**2.95%**	2.10%
Salary growth rate	**2.00%**	2.00%
Retirement age	**60 years**	60 years

14.5 Sensitivity analysis for actuarial assumptions

2021	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.50%**	**0.50%**	**(188,488)**	**201,189**
Salary growth rate	**0.50%**	**0.50%**	**164,133**	**(155,559)**

2020	**Change in assumption**		**Impact on employee benefit obligations**	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	0.50%	(175,673)	188,242
Salary growth rate	0.50%	0.50%	187,481	(176,676)

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.

The methods and assumptions used in preparing the sensitivity analysis for 2021 and 2020 presented above are consistent.

(All amounts in Saudi Riyals unless otherwise stated)

14.6 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 7.24 years (2020: 8.03 years). The expected maturity analysis of employee benefit obligations is as follows:

	Less than a year	1 - 2 years	2 - 5 years	Over 5 years	Total
31 December 2021	**639,954**	**720,878**	**2,534,697**	**6,424,555**	**10,320,084**
31 December 2020	485,340	545,892	1,954,035	4,769,440	7,754,707

15 Related party transactions and balances

Related parties comprise the shareholders, directors, associated companies (representing entities which are directly or indirectly controlled by or under the significant influence of the Company's shareholder and Ultimate Parent Company), and, key management personnel. Related parties also include business entities in which certain directors or senior management have an interest (other related parties).

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

Related party	Relationship
United Electronics Company ("UEC")	Ultimate Parent Company
Procco Financial Services W.L.L	Associated Company

Nature of transaction	2021	2020
United Electronics Company		
Purchases from UEC to be financed to consumers under Murabaha contracts	**356,634,421**	300,106,389
Payments to UEC	**(417,837,424)**	(363,286,410)
Collections made by UEC on behalf of the Company	**(7,003,532)**	(31,634,973)
Collections made by Company on behalf of UEC	**51,858,957**	100,710,576
Employee benefit obligations transferred from UEC	**-**	(1,817,013)
Expenses incurred by the Company on behalf of UEC	**(555,649)**	(1,767,229)
Expenses incurred by UEC on behalf of the Company	**9,484,212**	5,032,661
Information Technology support charges	**1,148,376**	1,445,704
Procco Financial Services W.L.L		
Outsourced personnel expenses	**13,766,312**	6,949,635
Payments during the year	**(12,362,256)**	(6,906,435)

The transactions are based on terms agreed as per signed agreements between the Company and the related parties.

(All amounts in Saudi Riyals unless otherwise stated)

15.2 Key management compensation

	2021	2020
Short-term employee benefits	**8,998,880**	6,162,732
Employee benefit obligations	**426,166**	259,885
Board of Directors' fees	**1,989,000**	1,778,000
	11,414,046	8,200,617

As at 31 December 2021, advances to employees includes outstanding loans and advances to key management personnel amounting to Saudi Riyals 0.3 million (31 December 2020: Saudi Riyals 0.8 million). Also see Note 5.

15.3 Due to related parties

	2021	2020
United Electronics Company	**38,505,520**	44,781,044
Procco Financial Services W.L.L	**2,540,719**	43,200
	41,046,239	44,824,244

Related party balances as at 31 December 2021 and 2020 are based on the terms agreed as per the signed agreements between the Company and the related parties and bear no financial charges.

16 Income from Islamic financing contracts

	2021	2020
Income from Tawarruq finance activities	**180,871,395**	76,564,829
Income from Murabaha finance activities	**125,117,354**	53,572,411
Processing fee net of related expenses	**(5,093,635)**	494,422
	300,895,114	130,631,662

17 General and administrative expenses

	Note	2021	2020
Salaries and other benefits		**26,581,479**	17,346,057
Information technology support	15	**5,712,033**	4,138,433
Professional fees		**3,610,748**	1,940,649
Amortization	8	**1,273,907**	1,001,608
Rent		**820,448**	620,001
Depreciation	7	**730,351**	436,114
Others		**2,032,674**	1,917,507
		40,761,640	27,400,369

(All amounts in Saudi Riyals unless otherwise stated)

18 Selling and marketing expenses

	Note	2021	2020
Salaries and other benefits		**46,172,812**	30,405,854
Fee and subscription		**12,833,554**	7,009,555
Advertising		**10,509,809**	9,333,278
Collection charges		**5,500,409**	1,828,961
Rent		**2,949,746**	2,700,000
Depreciation	7	**609,540**	469,160
Others		**2,098,788**	1,718,276
		80,674,658	53,465,084

19 Basic and diluted earnings per share

	2021	2020
Profit for the year	**128,774,428**	21,342,714
Weighted average number of ordinary shares for basic and diluted earnings per share	**35,000,000**	21,338,714
Basic and diluted earnings per share	**3.68**	1.00

20 Impact of COVID-19

The coronavirus (COVID-19) pandemic continues to disrupt the global and local markets due to multiple waves and variants of the virus. The Government of Kingdom of Saudi Arabia (the Government) has taken effective measures to control the outbreak and mitigate its potential impact on the social and economic activities.

Management continues to evaluate the current situation and its impact on the Company's key performance indicators in order to take necessary steps, as needed, to mitigate any possible impact on the operational and financial performance of the Company. Management, based on its evaluation of the current situation and changes in multiple macroeconomic factors i.e expected movements of oil prices and unemployment scenario weightings, has recognised the corresponding impact on the calculation of ECL as at 31 December 2021. The Company's ECL model continues to be sensitive to such macroeconomic variables and the Company continues to reassess its position.

21 Financial risk management

The Company's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk. The Company's overall risk management program, which is carried out by senior management under policies approved by the Risk Management Committee of the Board of Directors, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to the shareholder.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(All amounts in Saudi Riyals unless otherwise stated)

The risks faced by the Company and their respective mitigating strategies are summarized below:

21.1 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. As at 31 December 2021, the Company has maintained an ECL allowance of Saudi Riyals 33.4 million (31 December 2020: Saudi Riyals 20.6 million), which is considered adequate to provide for any losses which may be sustained on realization of financial assets.

The management analyses credit risk into the following categories:

21.1.1 Investment in Islamic financing contracts

Investment in Tawarruq and Murabaha finance contracts 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 and assigning credit limits to avoid undue concentration of risks. At the inception of the contract, internal credit risk ratings are allocated to each exposure. These credit risk grades are defined using a variety of qualitative and quantitative factors including income levels, employment segment, nationality etc. The Company also has an effective installment monitoring system which allows it to identify potential problem accounts. An allowance for ECL is maintained at a level which, in the judgment of management, is adequate to provide for potential losses that can be reasonably anticipated.

The following table sets out information about the credit quality of investment in Islamic financing contracts as at 31 December. The amounts in the table represent gross carrying amounts.

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
31 December 2021				
Internal credit risk ratings				
Low risk	**713,652,712**	**4,838,769**	**18,392,867**	**736,884,348**
Medium risk	**629,456,451**	**9,906,487**	**32,543,352**	**671,906,290**
High risk	**364,820,481**	**6,648,670**	**23,918,306**	**395,387,457**
	1,707,929,644	**21,393,926**	**74,854,525**	**1,804,178,095**

	Performing (Stage 1)	**Under-performing (Stage 2)**	**Non-performing (Stage 3)**	**Total**
31 December 2020				
Internal credit risk ratings				
Low risk	443,373,855	4,635,468	11,809,259	459,818,582
Medium risk	413,372,633	5,517,031	16,926,078	435,815,742
High risk	203,469,850	2,568,380	8,634,579	214,672,809
	1,060,216,338	12,720,879	37,369,916	1,110,307,133

(All amounts in Saudi Riyals unless otherwise stated)

The ageing analysis of net investment in Islamic financing contracts, based on due balances according to the contractual repayment schedules of the customers is as follows:

	2021	**2020**
Not past due	**1,118,794,558**	664,936,962
Past due 1-30 days	**35,438,868**	13,353,041
Past due 31-90 days	**15,100,002**	24,820,688
Past due 91-180 days	**20,523,866**	9,050,444
Past due 181-364 days	**21,907,768**	8,612,062
Over 365 days	**7,658,749**	3,010,695
	1,219,423,811	723,783,892
Less: Impairment for Islamic financing contracts	**(33,363,671)**	(20,616,991)
Net investment in Islamic financing contracts	**1,186,060,140**	703,166,901

21.1.2 Measurement of ECL

The Company applies the IFRS 9 general approach to measuring expected credit losses which uses a 12 month or lifetime expected loss allowance as applicable for investment in Islamic financing contracts. The Company's ECL model is sensitive to macroeconomic variables such as expected movements of oil prices and unemployment scenario weightings. Management evaluates changes in such macroeconomic factors on a periodic basis and has recognised the corresponding impact on the calculation of ECL as at 31 December 2021.

The assessment of credit risk in the net investment in finance leases and Islamic financing receivables requires further estimations of credit risk using ECL which is derived by Probability of default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The Company measures an ECL at a contract level considering the EAD, PD, LGD and discount rates. PD estimates are estimates at a certain date, based on the term structures as provided below. For LGD estimates, the Company uses present value of recoveries for loss accounts adjusted by the forward-looking information and further adjusts it in accordance with the Basel guidelines. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of both Tawarruq and Murabaha financing facilities is its gross carrying amount, without any due consideration given to collateral as such financing contracts are not collateralised. For discounting, the Company has used each contract's effective interest rate.

The Company's management believes that adequate provision has been made, where required to address the credit risk. Also see Note 6.

a) Generating the term structure of PD

PD measures the estimated likelihood of default over a time period. PD has been calculated as a probability that an exposure will move to more than 90 days past due in the next 12 months. "Through the cycle" default rates are calculated, which are later converted using scalar factors, which are then adjusted by the outlook of the economy to incorporate forward-looking information.

b) 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 efforts.

c) 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. Based on consideration of a variety of external actual and forecast information from published sources, the Company formulates a forward-looking adjustment to PD term structures to arrive at forward-looking PD estimates across the lifetime using macroeconomic models. Management, based on its evaluation of the current situation and changes in multiple macroeconomic factors i.e expected movements of oil prices and unemployment scenario weightings, has recognised the corresponding impact on the calculation of ECL as at 31 December 2021. The Company's ECL model continues to be sensitive to such macroeconomic variables and the Company continues to reassess its position.

d) Changes in assumptions including incorporation of forward-looking information

During the year ended 31 December 2021, the Company has incorporated unemployment weightage scenarios as an additional macro-economic forward looking information factor. There have been no significant changes to the underlying methodology and assumptions used for determination of ECL.

e) Sensitivity analysis:

An increase or decrease of 10% in the macro-economic factors with all other variables held constant, will result in an increase/decrease of Saudi Riyals 3.3 million in the ECL allowance (31 December 2020: Saudi Riyals 2.1 million).

An increase or decrease of 10% in the loss rates (PDs and LGDs) assuming macro-economic factors remain the same, will result in an increase of Saudi Riyals 6.0 million or a decrease of Saudi Riyals 5.8 million, respectively in the ECL allowance (31 December 2020: an increase of Saudi Riyals 3.7 million or a decrease of Saudi Riyals 3.6 million, respectively in the ECL allowance).

21.1.3 Cash and cash equivalents and other receivables

Cash and cash equivalents are placed with banks having minimum credit ratings of A3 or better, and therefore are not subject to significant credit risk. Other receivables do not contain any impaired assets and are also not exposed to significant credit risk.

21.2 Profit rate risk

Profit rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in 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 Islamic financing activities and long-term borrowings. As at the statement of financial position date, the Company has profit bearing financial assets of Saudi Riyals 1,186.1 million (31 December 2020: Saudi Riyals 703.2 million). However, the profit rates have been agreed with the respective customers upon inception of the Islamic financing contracts. Further, the Company also has variable profit bearing financial liabilities of Saudi Riyals 675.7 million (31 December 2020: Saudi Riyals 340.7 million), and had the profit rate varied by 1% with all the other variables held constant, total comprehensive income /loss for the year would have been approximately Saudi Riyals 4.8 million (31 December 2020: Saudi Riyals 1.1 million) higher / lower, as a result of lower / higher finance cost on variable rate borrowings.

The Company's financial assets and liabilities are not significantly exposed to other elements of market risk including fair value risk, price risk and currency risk.

(All amounts in Saudi Riyals unless otherwise stated)

21.3 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 as made available by the Ultimate Parent Company.

Total unused credit facilities available to the Company as at 31 December 2021 were approximately Saudi Riyals 594.3 million (2020: Saudi Riyals 529.3 million).

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 on any of its borrowing facilities allocated by the Ultimate Parent Company.

The tables below summarises the Company's financial assets and financial liabilities into the relevant maturity groupings based on the remaining contractual maturity period at the reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within one year equal their carrying balances, as the impact of discounting is not significant.

2021	Nature	Up to 3 months	More than 3 months and up to one year	1 to 3 years	More than three years	Total
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	206,951,736	537,868,765	813,088,126	246,269,468	1,804,178,095
Prepayments and other receivables	Non-profit bearing	616,141	245,803	-	675,496	1,537,440
Cash and cash equivalents	Non-profit bearing	34,278,848	-	-	-	34,278,848
		241,846,725	538,114,568	813,088,126	246,944,964	1,839,994,383
Financial liabilities						
Borrowings	Profit bearing	39,757,435	131,576,327	357,275,703	177,520,747	706,130,212
Trade and other payables	Non-profit bearing	73,620,852	-		-	73,620,852
		113,378,287	131,576,327	357,275,703	177,520,747	779,751,064
Net financial assets		128,468,438	406,538,241	455,812,423	69,424,217	1,060,243,320

(All amounts in Saudi Riyals unless otherwise stated)

2020	**Nature**	**Up to 3 months**	**More than 3 months and up to one year**	**1 to 3 years**	**More than three years**	**Total**
Financial assets						
Gross investment in Islamic financing contracts	Profit bearing	117,293,296	311,996,863	512,029,109	168,987,865	1,110,307,133
Prepayments and other receivables	Non-profit bearing	1,206,581	509,987	-		1,716,568
Cash and cash equivalents	Non-profit bearing	57,003,181	-	-		57,003,181
		175,503,058	312,506,850	512,029,109	168,987,865	1,169,026,882
Financial liabilities						
Borrowings	Profit bearing	126,983,207	30,921,477	104,010,037	89,232,679	351,147,400
Trade and other payables	Non-profit bearing	75,351,490	-	-	-	75,351,490
		202,334,697	30,921,477	104,010,037	89,232,679	426,498,890
Net financial (liabilities) assets		(26,831,639)	281,585,373	408,019,072	79,755,186	742,527,992

21.4 Net debt reconciliation

The net debt of the Company is as follows:

	2021	**2020**
Cash and cash equivalents	**34,278,848**	57,003,181
Borrowings	**(675,743,904)**	(340,681,964)
Total	**(641,465,056)**	(283,678,783)

The Company's net debt reconciliation is as follows:

2021	**1 January**	**Cash flows**	**Others**	**31 December**
Cash and cash equivalents	**57,003,181**	**(22,724,333)**	**-**	**34,278,848**
Borrowings	**(340,681,964)**	**(323,845,330)**	**(11,216,610)**	**(675,743,904)**
Net debt	**(283,678,783)**			**(641,465,056)**

2020	**1 January**	**Cash flows**	**Others**	**31 December**
Cash and cash equivalents	19,888,725	37,114,456	-	57,003,181
Borrowings	-	(335,299,803)	(5,382,161)	(340,681,964)
Net debt	19,888,725			(283,678,783)

(All amounts in Saudi Riyals unless otherwise stated)

21.5 Capital risk management

The Company's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholder and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus borrowings, which is analysed as follows:

	2021	2020
Total equity	**480,741,613**	351,767,122
Long-term borrowings	**675,743,904**	340,681,964
Total	**1,156,485,517**	692,449,086
Gearing ratio	**58.4%**	49.2%

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 Islamic financing contracts by total equity.

	2021	2020
Net investment in Islamic financing contracts	**1,186,060,140**	703,166,901
Total equity	**480,741,613**	351,767,122
Aggregate financing to capital ratio	**2.5**	2.0

22 Financial instruments

As at 31 December 2021 and 2020, all financial assets and financial liabilities of the Company are categorized as held at amortized cost. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

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

	2021	2020
Financial assets at amortized cost		
Cash and cash equivalents	**34,278,848**	57,003,181
Investment in Islamic financing contracts	**1,186,060,140**	703,166,901
Prepayments and other receivables	**1,537,440**	1,716,568
Total	**1,221,876,428**	761,886,650
Financial liabilities at amortized cost		
Borrowings	**675,743,904**	340,681,964
Trade and other payables	**73,620,852**	75,351,490
Total	**749,364,756**	416,033,454

At 31 December 2021, for the purpose of the financial instruments' disclosure, non-financial assets and non-financial liabilities amounting to Saudi Riyals 13.3 million and Saudi Riyals 6.7 million (31 December 2020: Saudi Riyals 1.8 million and Saudi Riyals 3.6 million), respectively, have been excluded from prepayments and other receivables and trade and other payables, respectively.

23 Comparative figures

Certain amounts in the comparative statement of financial position as at 31 December 2020 have been appropriately presented to conform to the presentation as at 31 December 2021. These include presentation of accrued finance cost, amounting to Saudi Riyals 0.7 million, from "Trade and other payables" to "Borrowings" and presentation of "Zakat payable", amounting to Saudi Riyals 5.3 million, from "Trade and other payables" to a separate line item. These reclassification restatements have had no impact on the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2020 or any financial performance indicators including basic and diluted earnings per share.

24 Date of authorization for issue

The accompanying financial statements were authorized for issue by the Company's Board of Directors on 13 February 2022.