ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
License #323/11/96/1
Date 24/4/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders
Abdul Latif Jameel United Finance Company
(A Saudi Closed Joint Stock Company)
Jeddah, Saudi Arabia

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of Abdul Latif Jameel United Finance Company (a Saudi Closed Joint Stock Company) ("the Company") as of March 31, 2022 and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements is not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Emphasis of Matter

We draw attention to note 1 of the condensed interim financial statements, which describes the Company's plans to merge the operations of certain fellow subsidiaries with the Company. Our review conclusion is not modified in respect of this matter.

Deloitte and Touche & Co.
Chartered Accountants

Mohammed Abdulrazzaq Morya
Certified Public Accountant
License No. 494

27 Ramadan, 1443
April 28, 2022

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2022
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	**March 31, 2022 (Unaudited)**	December 31, 2021 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**64,631**	64,701
Intangible assets		**3,413**	4,243
Investment classified as fair value through other comprehensive income		**893**	893
Net investment in finance lease	5	**790,028**	748,566
Notes receivable carried at amortized cost	6	**4,442**	5,020
Notes receivable carried at fair value through other comprehensive income	6	**72,871**	80,319
Tawarruq receivables		**960**	-
Long term deposits	9	**1,325,002**	1,322,363
Other non-current assets	7	**466,394**	497,019
Total non-current assets		**2,728,634**	2,723,124
Current assets			
Net investment in finance lease	5	**256,823**	240,689
Notes receivable carried at amortized cost	6	**8,855**	10,428
Notes receivables carried at fair value through other comprehensive income	6	**3,995**	5,845
Tawarruq receivables		**4,467**	-
Inventories		**17,928**	7,628
Prepayments and other receivables		**314,042**	216,635
Deferred consideration receivable	17	**124,372**	125,645
Due from related parties	8	**937**	1,159
Cash and bank balances	9	**1,682,226**	1,764,403
Total current assets		**2,413,645**	2,372,432
TOTAL ASSETS		**5,142,279**	5,095,556
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1	**1,000,000**	1,000,000
Statutory reserve		**300,000**	300,000
Retained earnings		**1,171,829**	1,137,684
Fair value reserve		**19,781**	20,159
Actuarial gains		**34,255**	34,255
Total shareholders' equity		**2,525,865**	2,492,098
Non-current liabilities			
Employee benefits liabilities		**112,618**	115,896
Lease liabilities		**2,322**	2,537
Payable to SAMA	20	**298,930**	331,893
Other non-current liabilities	10	**156,413**	159,078
Total non-current liabilities		**570,283**	609,404
Current liabilities			
Accounts payable, accrued and other liabilities	11	**1,382,391**	1,377,203
Payable to SAMA	21	**552,420**	516,211
Due to related parties	8	**111,320**	100,640
Total current liabilities		**2,046,131**	1,994,054
TOTAL LIABILITIES		**2,616,414**	2,603,458
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,142,279**	5,095,556

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2022
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	Three month period ended March 31 (Unaudited) 2022	2021 (Restated)
Revenues	12	**64,403**	77,318
Direct costs	13	**(10,652)**	(15,737)
GROSS MARGIN		**53,751**	61,581
Net gain on derecognition of receivables	17	**53,587**	50,084
Net change in present value of assets and liabilities relating to derecognized receivables		**(2,350)**	2,896
TOTAL OPERATING INCOME		**104,988**	114,561
Selling and marketing expenses		**(40,292)**	(48,201)
General and administrative expenses		**(41,238)**	(40,526)
Net (charge) / reversal of impairment for lease and notes receivables	14	**(7,636)**	22,813
Total operating expenses		**(89,166)**	(65,914)
INCOME FROM OPERATIONS, net		**15,822**	48,647
Finance charges		**(6,296)**	(9,010)
Finance income	9 (a)	**7,530**	3,908
Other income		**23,089**	15,339
Income before zakat		**40,145**	58,884
Zakat	15	**(6,000)**	(8,400)
NET INCOME FOR THE PERIOD		**34,145**	50,484
Other comprehensive income			
Items that may be reclassified to income:			
Movement in fair value reserve	6.1	**(378)**	557
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**33,767**	51,041
Basic and diluted earnings per share (expressed in Saudi Riyal per share)	16	**0.34**	0.50

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
THREE MONTH PERIOD ENDED MARCH 31, 2022
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve	Actuarial gains, net	Total
January 1, 2021 (audited) (as restated)		1,000,000	300,000	1,410,369	27,002	32,868	2,770,239
Net income for the period (as restated)		-	-	50,484	-	-	50,484
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	6.1	-	-	-	557	-	557
Total comprehensive income for the period (as restated)		-	-	50,484	557	-	51,041
March 31, 2021 (unaudited)		1,000,000	300,000	1,460,853	27,559	32,868	2,821,280
January 1, 2022 (audited)		**1,000,000**	**300,000**	**1,137,684**	**20,159**	**34,255**	**2,492,098**
Net income for the period		**-**	**-**	**34,145**	**-**	**-**	**34,145**
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	6.1	**-**	**-**	**-**	**(378)**	**-**	**(378)**
Total comprehensive income for the period		**-**	**-**	**34,145**	**(378)**	**-**	**33,767**
March 31, 2022 (unaudited)		**1,000,000**	**300,000**	**1,171,829**	**19,781**	**34,255**	**2,525,865**

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS
THREE MONTH PERIOD ENDED MARCH 31, 2022
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	For the three month period ended March 31 (Unaudited)	
	2022	2021 (restated)
OPERATING ACTIVITIES		
Income before zakat	**40,145**	58,884
Adjustments for:		
Depreciation	**3,054**	2,829
Depreciation of right of use assets	**1,132**	1,137
Amortization of intangible assets	**593**	749
Impairment charge / (reversal) against lease and notes receivables	**7,636**	(22,813)
(Gain) / loss on disposal of property and equipment	**(2)**	238
Finance charges	**6,296**	9,010
Finance income	**(7,530)**	(3,908)
Allowance for inventory	**(337)**	22
Modification loss	**-**	2,359
Net gain on derecognition of receivables	**(53,587)**	(50,084)
Net change in present value of assets and liabilities relating to derecognition of receivables	**2,350**	(2,896)
Provision for employee benefits liabilities	**3,040**	4,223
Provision for onerous contracts	**138**	(532)
	2,928	(782)
Changes in operating assets and liabilities:		
Net investment in finance lease	**(10,594)**	(120,785)
Notes receivable	**7,668**	9,438
Tawarruq	**(5,427)**	-
Prepayments, other receivables and other non-current assets	**(147,963)**	(152,104)
Inventories	**(9,964)**	2,910
Due from related parties	**222**	(2,156)
Accounts payable, accrued and other liabilities and other non- current liabilities	**63,069**	(118,453)
Due to related parties	**10,680**	(11,220)
Cash used in operations	**(89,381)**	(393,152)
Employees benefits liabilities paid	**(6,313)**	(4,029)
Finance charges paid	**(1,819)**	(1,722)
Zakat Paid	**(27,893)**	-
Net cash used in operating activities	**(125,406)**	(398,903)
INVESTING ACTIVITIES		
Purchase of property and equipment and intangibles	**(3,933)**	(1,735)
Proceeds from the disposal of property and equipment	**13**	192
Finance income received	**7,530**	3,908
Other deposits	**247,037**	1,881,240
Net cash from investing activities	**250,647**	1,883,605
FINANCING ACTIVITIES		
Proceeds from Saudi Central Bank loan	**47,047**	-
Finance cost paid	**(79)**	(128)
Repayment of lease liabilities	**(1,709)**	(1,654)
Repayment of Saudi Central Bank loan	**(3,000)**	(40,101)
Cash generated from / (used in) financing activities	**42,259**	(41,883)
Net increase in cash and cash equivalents	**167,500**	1,442,819
Cash and cash equivalents at the beginning of the period	**188,577**	958,564
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 9)	**356,077**	2,401,383
NON-CASH TRANSACTIONS:		
Movement in fair value reserve	**(378)**	557

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Abdul Latif Jameel United Finance Company (the "Company") is a Saudi Closed Joint Stock Company, initially registered in the Kingdom of Saudi Arabia as a Limited Liability Company under Commercial Registration number 4030206631, (Unified number 7001715155), issued on 28 Dhul-Hijjah 1431H (corresponding to December 4, 2010).

The Company's head office is in Jeddah. The activities of the Company include finance leasing, financing of productive assets and consumer financing in the Kingdom of Saudi Arabia.

On 16 Safar 1436H (corresponding to December 8, 2014), the Company received a license from Saudi Central Bank ((SAMA)), previously Saudi Arabian Monetary Authority) to undertake activities of finance leasing, financing of productive assets and consumer financing in the Kingdom of Saudi Arabia under license number 28/AU/201412. During 2019, the Company renewed its license for another five years until 14 Safar 1446H (corresponding to August 18, 2024).

During 2021, a request was submitted to SAMA, seeking to merge Abdul Latif Jameel United Real Estate Finance Company ("ALJUREF") and Bab Rizq Jameel Micro Finance Company ("BRJMF") with the Company, all affiliates and ultimately owned by the same shareholders. During 2021, SAMA provided No Objection letter dated August 18, 2021 and requested that a detailed plan for the merger be submitted to SAMA for approval within a period of one year from the date of the No Objection letter.

Accordingly, the Board of Directors on August 30, 2021 approved the merger of the affiliates with the Company and authorized the Chairman of the Board of Directors to execute the merger and obtain all the required shareholders and regulatory approvals.

The said plan including exact steps and timelines including the impact on companies systems and jobs specially for Saudis in the merged company was submitted to SAMA during October 2021. After the approval of the plan by SAMA, the Company shall also seek approvals of the Ministry of Commerce and Zakat, Tax and Customs Authority ("ZATCA").

During the three-month period ended March 31, 2022, The company requested an exception from SAMA to offer real-estate and microfinance products after the merger with ALJUREF and BRJMF since the Financing companies control law ('the Law') prohibits the Company from practicing such activities. The company received an initial NOC (no objection certificate) from SAMA, valid for one year, conditional upon submission of a comprehensive plan detailing the phases of the merger. On March 24th 2022, SAMA announced the amendment to the Law allowing the finance companies to deal in the above activities by applying for real-estate and microfinancing licenses.

Subsequent to the period end, on April 5th, the Company has applied for real-estate and microfinance license. Moreover, the Company has sent an official letter to SAMA inquiring about the 'portfolio purchase of ALJUREF and BRJMF' rather than a merger. At the date of approval of these condensed interim financial statements, the Company awaits a formal response from SAMA.

a) Share capital of the Company

The share capital of the Company was divided into 170,000,000 shares of SR 10 each and was owned as follows:

	No. of shares of SR 10 each	Amount SR'000
Abdul Latif Jameel Modern Trading Company Limited	150,450,000	1,504,500
Altawfiq United Company	17,000,000	170,000
Taif First United Company Limited	850,000	8,500
Bader First United Company Limited	850,000	8,500
Najid Al Raeda United Company Limited	850,000	8,500
	170,000,000	1,700,000

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

On 1 Muharram 1441H (corresponding to August 31, 2019), the Board of Directors of the Company resolved to decrease the share capital of the Company by SR 700 million (70,000,000 shares of SR 10 each) in proportion to the existing shareholding pattern. The Company received a No Objection Letter from SAMA dated October 13, 2019 (corresponding to 14 Safar 1441H) to decrease the Company's share capital. The legal formalities in respect of decrease in share capital were completed during the period on August 9, 2020 and the amount of reduction in share capital was returned to shareholders on August 24, 2020.

After the decrease, the share capital of the Company, divided into 100,000,000 shares of SR 10 each is owned as follows:

	No. of shares of SR 10 each	**Amount**
Abdul Latif Jameel Modern Trading Company Limited	**88,500,000**	**885,000**
Altawfiq United Company	**10,000,000**	**100,000**
Taif First United Company Limited	**500,000**	**5,000**
Bader First United Company Limited	**500,000**	**5,000**
Najid Al Raeda United Company Limited	**500,000**	**5,000**
	100,000,000	**1,000,000**

The Ultimate Parent of the Company is Al Mumaizah United Company ("Ultimate Parent") formerly United Instalment Sales Company Limited. The Company, the Parent, the Ultimate Parent and other shareholders are wholly owned by Saudi shareholders.

b) Insurance arrangement

With effect from January 1, 2020, the Company entered into arrangements with Insurers for an initial period of six months, (renewed every six months) for three years. Upon each renewal, the premium rate, insurance charges and profit share was subject to be reviewed for any subsequent renewal period. As a result of this arrangement, the Company does not retain any insurance risk.

As per the terms of the insurance agreements, the Company is entitled to a profit share after the completion of three years from the expiry of the agreements, as agreed with the insurers. The Company is in the process of finalizing the amounts to be recognized as profit share relating to the previous agreements.

During 2020, SAMA issued the Rules for Comprehensive Insurance of Motor vehicles financially leased to individuals to regulate the relationship between the financing entities and their individual customers with regard to the insurance coverage on the financially leased vehicles. As per these rules, at the end of the finance contract between the lessee and the lessor, the lessor shall pay back the lessee the extra amount of premiums paid by the lessee or shall ask the lessee to pay the extra amount paid by the lessor to the insurer for the insurance policy.

c) Branches of the Company

As of March 31, 2022, the Company operates through 83 branches (December 31, 2021: 83 branches). The accompanying financial statements include the assets, liabilities and results of these branches as the beneficial owner of these branches is the Company.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New, Amended and Revised International Financial Reporting Standards ("IFRS") Standards that are effective for the current period

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2022, have been adopted in these condensed interim financial statements.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS	Summary
Reference to the Conceptual Framework (Amendments to IFRS 3)	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss
Annual Improvements to IFRS Standards 2018–2020	Makes amendments to the following standards: **IFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. **IFRS 9** – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. **IFRS 16** – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. **IAS 41** – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2022 and relevant to the Company's operations.

2.2 New SAMA rules governing credit risk exposure classification and provisioning effective from January 1, 2022.

During 2020, SAMA issued rules (the "Rules") governing credit risk exposure classification and provisioning. These Rules set out the minimum requirements on credit risk exposure classification and provisioning. These Rules shall be applicable to all finance companies licensed pursuant to Finance Companies Control Law effective from July 1, 2021. In a subsequent communication, SAMA deferred implementation of the Rules to January 1, 2022, except for certain Rules to be implemented on or before December 31, 2023.

During the three month period ended March 31, 2022, the management has implemented these Rules.

Financial impact of initial application of the Rules

	2022
Allowance for expected credit losses as of December 31, 2021	**72,755**
Effect of the Rules	**16,086**
Allowance for expected credit losses as of January 1, 2022	**88,841**

The implementation of the new rules resulted in increase in the allowance for credit losses by SR 16,086 thousands.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial period beginning on or after January 1, 2022 and relevant to the Company's operations.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

2.3 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorization of these condensed interim financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 Insurance contracts and amendments to IFRS 17	January 1, 2023
Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)	When an entity first applies IFRS 17
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4). Entities reporting under IFRS 4 would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.	January 1, 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The management is in the process of assessing the potential financial impact of application and do not expect that the adoption of the standards listed above will have a material impact on the condensed interim financial statements of the Company in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The condensed interim financial statements of the Company as of and for the three month period ended March 31, 2022 are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2021.

The results for the interim period of three month period ended March 31, 2022 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2022.

In preparing these condensed interim financial statements, the significant judgments made by the management are same as those that are applied to the financial statements for the year ended December 31, 2021, except for the changes made in judgements and estimates in respect of expected credit loss model due to implementation of new SAMA rules as mentioned in note 2.2.

3.2 Basis of preparation

These condensed interim financial statements have been prepared under the historical cost convention using accrual basis of accounting, except for employees benefit liability which is carried at present value of defined benefit obligation, using actuarial present value calculations based on projected unit credit method, the measurement at fair value of 'Investment classified at fair value through other comprehensive income' (FVTOCI) and a segment of notes receivable portfolio, which have been measured at their fair values and both of which have been classified as 'FVTOCI'.

3.3 Functional and presentational currency

These condensed interim financial statements have been presented in Saudi Riyals and have been rounded off to the nearest thousand Saudi Riyals, except as otherwise indicated.

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2021 except for those mentioned in note 3.4.

3.4 Tawarruq receivables

A sales agreement whereby a customer buys commodities from the Company on a deferral payment basis and immediately resells them for cash to a third party. Income from Tawarruq is recognized on an effective interest basis which is established on the initial recognition of the asset and is not revised subsequently.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Due to the outbreak of novel coronavirus ("COVID-19") since early 2020, the Company's management revisited its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended December 31, 2021. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Further, as the COVID situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

The accounting estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2021.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

5. NET INVESTMENT IN FINANCE LEASE

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Gross investment in finance lease	**1,385,617**	1,312,825
Less: unearned finance income	**(271,293)**	(259,444)
Present value of lease payments receivable	**1,114,324**	1,053,381
Less: impairment loss allowance (note a)	**(67,473)**	(64,126)
Net investment in finance lease	**1,046,851**	989,255

	March 31, 2022 (Unaudited)			
	Gross Investment	**Unearned finance income**	**Allowance for impairment loss**	**Net Investment**
Current portion	**430,248**	**(105,952)**	**(67,473)**	**256,823**
Non-current portion	**955,369**	**(165,341)**	**-**	**790,028**
Total	**1,385,617**	**(271,293)**	**(67,473)**	**1,046,851**

	December 31, 2021 (Audited)			
	Gross Investment	Unearned finance income	Allowance for impairment loss	Net Investment
Current portion	402,229	(97,414)	(64,126)	240,689
Non-current portion	910,596	(162,030)	-	748,566
Total	1,312,825	(259,444)	(64,126)	989,255

a) The movement in impairment loss allowance is as follows:

	Three month period ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
January 1	**64,126**	125,858
Charge / (reversal) during the period (note 14)	**4,184**	(18,286)
Provision transferred on closure of 'purchase and agency agreements'	**-**	10,442
Amount written off during the period	**(837)**	(21,475)
March 31	**67,473**	96,539

b) The ageing of gross finance lease receivables which are past due and considered impaired by the management is as follows:

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
1 - 3 months	**5,497**	5,678
4 - 6 months	**3,374**	3,003
7 - 12 months	**5,138**	8,235
More than 12 months	**22,336**	21,086
	36,345	38,002

The not yet due portion of above overdue finance lease receivables as of March 31, 2022 amounts to SR 97.47 million (December 31, 2021: SR 109.35 million).

6. NOTES RECEIVABLE

Notes receivable comprise of receivables arising from instalment sales of equipment and vehicles. For the purposes of these condensed interim financial statements, the notes receivable pertaining to instalment sale of vehicles have been carried at fair value through other comprehensive income (note 6.1) and notes receivable pertaining to instalment sales of equipment have been carried at amortized cost (note 6.2), as detailed below:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Notes receivable carried at fair value through other comprehensive income (note 6.1)	**76,866**	86,164
Notes receivable carried at amortized cost (note 6.2)	**13,297**	15,448

6.1 Notes receivable carried at fair value through other comprehensive income

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Notes receivable	**76,866**	86,164
Less: current portion	**(3,995)**	(5,845)
Non- current portion	**72,871**	80,319

As of March 31, 2022, the amortized cost of notes receivable measured at fair value through other comprehensive income was SR 57.1 million (December 31, 2021: SR 66 million), whereas the fair value of this portfolio was determined to be SR 76.9 million (December 31, 2021: SR 86.2 million) resulting in fair value reserve of SR 19.8 million (December 31, 2021: SR 20.2 million). The changes in the fair value during the three month period ended March 31, 2022 of SR 0.38 million (March 31, 2021: SR 0.56 million) is recognized in the ‘condensed interim statement of other comprehensive income’.

The movement in allowance for doubtful debts against notes receivable carried at fair value through other comprehensive income is as follows:

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

	Three month period ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
January 1	**6,881**	24,121
Transfer of write off to notes receivable carried at amortized cost (note 6.2)	**1,094**	-
Charge / (reversal) during the period (note 14)	**1,582**	(4,131)
Amount written off during the period	**(3,061)**	(2,421)
March 31	**6,496**	17,569

6.2 Notes receivable carried at amortized cost

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Notes receivable, gross	**15,331**	18,955
Less: unearned finance income	**(1,535)**	(1,759)
	13,796	17,196
Less: impairment loss allowance (6.2a)	**(499)**	(1,748)
Notes receivable, net	**13,297**	15,448

	March 31, 2022 (Unaudited)			
	Gross investment	**Unearned finance income**	**Allowance for impairment loss**	**Net Investment**
Current portion	**10,504**	**(1,150)**	**(499)**	**8,855**
Non-current portion	**4,827**	**(385)**	**-**	**4,442**
Total	**15,331**	**(1,535)**	**(499)**	**13,297**

	December 31, 2021 (Audited)			
	Gross Investment	Unearned finance income	Allowance for impairment loss	Net Investment
Current portion	13,486	(1,310)	(1,748)	10,428
Non-current portion	5,469	(449)	-	5,020
Total	18,955	(1,759)	(1,748)	15,448

a) The movement in impairment loss allowance is as follows:

	Three month period ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
January 1	**1,748**	2,703
Transfer of write off from notes receivable carried at fair value through other comprehensive income (note 6.1)	**(1,094)**	-
Reversal during the period (note 14)	**(155)**	(396)
March 31	**499**	2,307

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

b) The ageing of notes receivables which are past due and considered impaired by the management is as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
1 - 3 months	**157**	167
4 - 6 months	**112**	92
7 - 12 months	**264**	523
More than 12 months	**4,517**	9,208
	5,050	9,990

The not yet due portion of above overdue notes receivables as of March 31, 2022 amounts to SR 6.39 million (December 31, 2021: SR 9.03 million).

7. OTHER NON-CURRENT ASSETS

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Employees' receivables - non-current portion	**5,671**	6,942
Present value of net servicing asset (note 17)	**8,347**	7,360
Receivable under purchase and Agency agreements - non-current Portion (note 7.1)	**305,594**	335,505
Deferred consideration receivable – non-current Portion (note 7.2 & 17)	**146,782**	147,212
	466,394	497,019

7.1 Current portion of receivables under purchase and agency agreements as at March 31, 2022 amounts to SR 103,913 thousand (December 31, 2021: SR 109,309 thousand).

7.2 Current portion of deferred consideration receivables as at March 31, 2022 amounts to SR 124,372 thousand (December 31, 2021: SR 125,645 thousand)

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and agreed between the concerned parties.

i) Following are the details of related party transactions during the period:

Related party	**Nature of transaction**	**Three month period ended March 31 2022 (Unaudited)**	2021 (Unaudited)
Ultimate Parent	Collections from Company's customers	**345**	14
Other related parties	Purchases, net	**336,231**	345,231
	Advertisement expenses	**336**	-
	Expenses charged by	**3,597**	3,878
	Supports received	**1,641**	6,521
	Charges for customer evaluations prior to lease	**1,218**	-
	Amounts collected on behalf of an affiliate	**1,209**	1,640

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

Vehicles are purchased from related party for further lease to lessees.

Due from related parties comprised of the following:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Abdul Latif Jameel Import and Distribution Company Limited	**650**	774
Bab Rizq Jameel Micro Finance Company	**250**	250
Abdul Latif Jameel Insurance Brokerage Company	**36**	38
Abdul Latif Jameel Real Estate Finance Company	**1**	-
Mutalba Debt Collection Company	**-**	86
Abdul Latif Jameel Bodywork and Paint Company Limited	**-**	11
	937	1,159

Due to related parties comprised of the following:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Abdul Latif Jameel Retail Company Limited	**74,478**	47,649
Abdul Latif Jameel for Automotive Wholesale Company Limited	**24,522**	45,400
Salim Saleh Saeed Babqui Trading Company Limited	**8,369**	3,380
Abdul Latif Jameel Lands Company Limited	**1,359**	2,761
Al Mumaizah United Company ("Ultimate Parent")	**1,108**	
formerly United Instalment Sales Company Limited		570
Abdul Latif Jameel Company Limited	**7**	523
Abdul Latif Jameel Technology Company Limited	**26**	252
Abdul Latif Jameel Technology Products Company Limited	**417**	101
Abdul Latif Jameel Company for Information and Services Limited	**728**	4
Abdul Latif Jameel Industrial Equipment Company Limited	**237**	-
Abdul Latif Jameel Bodywork and Paint Company Limited	**69**	-
	111,320	100,640

ii) The total amount of compensation to key management personnel during the period is as follows:

	Three month period ended March 31	
	(Unaudited)	(Unaudited)
Directors' remuneration	**1,206**	1,406
Short-term employee benefits	**3,000**	3,000
Employee benefits liabilities	**207**	73
	4,413	4,479

The Company's Board of Directors includes the Board and other Board related committees (Credit and Risk Management Committee and Audit Committee). Compensation to Company's key management personnel includes salaries, non-cash benefits allowances (excluding bonuses) and post-employment defined benefits plans.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

9. CASH AND BANK BALANCES

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash in hand	**2,057**	2,322
Bank balances	**354,020**	186,255
Cash and cash equivalents	**356,077**	188,577
Other deposits (having original maturity of more than three months) (note 'b')	**1,326,149**	1,575,826
Total cash and bank balances	**1,682,226**	1,764,403

a) During the period, the Company earned SR 7.53 million (March 31, 2021: SR 3.91 million) on the murabaha deposits at the rate of return ranging from 0.88% to 3% (March 31, 2021: 0.28% to 0.85%).

b) As of March 31, 2022, this includes murabaha deposits of SR 122.7 million (December 31, 2021: SR 122.4 million), representing amounts set aside in respect of employees' benefits liabilities.

c) Details of foreign currency time deposits included in cash and bank balances is follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash and cash equivalents	**431**	431
Long term deposits (note 'd')	**1,325,002**	1,322,363
	1,325,433	1,322,794

d) These are foreign currency deposits amounting to USD 351.84 million having maturity in April 2023 at the rate of 0.80%.

10. OTHER NON-CURRENT LIABILITIES

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Present value of net servicing liability - non-current portion (note 17)	**9,631**	11,866
Provision against expected defaults and discounts in respect of sold finance lease and notes receivable - non-current portion (note 17)	**146,782**	147,212
	156,413	159,078

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

11. ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Accounts payable – trade	**65,917**	63,298
Accrued expenses*	**43,304**	59,001
Zakat payable (note 15)	**29,109**	51,002
Payable under purchase and agency agreements (note 17)	**1,030,938**	1,023,654
Present value of net servicing liability - current portion (note 17)	**16,933**	14,038
Amount due to the insurers	**62,752**	43,973
Current portion of lease liabilities	**3,090**	4,627
Provision for onerous arrangement (note 13 and note 'a' below)	**1,224**	1,086
Advance collections and other payables	**129,124**	116,524
	1,382,391	1,377,203

* Accrued expenses include amount due to related parties amounting to SR 3.9 million (December 31, 2021: SR 5.4 million).

a) The movement in the provision for onerous insurance arrangements is as follows:

	Three month period ended March 31 2022 (Unaudited)	2021 (Unaudited)
January 1	**1,086**	1,889
Charge / (reversal) for the period	**138**	(532)
March 31	**1,224**	1,357

12. REVENUES

	Three month period ended March 31 2022 (Unaudited)	2021 (Unaudited)
Income from finance leases	**22,776**	29,541
Income from instalment sales	**4,191**	11,294
Income from Tawarruq	**98**	-
Contract fee income	**5,715**	6,255
Income from purchase and agency agreements (note 17)	**26,553**	26,554
Others	**5,070**	3,674
	64,403	77,318

13. DIRECT COSTS

	March 31, 2022 (Unaudited)	March 30, 2021 (Unaudited)
Direct cost on finance leases	**7,738**	10,103
Direct cost on instalment sales / Tawarruq	**2,776**	6,166
Charge / (reversal) for provision for onerous insurance arrangements (note 11)	**138**	(532)
	10,652	15,737

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

14. IMPAIRMENT OF LEASE AND NOTES RECEIVABLES

	March 31, 2022	**March 30, 2021**
	(Unaudited)	(Unaudited)
Charge / (reversal) of impairment of lease receivables (note 5)	**4,184**	(18,286)
Charge / (reversal) of impairment of notes receivable carried at fair value through other comprehensive income (note 6.1)	**1,582**	(4,131)
Reversal of impairment of notes receivable carried at amortized cost (note 6.2)	**(155)**	(396)
Impact of additional write off due to SAMA rules (note 2.2)	**2,025**	-
	7,636	(22,813)

15. ZAKAT

During the three month period ended March 31, 2022, an amount of SR 6 million has been recorded as zakat charge (March 31, 2021: SR 8.4 million) and an amount of SR 33.43 million has been paid to Zakat, Tax And Customs Authority (ZATCA). Moreover, during the period, the Company has received a refund from ZATCA relating to the years 2014 to 2018 amounting to SR 5.53 million.

Status of zakat assessments

For the year 2012, ZATCA issued an assessment claiming additional zakat of SR 27.6 million against which the Company filed an objection, which was not accepted by the ZATCA, therefore, the Company requested that the objection be forwarded to the Preliminary Objection Committee. However, the Company has retracted the objection and settled the above amount. The zakat declaration for the year 2013 is currently under review by the ZATCA and the declarations for the years 2014 to 2018 have been finalized (with an overpayment of SR 5.53 million as an excess amount refunded by ZATCA on March 23, 2022), while the declaration for 2019, 2020 and 2021 is also under review. Further, the Company has a zakat certificate valid up to April 30, 2023.

16. EARNINGS PER SHARE

Basic earnings per share amounts is calculated by dividing the net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the three month period ended March 31, 2022 and 2021.

There has been no dilutive effect on the weighted average number of shares during the three month period ended March 31, 2022 and 2021.

The basic and diluted earnings per share are calculated as follows:

	Three month period ended March 31	
	2022	2021 (Restated)
	(Unaudited)	(Unaudited)
Net profit for the period *(in SR '000)*	**34,145**	50,484
Weighted average number of ordinary shares *(in'000)* (note 1(a))	**100,000**	100,000
Basic and diluted earnings (expressed in SR per share)	**0.34**	0.50

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

17. PURCHASE AND AGENCY AGREEMENTS

The Company has entered into purchase and agency agreements (the ‘agreements’) with certain local banks in respect of certain finance lease and notes receivables (collectively referred as ‘receivables’).
Under the terms of the purchase and agency agreements, the Company first sells the eligible receivables to the banks and then manages them on behalf of the banks as an agent for a monthly fee as per the terms of the agreements.

During the three month period ended March 31, 2022, the Company sold SR 507 million (March 31, 2021: SR 386.9 million) of its net receivables and the total amount received from the bank in respect of such sale was SR 557.9 million (March 31, 2021: SR 432.3 million). Upon sale, the Company derecognizes the receivables from its books and recognizes the difference as either gain or loss on derecognition of receivables (note (c)).

The following are the significant terms of the agreement:

a) The Company continues to manage the sold receivables on behalf of the banks for a fee (agency fee). The total settlement of net receivables to be made to the banks (as per the agreed cash flows), as an agent under purchase and agency arrangements amount to SR 5,489 million as of March 31, 2022 (December 31, 2021: SR 5,522 million).

The maturity analysis of derecognized receivables is as follows:

Under purchase and agency agreements	**Up to 1 year**	**2 - 3 years**	**After 3 years**	**Total**
March 31, 2022 (Unaudited)	**2,371,563**	**2,197,224**	**920,712**	**5,489,499**
December 31, 2021 (Audited)	2,399,356	2,240,335	882,532	5,522,223

b) Each agreement is supported by a “cash flow statement” which stipulates the principal amount and the monthly receivables falling due. Under the terms of the agreements, the Company, in the capacity of an agent, settles to the banks a monthly amount based on the cash flow statement. Any excess collections over and above the stipulated amounts and after retaining the amount for the next month’s repayment, are transferred monthly by the Company to the banks. The amount of the next month’s repayment is recognized as a liability and included in payable under purchase and agency agreements (note 11).

c) A reserve is to be maintained out of the monthly receipts, which is to be distributed at the end of the term of the agreements after deducting the actual defaults and discounts due to premature terminations. The balance in the reserve account after deducting the actual defaults and discounts shall be retained by the Company as deferred consideration on sale of receivables. Any shortfall in the reserve account is to be borne by the banks.

During the three month period ended March 31, 2022, the Company made gain amounting to SR 53.6 million (March 31, 2021: SR 46.1 million) on derecognition of receivables sold to the banks under the agreements, which is calculated as follows:

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

	Three month period ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Gross amount of receivables	**664,466**	500,540
Less: deferred finance income	**(157,426)**	(113,563)
Less: present value of deferred consideration receivable (note (i))	-	-
Less: present value of net servicing liability (note (ii))	**(2,677)**	(777)
Less: amounts received from the banks	**(557,950)**	(432,300)
Net gain on derecognition of receivables	**53,587**	46,101

During the three-month period ended March 31, 2022 none of the purchase and agency agreements were matured, in the comparative period certain purchase and agency agreements entered into by the Company, matured and the Company recorded a net gain amounting to SR 3.9 million after deducting the actual customer defaults and discounts on premature terminations. The Company obtained final settlement and discharge letters from the banks with respect to these agreements.

The total gain on derecognized receivables for the period is as follows:

	Three month period ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Gain on derecognition of receivables	**53,587**	**46,101**
Gain on maturity of derecognized pools	**-**	**3,983**
	53,587	**50,084**

i. The Deferred consideration receivable represents the continuing involvement in the transferred asset. Provision against expected defaults in respect of sold finance lease and notes receivable represents a guarantee provided by the Company under purchase and agency agreements to pay for default losses on a transferred asset. These have been disclosed as deferred consideration receivable (note 7) and provision against expected defaults and discounts in respect of sold finance lease and notes receivable (notes 10 and 11).

ii. The Company's net servicing assets and related liabilities are calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreement and by estimating the present value of servicing liability and related provisions. The net amount is classified as a net servicing asset or a net servicing liability on the condensed interim statement of financial position. This has been presented as follows:

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Present value of net servicing assets (note 7)	**8,347**	**7,360**
Present value of net servicing liability	**26,564**	**25,904**
Less: current portion (note 11)	**(16,933)**	**(14,038)**
Non-current portion (note 10)	**9,631**	**11,866**

The present value of net deferred consideration receivable and the present value of net servicing asset and net servicing liability is calculated by using the appropriate discount rate.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

18. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit quality analysis

i) Financial assets carried at fair value through other comprehensive income (FVTOCI)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income as of March 31, 2022 and December 31, 2021. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

a) Net carrying amounts

	March 31, 2022 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Notes receivable carried at fair value through other comprehensive income	**61,097**	**504**	**15,265**	**76,866**

	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	64,869	888	20,407	86,164

b) Allowance for ECL

	March 31, 2022 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Notes receivable carried at fair value through other comprehensive income	**1,121**	**122**	**5,253**	**6,496**

	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	1,225	67	5,589	6,881

ii) Financial assets carried at amortized cost

The following tables set out information about the credit quality of financial assets measured at amortised cost as at March 31, 2022 and December 31, 2021. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

a) Gross carrying amounts

	March 31, 2022 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease	**1,285,086**	**56,692**	**43,839**	**1,385,617**
Notes receivable carried at amortized cost	**12,222**	**553**	**2,556**	**15,331**
Carrying amount	**1,297,308**	**57,245**	**46,395**	**1,400,948**

	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not Credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease	1,265,644	6,517	40,664	1,312,825
Notes receivable carried at amortized cost	16,919	272	1,764	18,955
Carrying amount	1,282,563	6,789	42,428	1,331,780

b) Allowance for ECL

	March 31, 2022 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease	**23,662**	**4,712**	**39,099**	**67,473**
Notes receivable carried at amortized cost	**235**	**40**	**224**	**499**
	23,897	**4,752**	**39,323**	**67,972**

	December 31, 2021 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease	26,615	1,369	36,142	64,126
Notes receivable carried at amortized cost	281	20	1,447	1,748
	26,896	1,389	37,589	65,874

The allowance for ECL for net investment in finance lease also includes the ECL on insurance, which the Company arranges on behalf of the customers.

Amounts arising from ECL - Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

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

The Company groups its receivables into Stage 1, Stage 2A, Stage 2B, Stage 3A and Stage 3B as described below:

Stage 1: When loans are first recognized, the Company recognizes an allowance based on 12 months ECLs. Stage 1 receivables also include receivables where the credit risk has improved, and the balance has been reclassified from Stage 2.

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

Stage 3A/3B: Receivables considered credit impaired. The Company records an allowance for the Lifetime ECL.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

a) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors as well as in depth analysis of the input of certain other factors (e.g. forbearance experience) on the risk of default include oil prices, inflation, manufacturing purchasing manager's index, money supply, GDP etc. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

b) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.
The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Company's staging criteria.

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

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

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2A and Stage2B).

In addition to the above SICR criteria, the Company has created a detailed risk profiling, by incorporating new components for the determination of SICR in order to address COVID-19 effects; such as industry risk, pool PDs and prior delinquency behavior.

Consideration due to the Covid-19:

In response to the impacts of COVID-19, various support programmes have been offered to the customers by the Company on account of SAMA initiatives, such as customers eligible under Deferred Payments Program (refer note 20 for further details). The exercise of the deferment option by a customer, in its own, is not consider by the Company as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Company's credit evaluation process especially given the current economic situation due to after effects of lock down, the Company analyzed the financial position of the customers and ability to repay the amounts and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

No change has been made in the backstop criteria for all types of exposures.

c) Modified financial assets

The contractual terms of finance lease and notes receivables may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing and advances whose terms have been modified may be derecognized and the renegotiated financing and advances recognized as a new financing and advances at fair value in accordance with the accounting policy.

When the terms of finance lease and notes receivables are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company renegotiates finance lease and notes receivables to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's forbearance policy, finance lease and notes receivable forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of leasing and instalments covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

Any repayment holidays should not automatically trigger forbearance and migration to Stage 2A and 2B. For all the exposures available to use repayment holidays due to COVID-19 the following are applied:

- *Micro, Small and Medium Enterprises (“MSMEs”) portfolio:*
  Exposures with more than 30 days past due at least once in the last 6 months or exposures which are classified into PD Pool 3 and belong to high risk industries with respect to Covid-19 impact are considered as High risk exposures and thus, after SICR is identified, are allocated into Stage 2A and Stage 2B.

- *Other than MSME portfolio:*
  Exposures with more than 30 days past due at least once in the last 6 months or exposures which are classified into PD Pools 1, 2 or 4 and belong to high risk industries with respect to Covid-19 impact are considered as High risk exposures and thus, after SICR is identified, are allocated into Stage 2A and Stage 2B.

d) Definition of ‘Default’

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the Company including principal instalments, interest payments and fees.
- The Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

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

e) 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 advice from the external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom of Saudi Arabia and selected private sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

There have been no changes to the types of forward looking variables (key economic drivers) used as model inputs in the current period.

f) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

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

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

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 Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a finance lease and notes receivables arrangement.

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

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

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

Some of the above parameters were adjusted as a result of implementation of SAMA rules on ECL.

Consideration due to COVID-19:

The PD, EAD and LGD models are subject to the Company's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality.

As of December 31, 2021, the Company has made following material changes in its ECL methodology:

- The Through The Cycle (TTC) PD estimates were updated using new additional vintages / quarterly cohorts starting March 2019 through December 2020 with a one-year performance window for each of them. Hence, the TTC PD estimates are based on the period September 2012 through October 2021.
- The TTC LGD estimates were updated using new additional vintages / quarterly cohorts including defaults and recovery data. Hence, the TTC LGD estimates are based on the period September 2012 through October 2021.
- Updated macroeconomic forecasts were used to update PIT PD and LGD estimates for generation of ECL for December 31, 2021 and March 31, 2022.

g) Governance and controls

In addition to the existing risk management framework, the Company has established a Steering Committee for oversight of IFRS 9 impairment process that includes representation from Finance, Risk and Information Technology (IT), as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors. The Framework and related controls have been approved by the board of directors.

h) Capital management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Share capital has been reduced by SR 700 million during 2020 (note 1).

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA. SAMA requires finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Aggregate financing to capital ratio (Total financing (net investment in finance lease, notes Receivable and tawarruq receivable) divided by total shareholders' equity)	0.45 times	0.44 times

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, investments, net investment in finance lease, notes receivable, tawarruq receivable, due from related parties, employees' receivables, amount due from insurer and other receivables. Its financial liabilities consist of due to related parties, accounts payable, payable under purchase and agency agreements, lease liabilities and amount due to Insurers.

The fair values of the financial instruments are not materially different from their carrying values except for the net investment in finance lease and a segment of notes receivable portfolio measured at amortized cost.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

The following table provides the fair value measurement hierarchy of the Company's financial assets as of March 31, 2022 and December 31, 2021:

March 31, 2022 (Unaudited)		**Fair value measurement using**		
	Total	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets measured at fair value				
Notes receivable classified as fair value through other comprehensive income	**76,866**	**-**	**-**	**76,866**
Investment classified as fair value through other comprehensive income	**893**	**-**	**-**	**893**

December 31, 2021 (Audited)		Fair value measurement using		
	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value				
Notes receivable classified as fair value through other comprehensive income	86,164	-	-	86,164
Investment classified as fair value through other comprehensive income	893	-	-	893

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

20. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA SUPPORT PROGRAMS AND INITIATIVES

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

The Company continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The Company has also made updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models.

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

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

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

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

Deferred payments program

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Company deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Programs	Instalments deferred for net investment in finance lease/ notes receivables	Instalments deferred for sold receivables under purchase and agency agreements	Cost of deferral*
April 2020 – September 2020	108,863	229,937	29,495
October 2020 – December 2020	71,510	152,670	13,055
January 2021 – March 2021	36,540	180,252	5,244
April 2021 – June 2021	23,110	174,045	2,359
July 2021 – September 2021	19,480	155,124	1,824
October 2021 – December 2021	5,753	36,473	1,392
January 2022 – March 2022	6,261	33,719	1,374
	271,517	**962,220**	**54,743**

* Cost of deferral pertains to the deferment of net investment in finance lease / notes receivables relating to on-balance sheet portfolio only.

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

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

In order to compensate the related cost that the Company has incurred under the SAMA and other public authorities program, during the years 2021 and 2020, the Company has received multiple profit free deposits from SAMA amounting to SR 401.8 million and SR 579.8 million respectively with varying maturities, which qualify as government grants. During the period ended March 31, 2022, the Company received additional profit free deposit from SAMA amounting to SR 47 million relating to the sixth extension of the above program which had been accounted for in the statement of financial position as a receivable and related grant income of SR 2.2 million had been recorded in the statement of profit or loss and other comprehensive income for the year ended December 31, 2021.

Management determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. During the three month period ended March 31, 2022, a total of SR 6.25 million (March 31, 2021: SR 4.61 million) and has been charged to the condensed interim statement of profit or loss and other comprehensive income relating to unwinding of profit free deposit from SAMA.

Funding for lending program

During 2020, the Company had received additional profit free deposit from SAMA amounting to SR 10 million with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment. The benefit of the interest free deposit has been accounted for on a systematic basis, in accordance with government grant accounting requirements.

Loan guarantee program

In a separate communication from SAMA, the above funding for lending program was superseded with loan guarantee program, whereby the Company would be required to provide finance to specific segment of the customers in accordance with the terms and conditions of the program and SAMA regulations. During 2020, the Company received an additional amount of SR 20 million with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment.

Repayments of SAMA Programs

The Company has repaid a total of SR 183 million to SAMA upon maturity since the start of the programs. An amount of SR 3 million was paid during the three month period ended March 31, 2022.

Based on clarification by SAMA, the Company has applied the above programs on MSME and individuals.

As of March 31, 2022, the Company has not participated in the Point of sale ("POS") and e-commerce service fee support program.

During May 2020, SAMA issued a guidance document entitled "Guidance on Accounting and Regulatory Treatment of COVID-19 - Extraordinary Support Measures". The Company has considered the guidance issued in the preparation of these financial statements.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

21. PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE FIGURES

As mentioned in note 20, pursuant to the SAMA deferred payments programs that commenced in March 2020, the Company deferred the installments relating to lease and notes receivables of eligible MSME customers relating to the on-balance sheet portfolios and portfolios sold under purchase and agency agreements ("derecognized portfolios"). The Company received an interest free deposit from SAMA relating to these portfolios. Subsequently during 2020, SAMA clarified that the interest free deposits received against the derecognized portfolios may be used to settle the monthly amounts to the banks as per the agreed cashflow statement under the respective purchase and agency agreements. The Company continued to make these monthly payments despite the absence of collections from the deferred customers. Accordingly, these payments were recognized as part of accounts payable, accrued and other liabilities as of March 31, 2021. As per the requirements of IFRS 9, these monthly payments have now been separated and recorded as "Receivable under purchase and agency agreements" in the condensed interim statement of financial position as of March 31, 2021 with a corresponding credit to "Payable under purchase and agency agreements" under accounts payable, accrued and other liabilities in the condensed interim statement of financial position as of March 31, 2021 with the difference recognized as a loss under finance charge in the condensed interim statement of profit or loss and other comprehensive income for the three month period ended March 31, 2021.

In accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors', the correction of the above has resulted in a retrospective restatement of the comparative amounts as given below:

	Balances as previously reported	**Adjustments**	**Balance as restated**
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income			
For the three month period ended March 31, 2021			
Finance Charges	(6,461)	(2,549)	(9,010)
Net Income for the period	53,033	(2,549)	50,484
Condensed Interim Statement of changes in equity:			
As of December 31, 2020			
Shareholders' equity			
Retained earnings	1,418,098	(7,729)	1,410,369

There was no impact in the condensed interim statement of cash flows for the three month period ended March 31, 2021 except for the change in income before zakat from 61,433 thousand to 58,884 thousand and finance charges from 6,461 thousand to 9,010 thousand.

The statement of financial position as of the beginning of period ended December 31, 2021 was not presented in these condensed interim financial statements as there were no impact on the opening balances. The EPS of the Company decreased from 0.53 to 0.50 for the three month period ended March 31, 2021 as a result of this restatement.

22. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the period end, the Company executed a purchase and agency agreement with a local commercial bank to sell SR 172 million of its finance lease receivables. Under the terms of the purchase and agency agreement, the Company sold the eligible receivables to the bank net of insurance premiums and undertook to manage them on behalf of the bank as an agent for a monthly fee as per the terms of the purchase and agency agreement.

23. BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on April 27, 2022 (corresponding to 26 Ramadan 1443H).