

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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<b><u>Table of Contents</u></b>	<b><u>Page</u></b>
Independent auditor's report	1 - 2
Statement of financial position	3
Statement of profit or loss	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 57

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of  
Saudi Finance Company  
(A Saudi Closed Joint Stock Company)**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Saudi Finance Company (A Saudi Closed Joint Stock Company) ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Matters**

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 6 March 2022.

#### **Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and the Regulations for Companies and the Company's Articles of Association 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

**For Dr. Mohamed Al-Amri & Co.**



Gihad Al-Amri  
Certified Public Accountant  
Registration No. 362



Riyadh, on: 10 Sha'aban 1444 (H)  
Corresponding to: 2 March 2023 (G)

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Notes	As at 31 December	
		2022	2021
<b>ASSETS</b>			
Cash and cash equivalents	6	31,927,675	37,761,086
Prepayments and other receivables	7	5,398,182	2,639,736
Due from related parties	8	856,742	38,453
Shari'a alternatives for financial derivative instruments carried at fair value through profit or loss (FVTPL)	22	34,165	-
Net investment in Islamic financings	9	1,036,370,658	1,144,882,979
Investment carried at fair value through other comprehensive income (FVOCI)	10	892,850	892,850
Assets repossessed held for sale	11	5,902,623	5,897,514
Restricted cash deposit	12	2,601,274	5,895,513
Property and equipment, net	13	5,974,543	7,440,631
Intangible assets, net	14	4,888,259	5,632,906
Right-of-use assets, net	15	3,507,081	6,252,263
<b>TOTAL ASSETS</b>		<b><u>1,098,354,052</u></b>	<b><u>1,217,333,931</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	16	200,000,000	100,000,000
Statutory reserve	17	18,066,511	13,357,581
Retained earnings		166,113,647	123,733,277
Remeasurement loss on end of service indemnities		(213,949)	(188,080)
<b>TOTAL EQUITY</b>		<b><u>383,966,209</u></b>	<b><u>236,902,778</u></b>
<b>LIABILITIES</b>			
Trade payables	19	2,265,355	776,863
Due to a related party	8	87,440	30,080
Other payables and accruals	20	11,134,534	14,594,853
Provision for zakat	21	12,676,676	14,201,279
Shari'a alternatives for financial derivative instruments carried at FVTPL	22	-	168,230
Financial facilities	8,23	681,531,342	940,585,153
Lease liabilities	15.1	2,486,765	6,436,255
End of service indemnities	18	4,205,731	3,638,440
<b>TOTAL LIABILITIES</b>		<b><u>714,387,843</u></b>	<b><u>980,431,153</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,098,354,052</u></b>	<b><u>1,217,333,931</u></b>

The accompanying notes 1 to 34 form an integral part of these financial statements

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Notes	2022	2021
Income from Islamic financing, net	24	<b>141,360,294</b>	134,683,090
<b>OPERATING (EXPENSES) / INCOME</b>			
Finance cost	25	<b>(37,315,262)</b>	(34,901,295)
General and administrative expenses	26	<b>(42,649,338)</b>	(41,643,229)
Selling and marketing expenses	27	<b>(11,689,611)</b>	(12,365,353)
Reversal on impairment on Islamic financing, net	28	<b>95,332</b>	689,839
Gain on fair value measurement of assets repossessed held for sale	11	<b>5,109</b>	-
Unrealized gain on shari'a alternatives for financial derivative instruments		<b>202,395</b>	566,032
Write off of financial asset	15.4	<b>(1,860,000)</b>	-
Other income, net	29	<b>6,240,381</b>	1,249,880
<b>Profit before zakat</b>		<b>54,389,300</b>	48,278,964
Zakat	21	<b>(7,300,000)</b>	(8,226,673)
<b>Profit for the year</b>		<b>47,089,300</b>	40,052,291

The accompanying notes 1 to 34 form an integral part of these financial statements

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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	<b>Note</b>	<b>2022</b>	<b>2021</b>
Profit for the year		<b>47,089,300</b>	40,052,291
<b>OTHER COMPREHENSIVE LOSS</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement loss on end of service indemnities	18	<u>(25,869)</u>	<u>(239,358)</u>
<b>Total other comprehensive loss for the year</b>		<u>(25,869)</u>	<u>(239,358)</u>
<b>Total comprehensive income for the year</b>		<u><b>47,063,431</b></u>	<u>39,812,933</u>

The accompanying notes 1 to 34 form an integral part of these financial statements

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

<b><u>2021</u></b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Retained Earnings</b>	<b>Remeasurement loss on end of service indemnities</b>	<b>Total equity</b>
<b>Balance as at 1 January 2021</b>	100,000,000	9,352,352	87,686,215	51,278	197,089,845
Profit for the year	-	-	40,052,291	-	40,052,291
Other comprehensive loss	-	-	-	(239,358)	(239,358)
Total comprehensive income for the year	-	-	40,052,291	(239,358)	39,812,933
Transfer to statutory reserve	-	4,005,229	(4,005,229)	-	-
<b>Balance as at 31 December 2021</b>	<b>100,000,000</b>	<b>13,357,581</b>	<b>123,733,277</b>	<b>(188,080)</b>	<b>236,902,778</b>

<b><u>2022</u></b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Retained Earnings</b>	<b>Remeasurement loss on end of service indemnities</b>	<b>Total equity</b>
<b>Balance as at 1 January 2022</b>	<b>100,000,000</b>	<b>13,357,581</b>	<b>123,733,277</b>	<b>(188,080)</b>	<b>236,902,778</b>
Profit for the year	-	-	47,089,300	-	47,089,300
Other comprehensive loss	-	-	-	(25,869)	(25,869)
Total comprehensive income for the year	-	-	47,089,300	(25,869)	47,063,431
Transfer to statutory reserve	-	4,708,930	(4,708,930)	-	-
Issuance of share capital (note 16)	100,000,000	-	-	-	100,000,000
<b>Balance as at 31 December 2022</b>	<b>200,000,000</b>	<b>18,066,511</b>	<b>166,113,647</b>	<b>(213,949)</b>	<b>383,966,209</b>

The accompanying notes 1 to 34 form an integral part of these financial statements



**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Notes	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before zakat</b>		<b>54,389,300</b>	48,278,964
Adjustments for:			
Depreciation of right-of-use assets	15,26	<b>1,500,105</b>	3,302,952
Depreciation of property and equipment	13,26	<b>2,250,808</b>	2,187,928
Amortization of intangibles	14,26	<b>2,084,167</b>	1,961,313
Loss on disposal of property and equipment	29	-	3,533
Finance cost	25	<b>37,315,262</b>	34,901,295
Impairment on Islamic financing	28	<b>4,260,000</b>	4,729,558
Net loss on modification of financial instruments	29	<b>300,478</b>	2,624,837
Loss on the fair value of financial assets	29	<b>6,816,412</b>	36,502,925
Government grant for Saudi Central Bank (“SAMA”) funding for lending program and liquidity support	29	<b>(10,714,961)</b>	(38,065,617)
Gain on fair value measurement of assets repossessed held for sale	11	<b>(5,109)</b>	-
Unrealized gain on shari’a alternatives for financial derivative instruments		<b>(202,395)</b>	(566,032)
Write off of financial asset		<b>1,860,000</b>	-
Income on contract termination		<b>(953,802)</b>	-
Provision for end of service indemnities	18.2	<b>961,532</b>	873,811
		<b>99,861,797</b>	96,735,467
<b>(Increase) / decrease in operating assets</b>			
Prepayments and other receivables		<b>(2,758,446)</b>	(275,972)
Due from related parties		<b>(818,289)</b>	(38,453)
Net investment in Islamic financing		<b>95,275,431</b>	(302,672,498)
Restricted cash deposit		<b>3,294,239</b>	(131,303)
<b>(Decrease)/increase in operating liabilities</b>			
Trade payables		<b>1,488,492</b>	(13,756,230)
Other payables and accruals		<b>(3,460,319)</b>	2,363,290
Due to a related party		<b>57,360</b>	30,080
<b>Cash from / (used in) operating activities</b>		<b>192,940,265</b>	(217,745,619)
Zakat paid	21	<b>(8,824,603)</b>	(3,000,899)
End of service indemnities paid	18.4	<b>(420,110)</b>	(654,157)
<b>Net cash from / (used in) operating activities</b>		<b>183,695,552</b>	(221,400,675)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment	13	<b>(784,720)</b>	(860,033)
Purchase of intangible assets	14	<b>(1,339,520)</b>	(677,181)
<b>Net cash used in investing activities</b>		<b>(2,124,240)</b>	(1,537,214)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from financial facilities		<b>262,201,221</b>	570,033,781
Repayment of financial facilities		<b>(542,653,711)</b>	(328,142,009)
Finance cost paid		<b>(5,123,133)</b>	(6,544,952)
Issuance of share capital		<b>100,000,000</b>	-
Lease liabilities paid	15	<b>(1,829,100)</b>	(5,361,950)
<b>Net cash (used in) / from financing activities</b>		<b>(187,404,723)</b>	229,984,870
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(5,833,411)</b>	7,046,981
Cash and cash equivalents at beginning of the year		<b>37,761,086</b>	30,714,105
<b>Cash and cash equivalents at the end of the year</b>	6	<b>31,927,675</b>	37,761,086

The accompanying notes 1 to 34 form an integral part of these financial statements

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**1. LEGAL STATUS AND OPERATIONS**

Saudi Finance Company (the “Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010078374 and unified number 7001351779 dated 23 Muharram 1411H (corresponding to 14 August 1990).

The Company is engaged in leasing, commercial financing, small and medium business financing, and retail financing in accordance with the Saudi Central Bank (“SAMA”) approval number 351000071328 dated 3 Jumad Thani 1435H and license number 114102 dated 27 Muharram 1436H.

The activities of the Company are conducted in accordance with Islamic Shari’a, which prohibits usury as determined by the Shari’a Supervisory Board of the Company. The Company carries out financing activities through various Shari’a-compliant instruments.

The Company’s Head Office is located at the following address:

Saudi Finance Company  
Sultan Center, Prince Sultan St, Alma’athar  
P.O. Box 18331  
Riyadh 11415  
Kingdom of Saudi Arabia

The Company has the following branches:

<b>S. No</b>	<b>Branch</b>	<b>C.R. No.</b>	<b>Date</b>
1	Khurais, Riyadh	7006384437	17 Rabi Thani 1416H
2	Buraidah	7012640483	26 Dhul-Hijjah 1417H
3	Dammam	7011934028	24 Rabi Awal 1423H
4	Jeddah	7006393552	23 Rabi Thani 1434H
5	Al-Ahsa	7007700193	16 Jumad Awal 1435H
6	Medina	7006257864	11 Sha’aban 1435H

**2. BASIS OF PREPARATION**

**2.1. STATEMENT OF COMPLIANCE**

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

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**2. BASIS OF PREPARATION (CONTINUED)**

**2.2. BASIS OF MEASUREMENT**

These financial statements are prepared under the historical cost method except for the following:

- a) Shari'a alternatives for financial derivative instruments measured at fair value;
- b) Investment in equity instruments measured at fair value;
- c) Assets repossessed held for sale measured at lower of carrying value and fair value less cost to sell;  
and
- d) End of service indemnities recognized at the present value of future obligations using the Projected Unit Credit method.

**2.3. FUNCTIONAL AND PRESENTATION CURRENCY**

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

**2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with the IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the SOCPA which require management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

**SAUDI FINANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**2. BASIS OF PREPARATION (CONTINUED)**

**2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**2.4.1. Business model assessment**

Classification and measurement of financial assets depend on the results of the sole payments of principal and profit and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

**2.4.2. Significant increase in credit risk**

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

**2.4.3. Determination of discount rate for present value calculations**

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Company.

**2.4.4. Actuarial valuation of end of service indemnities**

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

**SAUDI FINANCE COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**2. BASIS OF PREPARATION (CONTINUED)**

**2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)**

**2.4.5. Fair value measurement and valuation process**

Certain Company's assets and liabilities are measured at fair value for financial reporting purposes. The Company's management is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

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

**2.4.6. Useful lives and residual values of property and equipment and intangible assets**

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

**2.4.7. Provisions and accruals**

Recognition and measurement of accruals and provisions requires key assumptions about likelihood and magnitude of an outflow of resources

**3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

**New amendments to standards issued and applied effective 1 January 2022**

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**  
**(CONTINUED)**

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	1 January 2022	<p>IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements</p> <p>IFRS 9: The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.</p> <p>IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value.</p> <p>IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.</p>
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of ‘testing whether an asset is functioning properly’.
IFRS 3	Reference to the Conceptual Framework	1 January 2022	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**4. NEW STANDARDS, AMENDMENTS, AND REVISED IFRS ISSUED BUT NOT YET EFFECTIVE**

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 17	Insurance contracts	1 January 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	1 January 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	1 January 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may not result in material impact on the financial statements of the Company in the period of initial application.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES**

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

**5.1. Cash and cash equivalents**

Cash and cash equivalents may include cash in hand and cash at banks and other short-term highly liquid investments, with original maturities of three months or less from the purchase date, if any.

**5.2. Lease**

**Lease arrangements where the Company is a lessor**

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

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

Subsequent to initial recognition, the Company regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which finance income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

**Ijara receivables**

Ijara finance is an agreement wherein gross amounts due under originated Ijara (finance) includes the total of future payments on Ijara finance, plus estimated residual amounts receivable (by an option to purchase the asset at the end of the respective financing term through an independent sale contract). The difference between the Ijara contracts receivable and the cost of the Ijara assets is recorded as unearned Ijara finance income and for presentation purposes, is deducted from the gross amounts due under Ijara finance.

**Lease arrangements where the Company is a lessee**

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements 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 (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes 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 assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.



**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2. Lease (Continued)**

**Lease arrangements where the Company is a lessee (Continued)**

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

- fixed lease payments (including in-substance fixed 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;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating profit rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

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

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

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.2. Lease (Continued)**

**Lease arrangements where the Company is a lessee (Continued)**

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**5.3. Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

**5.3.1. Financial assets**

**Initial measurement**

At initial recognition, the Company recognizes the financial asset at its fair value.

**Murabaha receivables**

Murabaha is an agreement whereby the Company sells to a customer an asset, which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Murabaha sale contracts include the total of future sale price payments on the Murabaha agreement (Murabaha sale contract receivable). 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 Murabaha sale contracts receivable.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3. Financial instruments (Continued)**

**5.3.1. Financial assets (Continued)**

**Tawarruq receivables**

Tawarruq is an agreement whereby the Company sells to a customer an asset, which the Company has already purchased and received either physically or constructively, and subsequently, to such sale, the customer arranges to sell the underlying asset and receives the sale proceeds. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale price payments on the Tawarruq agreement (Tawarruq sale contract receivable).

The difference between the Tawarruq sale contracts receivable and the cost of the sold asset is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the Tawarruq sale contracts receivable.

**Subsequent measurement**

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

**a) Financial asset at amortized cost**

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

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

**b) Financial asset at FVOCI**

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

**c) Financial asset at FVTPL**

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Company changes its business model for managing financial assets.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3. Financial instruments (Continued)**

**5.3.1. Financial assets (Continued)**

**Business model assessment**

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

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

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

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

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

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

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

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

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3. Financial instruments (Continued)**

**5.3.1. Financial assets (Continued)**

**Derecognition of financial assets**

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

On derecognition of a financial asset in its entirety, the difference between:

- (i) the carrying amount (measured at the date of derecognition) and
  - (ii) the consideration received (including any new asset obtained less any new liability assumed)
- is recognized in profit or loss.

**Impairment**

The Company recognizes loss allowances for ECL on financial instruments at amortised cost. No impairment loss is recognized on equity investments carried at FVOCI.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Financial instruments on which credit risk has not increased significantly since their initial recognition.

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

The Company categories' the financing in the following 3 stages for the purpose of impairment:

**Stage 1:** 12-month ECL applies to all financial assets that have not experienced SICR since origination and are not credit impaired. The ECL will be computed using a factor that represents the PD occurring over the next 12 months and LGD and profit is calculated on a gross basis;

**Stage 2:** Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD, and EAD, and profit is calculated on a gross basis. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1;

**Stage 3:** Under Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit-impaired, and an amount equal to the lifetime ECL will be recorded for the financial assets, and profit is calculated on a net basis.

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3. Financial instruments (Continued)**

**5.3.1. Financial assets (Continued)**

***Measurement of ECL***

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

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

**Credit-impaired financial assets**

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

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

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

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

**Presentation of allowance for ECL in the statement of financial position**

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

**Write-off**

Financings are written off (either partially or in full) when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery including;

- when the debtor has been placed under liquidation or has entered into bankruptcy proceedings; or
- in the case of trade receivables, when the amounts are over 1 year past due, whichever occurs earlier.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3. Financial instruments (Continued)**

**5.3.2. Financial liabilities**

**Initial measurement**

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

**Shari'a alternatives for financial derivative instruments**

Shari'a alternatives for financial derivative instruments are initially recognized at fair value on the date on which the Shari'a alternative for the derivative contract is entered into and are subsequently re-measured at fair value in the statement of financial position with transaction costs recognized in the statement of profit or loss.

All Shari'a alternative for financial derivatives instruments are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models, and pricing models as appropriate.

**Subsequent measurement**

After initial recognition, the Company classifies its financial liabilities, other than financial guarantees & financing commitments and Shari'a alternatives for financial derivative instruments, at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EPR.

**Derecognition of financial liability**

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. When an existing financial liability is replaced by another from the same financier 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 the respective carrying amounts is recognized in the statement of profit or loss.

**Offsetting of financial assets and financial liabilities**

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

**Regular way contracts**

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

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.4. Assets repossessed held for sale**

The Company in the ordinary course of its business acquires certain properties and other assets against the settlement of Islamic financings. Such assets are considered as assets held for sale and are initially recorded at the lower of carrying amount of related Islamic financings or the fair value of the related assets, less any cost to sell.

Subsequent to the initial recognition, these assets owned are periodically revalued and are carried at lower of their carrying values and fair value less costs to sell. Rental income, realized gain or losses on disposal, and unrealized losses on evaluation are credited or charged to the statement of Profit or Loss.

A loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative loss previously recognized.

A gain or loss not previously recognized by the date of the sale of the noncurrent asset is recognized at the date of derecognition.

Assets repossessed are not depreciated or amortized while they are classified as held for sale.

Assets repossessed classified as held for sale are presented separately from the other assets in the statement of Financial Position.

**5.5. Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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 cost incurred to replace a component of an item of property and equipment is capitalized and the asset so replaced is retired from use. All other repairs and maintenance expenditures are charged to the profit and loss account during the year in which they are incurred.

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

Furniture & fixtures	7 Years
Office equipment	4 Years
Motor vehicles	4 Years
Leasehold improvements	7 Years or lease period whichever is less

Depreciation on additions is charged from the month the assets are available for use.

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

Gains/losses on disposal of property and equipment, if any, are taken to the profit and loss account in the year in which they arise.

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



**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.5. Property and equipment (Continued)**

Capital work in progress at year-end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant asset categories and are depreciated once they are available for their intended use.

**5.6. Intangible assets**

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses if any. Amortization is charged applying the straight-line method over the useful lives 4 years. Amortization is charged from the month in which the asset is available for use. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amounts 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.

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

Capital work in progress at year-end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant asset categories and are amortized once they are available for their intended use.

**5.7. Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.8. Proposed dividend and transfer between reserves**

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of IAS 10, 'Events after the Reporting Year' in the year in which they are approved / transfers are made.

**5.9. Provisions**

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

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

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

**5.10. Onerous contracts**

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

**5.11. End of service indemnities**

This represents the employee's post-employment benefits plan. Post-employment benefits as required by the Saudi Labour Law are required to be provided based on the employees' length of service. The Company's net obligations in respect of defined benefit plans (Post-employment benefits) ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and any unrecognized past service costs. The discount rate used is the market yield on government Sukuk at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation.

The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognized and any unrecognized actuarial gains/losses. Currently, there are no past service costs. There are also no unrecognized re-measurement gains and losses as the entire re-measurement gains and losses are recognized as income or expense in other comprehensive income during the year in which they arise.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.12. Contingent liabilities**

The Company receives legal claims through its normal cycle. Management has to make estimates and judgments about the possibility to set aside a provision to meet claims. The end of the legal claims date and the amount to be paid is uncertain. The timing and costs of legal claims depend on statutory procedures.

**5.13. Revenue recognition**

Income from Islamic financing is recognized in the statement of profit or loss using the effective profit method, using the applicable effective profit rate “EPR”, on the outstanding balance over the term of the contract.

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

Origination fees charged in respect of processing and other services are recognized as income using EPR over the term of the financing agreement.

**5.14. Foreign currency transactions**

Foreign currency transactions are translated into Saudi Riyals at exchange rates prevailing at the date of the transaction and the resulting gain/loss recognized in the statement of profit or loss. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange that are prevailing on the statement of financial position date. Gains and losses on translation are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

**5.15. General and administrative expenses and selling and marketing expenses**

Selling and marketing expenses principally comprised of costs incurred in the sale and marketing of the Company’s products/services. All other expenses are classified as general and administrative expenses.

**5.16. Government grant**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in the statement of profit or loss on a systematic basis over the periods in which the Company recognizes the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable. The benefit of a government loan at a below-market rate of profit is treated as a government grant, measured as the difference between proceeds received and the fair value of the financing based on prevailing market profit rates.

**5.17. Zakat**

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on an accrual basis. Zakat charge for the year is charged directly to the statement of profit or loss with a corresponding liability recognized in the statement of financial position. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**6. CASH AND CASH EQUIVALENTS**

	Note	As at 31 December	
		2022	2021
Cash in hand		10,500	18,500
Cash at banks	6.1	<u>31,917,175</u>	<u>37,742,586</u>
		<u>31,927,675</u>	<u>37,761,086</u>

6.1. The Company does not earn profits on current accounts with banks and financial institutions in accordance with Shari'a rules and principles.

**7. PREPAYMENTS AND OTHER RECEIVABLES**

	Note	As at 31 December	
		2022	2021
Prepaid maintenance and support		3,361,930	1,280,461
Prepaid banking charges		382,500	181,675
Prepaid rent		316,104	211,908
Advance to staff	7.1	401,732	241,235
Prepaid insurance		191,572	296,553
Prepaid license		374,167	179,743
Others		<u>370,177</u>	<u>248,161</u>
		<u>5,398,182</u>	<u>2,639,736</u>

7.1 This includes amount due from a related party (key management personnel) see note 8.3.

**8. RELATED PARTY TRANSACTIONS AND BALANCES**

**Transactions during the year**

Names of Related Party	Nature of Relationship	Nature of transactions	2022	2021
Abu Dhabi Islamic Bank (ADIB), UAE	Shareholder	Financial facilities obtained	70,000,000	99,000,000
		Financial facilities repaid	(109,000,000)	(103,000,000)
		Finance cost charged	(2,566,121)	(2,096,792)
		Reimbursement for expenses paid on behalf of associates	243,623	85,702
		Expenses paid on behalf of associates	1,061,912	124,155
Abdullah Ibrahim Al Khorayef Sons Company (AIA), KSA	Shareholder	Collection on behalf of AIA	87,580	129,442
		Repaid to AIA	(30,220)	(99,362)

**Key management personnel**

	2022	2021
Salaries and other short-term employee benefits	<u>10,894,591</u>	<u>6,282,745</u>

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

<u>Balance as at year end</u>	<u>As at 31 December</u>	
<b>Due from related parties</b>	<b>2022</b>	<b>2021</b>
Abu Dhabi Islamic Bank (ADIB), UAE	<b>642,651</b>	38,453
Abdullah Ibrahim Al Khorayef Sons Company, KSA	<b>214,091</b>	-
	<b>856,742</b>	38,453
<b>Due to a related party</b>		
Abdullah Ibrahim Al Khorayef Sons Company, KSA	<b>87,440</b>	30,080

**8.1.** The facility represents short-term Murabaha financing provided by one of the shareholders. This is an unsecured financial facility. Also, refer to note 23 and 25.

<u>Financial Facilities</u>	<u>Note</u>	<u>As at 31 December</u>	
		<b>2022</b>	<b>2021</b>
ADIB, UAE	8.1	<b>45,000,000</b>	84,000,000
Accrued finance cost		<b>1,256,393</b>	1,206,687
		<b>46,256,393</b>	85,206,687

**8.2. Net Investment in Islamic Financings**

<u>Nature of Relationship</u>	<u>Profit rate</u>	<u>Tenure</u>	<u>As at 31 December</u>	
			<b>2022</b>	<b>2021</b>
Key management	9.5%	36 months	<b>128,801</b>	-
			<b>128,801</b>	-

**8.3. Key management personnel**

	<u>Note</u>	<u>As at 31 December</u>	
		<b>2022</b>	<b>2021</b>
Advance to staff	7.1	<b>132,875</b>	88,987
		<b>132,875</b>	88,987

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**9. NET INVESTMENT IN ISLAMIC FINANCINGS**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
<b>Financial asset carried at amortized cost</b>		
Tawarruq	<b>1,049,217,680</b>	1,154,723,094
Murabaha	<b>2,397,177</b>	5,337,093
	<b>1,051,614,857</b>	1,160,060,187

**9.1. Details of net investment in Islamic financings:**

	<b>Tawarruq</b>		<b>Murabaha</b>		<b>Total</b>	
	<b>As at 31 December</b>		<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Gross investment in Islamic financing	<b>1,250,196,207</b>	1,354,467,523	<b>2,679,216</b>	6,175,411	<b>1,252,875,423</b>	1,360,642,934
Unearned / Deferred Islamic financing income	<b>(200,978,527)</b>	(199,744,428)	<b>(282,039)</b>	(838,319)	<b>(201,260,566)</b>	(200,582,747)
	<b>1,049,217,680</b>	1,154,723,095	<b>2,397,177</b>	5,337,092	<b>1,051,614,857</b>	1,160,060,187
Unearned origination fees	<b>(1,442,507)</b>	(1,311,392)	<b>(554)</b>	(3,060)	<b>(1,443,061)</b>	(1,314,452)
Deferred transaction costs	<b>2,693,973</b>	2,620,656	<b>857</b>	4,677	<b>2,694,830</b>	2,625,333
	<b>1,050,469,146</b>	1,156,032,359	<b>2,397,480</b>	5,338,709	<b>1,052,866,626</b>	1,161,371,068
					<b>(16,495,968)</b>	(16,488,089)
					<b>1,036,370,658</b>	1,144,882,979
					<b>533,712,373</b>	494,429,215
					<b>502,658,285</b>	650,453,764

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**9. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)**

- 9.2.** Investment in Islamic financing includes financings provided to key management (see note 8.2).
- 9.3.** The Company in the ordinary course of its business holds collateral in respect of Islamic financing (being the title of assets leased out) including real-estate collaterals in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.
- 9.4.** The Company has assigned Islamic financing receivables amounting to SR 119 million (2021: SR 117 million) to local commercial banks for obtaining financial facilities. These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk.
- 9.5.** In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA. As part of the Deferred Payment Program (“DPP”), the Company deferred payments for 6 months to contracts that qualify as MSME with extending the tenure of the facility.

During March 2022, SAMA further extended the same for additional 3 months for qualifying MSME. The accounting impact of these changes in terms of the net investment in Islamic Financing has been assessed and accounted for as per the requirements of IFRS 9 as a modification in terms of the arrangements (Note 29). Modification loss has been recognized under other income / (expenses) in the statement of profit or loss.

- 9.6.** During the year, the Company has provided financing amounting to SR 135 million to Small and Medium-Sized Entities (SMEs) that qualify for the facility under SAMA funding for financing program on profit rates below-market. These facilities are secured at 60% and 95% under the Kafala program and these facilities are repayable in 30 to 36 monthly installments with the first installment is due after 6 months’ grace period from the date of the contract, which is discounted using average market prevailing profit rates for similar financing facilities to determine the fair value. The difference between financing provided and its fair value is recorded in the statement of profit or loss as per the requirements of IFRS 9 (see note 29).

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**9. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)**

9.7. The movement in the provision for impairment of Islamic financing during the year is as follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year		<b>16,488,089</b>	16,053,055
Provided during the year		<b>4,260,000</b>	4,729,558
Written off during the year	9.8	<b>(4,252,121)</b>	(4,294,524)
Balance at the end of the year		<b><u>16,495,968</u></b>	<u>16,488,089</u>

9.8. During the year, the Risk and Compliance Committee of the Company approved a write-off of gross investment in Islamic financing receivable amounting to SR 6.0 million (31 December 2021: SR 5.7 million) for certain customers with an existing provision of SR 4.3 million (31 December 2021: SR 4.3 million). These amounts are subject to enforcement activities.

**10. INVESTMENT CARRIED AT FVOCI**

During 2017, in accordance with instructions issued by SAMA, the Company made an investment in the Saudi Financial Leasing Contract Registry Company amounting to SR 892,850. As of 31 December 2022, the Company holds 89,285 shares (31 December 2021: 89,285).

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term purposes. Accordingly, the Company has elected to designate these investments in equity instruments as at FVOCI. Due to the unavailability of recent information to determine the fair value of the Company, the cost of the investment is considered to be approximate to its fair value. This investment has been classified under level 3 of fair value hierarchy.

**11. ASSET REPOSSESSED HELD FOR SALE**

During 2016, the Company acquired certain real estate properties in the satisfaction of a claim in order to achieve an orderly realization of a Murabaha receivable. The Company filed a legal case against the erstwhile owner for possession of the properties. These properties are expected to be sold within 12 months from the reporting date.

The Company does not believe to have any contingent liability with regards to the legal case filed. As of 31 December 2022, the case has been closed and it was in the favor of the Company. Accordingly, these properties are legally owned by one of the board members of the Company for the sole benefit of the Company and the Company is now under the process of marketability and sale. The properties as of 31 December 2022 and 2021 are carried at lower of carrying amount and fair value less cost to sell.

The fair value of the properties was determined using the sales comparison approach as described in the note below and accordingly designated as level 3 as per the fair value hierarchy.

<b>31 December 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Properties held for sale	-	-	<b>5,902,623</b>	<b>5,902,623</b>
<b>31 December 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Properties held for sale	-	-	5,897,514	5,897,514



**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**11. ASSET REPOSSESSED HELD FOR SALE (CONTINUED)**

**Movement for changes in carrying value**

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	5,897,514	5,897,514
Reversal on fair value measurement	5,109	-
Balance at the end of the year	<u>5,902,623</u>	<u>5,897,514</u>

**Valuation techniques used to determine level 3 fair values**

The Company obtains independent valuations for its properties on an annual basis. At the end of each reporting period, the management updates their assessment of the fair value of each property, taking into account the most recent independent valuations. The management determines properties value within a range of reasonable fair value estimates. The independent valuation for the year was conducted by an approved Taqueem valuer.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalized income projections based upon a property's estimated net market income, and a capitalization rate derived from an analysis of market evidence.

The level 3 fair value of properties held for resale has been derived using the sales comparison approach. The key inputs under this approach are the price per square meter from current year sales of comparable lots of properties in the area (location and size).

**12. RESTRICTED CASH DEPOSIT**

The Company has placed these funds in restricted bank accounts as a margin deposit for certain financing facilities granted to the Company by counterparty finance providers. The Company also earns a profit on these balances.

	<b>As at 31 December</b>	
	<u>2022</u>	<u>2021</u>
Restricted cash deposit	2,500,004	5,752,349
Accrued profit on restricted cash deposit	101,270	143,164
	<u>2,601,274</u>	<u>5,895,513</u>

**12.1. Maturity profile:**

	<b>As at 31 December</b>	
	<u>2022</u>	<u>2021</u>
<b>Current portion</b>		
Restricted cash deposit	2,101,274	3,395,508
<b>Non-current portion</b>		
Restricted cash deposit	500,000	2,500,005
	<u>2,601,274</u>	<u>5,895,513</u>

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**13. PROPERTY AND EQUIPMENT, NET**

Description	2022									
	Cost				Accumulated depreciation					Net book value
	As at		Transfers	Disposals	As at		Charge for the year	Disposals	As at	
1-Jan-22	Additions	31-Dec-22			1-Jan-22	31-Dec-22			31-Dec-22	31-Dec-22
Furniture & fixtures	2,168,037	-	18,082	-	2,186,119	1,219,046	216,600	-	1,435,646	750,473
Office equipment	10,695,243	-	2,004,089	-	12,699,332	7,599,105	1,617,159	-	9,216,264	3,483,068
Motor vehicles	226,300	-	-	-	226,300	226,300	-	-	226,300	-
Leasehold improvements	5,463,356	35,899	1,301	-	5,500,556	3,342,505	417,049	-	3,759,554	1,741,002
Capital work in progress	1,274,651	748,821	(2,023,472)	-	-	-	-	-	-	-
	<b>19,827,587</b>	<b>784,720</b>	<b>-</b>	<b>-</b>	<b>20,612,307</b>	<b>12,386,956</b>	<b>2,250,808</b>	<b>-</b>	<b>14,637,764</b>	<b>5,974,543</b>

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**13. PROPERTY AND EQUIPMENT, NET (CONTINUED)**

Description	2021									
	Cost				Accumulated depreciation					Net book value
	As at		Transfers	Disposals	As at		Charge for the year	Disposals	As at	
1-Jan-21	Additions	31-Dec-21			1-Jan-21	31-Dec-21			31-Dec-21	31-Dec-21
Furniture & fixture	2,130,555	37,482	-	-	2,168,037	993,677	225,369	-	1,219,046	948,991
Office equipment	9,710,079	778,499	211,963	(5,298)	10,695,243	6,111,554	1,489,316	(1,765)	7,599,105	3,096,138
Motor vehicles	226,300	-	-	-	226,300	226,300	-	-	226,300	-
Leasehold improvements	5,419,304	44,052	-	-	5,463,356	2,869,262	473,243	-	3,342,505	2,120,851
Capital work in progress	1,486,614	-	(211,963)	-	1,274,651	-	-	-	-	1,274,651
	<b>18,972,852</b>	<b>860,033</b>	<b>-</b>	<b>(5,298)</b>	<b>19,827,587</b>	<b>10,200,793</b>	<b>2,187,928</b>	<b>(1,765)</b>	<b>12,386,956</b>	<b>7,440,631</b>

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**14. INTANGIBLES ASSETS, NET**

Description	2022										
	Cost				Accumulated amortization					Net book value	
	As at		Additions	Transfers	Disposals	As at		Charge for the year	Disposals	As at	
	1-Jan-22	31-Dec-22				1-Jan-22	31-Dec-22			31-Dec-22	31-Dec-22
Computer software	13,581,000	-	3,199,679	-	16,780,679	10,154,630	2,084,167	-	12,238,797	4,541,882	
Capital work in progress	2,206,536	1,339,520	(3,199,679)	-	346,377	-	-	-	-	346,377	
	<b>15,787,536</b>	<b>1,339,520</b>	<b>-</b>	<b>-</b>	<b>17,127,056</b>	<b>10,154,630</b>	<b>2,084,167</b>	<b>-</b>	<b>12,238,797</b>	<b>4,888,259</b>	

  

Description	2021										
	Cost				Accumulated amortization					Net book value	
	As at		Additions	Transfers	Disposals	As at		Charge for the year	Disposals	As at	
	1-Jan-21	31-Dec-21				1-Jan-21	31-Dec-21			31-Dec-21	31-Dec-21
Computer software	12,898,837	677,181	4,982	-	13,581,000	8,193,317	1,961,313	-	10,154,630	3,426,370	
Capital work in progress	2,211,518	-	(4,982)	-	2,206,536	-	-	-	-	2,206,536	
	<b>15,110,355</b>	<b>677,181</b>	<b>-</b>	<b>-</b>	<b>15,787,536</b>	<b>8,193,317</b>	<b>1,961,313</b>	<b>-</b>	<b>10,154,630</b>	<b>5,632,906</b>	

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**15. LEASES**

**15.1. Amounts recognized in the statement of financial position**

The statement of financial position shows the following amounts relating to leases:

	Note	2022	2021
<b>Right-of-use assets - Building, net</b>			
<b>Balance as at 1 January</b>		<b>14,035,995</b>	14,035,995
Less: deletions during the year		<b>(1,245,077)</b>	-
<b>Balance as at 31 December</b>		<b>12,790,918</b>	14,035,995
<b>Accumulated depreciation</b>			
<b>Balance as at 1 January</b>		<b>7,783,732</b>	4,480,780
Depreciation charge for the year	26	<b>1,500,105</b>	3,302,952
<b>Balance as at 31 December</b>		<b>9,283,837</b>	7,783,732
<b>Net book value as at 31 December</b>		<b>3,507,081</b>	6,252,263

**Lease liabilities**

<b>Balance as at 1 January</b>		<b>6,436,255</b>	11,536,049
Charge for the year	25	<b>78,489</b>	262,156
Less: lease payments during the year		<b>(1,829,100)</b>	(5,361,950)
Less: deletions during the year		<b>(2,198,879)</b>	-
<b>Balance as at 31 December</b>		<b>2,486,765</b>	6,436,255

**15.2. The maturity profile of lease liabilities:**

	As at 31 December	
	2022	2021
Year 1	<b>1,001,661</b>	3,926,056
Year 2	<b>1,515,055</b>	1,515,103
Year 3	-	1,515,103
Total undiscounted lease liabilities	<b>2,516,716</b>	6,956,262
Less: finance cost	<b>(29,951)</b>	(520,007)
	<b>2,486,765</b>	6,436,255
<b>Current portion</b>		
Lease liabilities payable	<b>971,710</b>	1,659,004
<b>Non-current portion</b>		
Lease liabilities payable	<b>1,515,055</b>	4,777,251
	<b>2,486,765</b>	6,436,255

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**15. LEASES (CONTINUED)**

**15.3. Amounts recognized in the statement of profit or loss**

The statement of profit or loss shows the following amounts relating to leases:

	<u>2022</u>	<u>2021</u>
Lease financial cost (included in finance cost)	78,489	262,156
The expense relating to short-term leases (included in General and administrative expenses, note 26)	960,490	680,124

The total cash outflow for leases was SR 1,829,100 (31 December 2021: SR 5,361,950).

**15.4.** During 2020, the Company has shifted its head office to a new location and has filed a case against its previous landlord. As of 31 December 2022, the case has been closed and Board of Directors of the Company approved a write-off of net investment Islamic financing receivable amounting to SR 1.86 million against the landlord, accordingly, the Company has derecognized right of use asset and lease liability pertaining to old office and recognized net income of SR 953,802.

**16. SHARE CAPITAL**

In General Assembly Meeting held on 28 April 2022 (G) corresponding to 27 Ramadan 1443 (H), shareholders of the Company agreed to inject further share capital amounting to SR 100 million in the existing percentage of shareholding. Accordingly, on 10 May 2022 (G) corresponding to 9 Shawwal 1443 (H), payments of SR 100 million with respect to the proposed share capital increase were made. During December 2022, the legal documentation was completed and accordingly share capital was registered.

The Company's subscribed and paid-up share capital of SR 200,000,000 (31 December 2021: SR 100,000,000) is divided into 20,000,000 (31 December 2021: 10,000,000) equity shares of SR 10 each, and distributed among shareholders as follows:

Shareholders	Holding %	31 December 2022 (Audited)		31 December 2021 (Audited)	
		No. of Shares	Amount	No. of Shares	Amount
ADIB Two Financial Invest LLC, UAE	51%	10,200,000	102,000,000	5,100,000	51,000,000
Abdullah Ibrahim Al Khorayef Sons Company, KSA	46%	9,200,000	92,000,000	4,600,000	46,000,000
Mohamed Abdullah Al Khorayef	1%	200,000	2,000,000	100,000	1,000,000
Saad Abdullah Al Khorayef	1%	200,000	2,000,000	100,000	1,000,000
Hamad Abdullah Al Khorayef	1%	200,000	2,000,000	100,000	1,000,000
	<b>100%</b>	<b>20,000,000</b>	<b>200,000,000</b>	<b>10,000,000</b>	<b>100,000,000</b>

**17. STATUTORY RESERVE**

As required by the Company's Articles of Association, 10% of the net income for the year, has been transferred to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital. The reserve is not available for distribution.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**18. END OF SERVICE INDEMNITIES**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
The present value of the defined benefit obligation	<b>4,205,731</b>	3,638,440

**18.1. PRINCIPAL ACTUARIAL ASSUMPTIONS**

	<b>2022</b>	<b>2021</b>
Discount rate (% per annum)	<b>4.7%</b>	2.30%
Rate of change in salary (% per annum)	<b>4.7%</b>	2.30%
Mortality rates SLIC (2001-2005)	<b>WHO SA19</b>	WHO SA19-75%
Employee turnover (withdrawal) rates	<b>Ultra-Heavy</b>	Heavy

**18.2. AMOUNT CHARGEABLE TO PROFIT OR LOSS**

	<b>2022</b>	<b>2021</b>
Current service cost	<b>872,632</b>	805,317
Finance cost on defined benefit obligations	<b>88,900</b>	68,494
The total amount charged to the statement of profit and loss	<b>961,532</b>	873,811

**18.3. AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME OR LOSS**

	<b>2022</b>	<b>2021</b>
Actuarial gains due to change in demographic assumptions	<b>152,846</b>	23,761
Actuarial gains / (losses) due to change in financial assumptions	<b>68,876</b>	(104,674)
Actuarial losses due to experience adjustments	<b>(247,591)</b>	(158,445)
Amount charged to other comprehensive income or loss	<b>(25,869)</b>	(239,358)

**18.4. RECONCILIATION OF THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION**

	<b>2022</b>	<b>2021</b>
The present value of the defined benefit obligation at 1 January	<b>3,638,440</b>	3,179,428
Current service cost	<b>872,632</b>	805,317
Finance cost on defined benefit obligations	<b>88,900</b>	68,494
Benefits paid during the year	<b>(420,110)</b>	(654,157)
Remeasurement loss	<b>25,869</b>	239,358
The present value of defined benefit obligation at 31 December	<b>4,205,731</b>	3,638,440

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**18. END OF SERVICE INDEMNITIES (CONTINUED)**

**18.5.** The sensitivity of the end of service indemnities to changes in the weighted principal assumptions is:

	Change in assumption	Impact on present value of end of service indemnities liability	
		Amount	%
Discount rate	+0.5%	4,077,670	-3.04%
	-0.5%	4,340,597	3.21%
Long term salary	+0.5%	4,311,360	2.51%
	-0.5%	4,104,104	-2.42%
Mortality	+10%	4,205,892	0.00%
	-10%	4,205,214	-0.01%
Withdrawal rate	+10%	4,210,898	0.12%
	-10%	3,855,385	-8.33%

**18.6. Maturity profile:**

	As at 31 December	
	2022	2021
Year 1	<b>570,963</b>	416,523
Year 2	<b>699,284</b>	425,246
Year 3	<b>754,010</b>	464,100
Year 4	<b>538,035</b>	631,296
Year 5 onwards	<b>7,957,268</b>	3,767,490
Total undiscounted liabilities	<b>10,519,560</b>	5,704,655
Less: finance cost	<b>(6,313,829)</b>	(2,066,215)
	<b>4,205,731</b>	3,638,440

The weighted average duration of the defined benefit obligation is 6.24 years.

**19. TRADE PAYABLES**

These represent non-profit-bearing payables against the purchase of assets leased by the Company on a conventional basis. These unsecured financial liabilities are carried at amortized cost.



**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**20. OTHER PAYABLES AND ACCRUALS**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Employee related accruals	<b>6,496,505</b>	10,483,258
Support and maintenance	<b>461,413</b>	1,025,049
Accrued professional services	<b>962,627</b>	821,663
Payable to suppliers	<b>1,424,675</b>	284,352
Government-related	<b>373,587</b>	405,283
Accrued commission expense	<b>301,891</b>	335,971
Unclaimed deposits	<b>483,171</b>	628,913
Accrued outsourcing expense	<b>149,585</b>	458,001
Others	<b>481,080</b>	152,363
	<b><u>11,134,534</u></b>	<u>14,594,853</u>

**21. PROVISION FOR ZAKAT**

**21.1. The movement in the provision for zakat is as follows:**

	<b>For the year ended 31</b>	
	<b>December</b>	
	<b>2022</b>	<b>2021</b>
Balance at the beginning of the year	<b>14,201,279</b>	8,975,505
Provision during the year	<b>7,300,000</b>	8,226,673
Payment during the year	<b>(8,824,603)</b>	(3,000,899)
Balance at the end of the year	<b><u>12,676,676</u></b>	<u>14,201,279</u>

**21.2. STATUS OF ASSESSMENTS**

During 2016, zakat assessments have been raised by the ZATCA for the years 2005 to 2007 assessing additional zakat of SR 2,621,509 against which the Company has filed an appeal. No provision has been recorded in these financial statements in this respect, as the Company is confident of a favorable outcome on this matter. During 2018 the Company received certain queries related to appeal filed for 2005 to 2007 and the response was submitted to ZATCA.

During 2019, ZATCA provided a settlement assessment for the year 2014 to 2017 with zakat liability of SR 3,256,349 based on the methodology of 10% zakat calculated on the net profit before zakat. This resulted in the reversal of the excess zakat provision of SR 12,382,326 held by the Company for these years. During the year the Company has paid an installment amount of SR 521,016. As of 31 December 2022, the remaining installment amounted SR 521,016.

During the period, ZATCA again assessed 2005 to 2007 additional liability for which the company is in process for an appeal to General Secretariat of the Tax Committees (GSTC).

Additionally, ZATCA has raised additional information query with related to 2017 and 2018 for which the company is in process to file the requested information.

Currently, there are open assessments from the years 2008 to 2013 by ZATCA, for which the Company has provided for additional provision amounting to SR 4,939,350. No demand from the ZATCA has been received till the date of these financial statements.

The Company has submitted its Zakat declaration to ZATCA for the year ended 31 December 2021 and has obtained the certificate valid until 29 Ramadan 1444H corresponding to 20 April 2023.

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**22. SHARI'A ALTERNATIVE FOR FINANCIAL DERIVATIVE INSTRUMENTS CARRIED AT FVTPL**

	As at 31 December		
	2022	2021	
Profit rate swaps	34,165	(168,230)	
	<b>Less than 1 year</b>	<b>Between 1 year and 2 years</b>	<b>Between 2 years and 5 years</b>
Non-current assets	-	4,467,678	-
Non-current liabilities	-	(4,467,678)	-

As at 31 December 2022, the Company held profit rate swaps of the notional value approx. SR 4.47 million (2021: SR 17.67 million).

**23. FINANCIAL FACILITIES**

	As at 31 December		
Note	2022	2021	
Short-term financial facilities	8	45,000,000	84,000,000
Long-term financial facilities	23.1	564,688,144	815,305,807
Finance cost payable		71,843,198	41,279,346
		<b>681,531,342</b>	<b>940,585,153</b>

**Movement in financial facilities**

	As at 31 December	
	2022	2021
Opening balance	940,585,153	710,019,520
Add: loans obtained during the year	262,201,221	570,033,781
Less: payments made during the year	(542,653,711)	(328,142,009)
Finance costs	37,236,773	34,639,139
Less: finance costs paid during the year	(5,123,133)	(6,544,952)
Government grant on SAMA funding for lending program and liquidity support	(10,714,961)	(38,065,617)
Modification gain on financial liabilities	-	(1,354,709)
Closing balance	<b>681,531,342</b>	<b>940,585,153</b>

**23.1. Maturity profile**

	As at 31 December	
	2022	2021
		Restated (*)
<b>Current portion</b>		
Long-term financial facilities	370,985,879	383,057,658
<b>Non-current portion</b>		
Long-term financial facilities	193,702,265	432,248,149
	<b>564,688,144</b>	<b>815,305,807</b>

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**23. FINANCIAL FACILITIES (CONTINUED)**

(\*) During the year, management identified that due to a breach of certain financial covenants at 31 December 2021 for which respective waivers were received only subsequent to the year end, a balance of SR 31.7 million was classified within non-current rather than current portion of term financial facilities. This was reclassified in the table above accordingly.

**23.2. Unsecured financial facilities at amortized cost**

	Note	As at 31 December	
		2022	2021
Islamic financial facilities:			
-Murabaha	8	<b>46,256,393</b>	85,206,687
Non-profit bearing financing		<b>542,293,145</b>	764,783,467
		<b><u>588,549,538</u></b>	<u>849,990,154</u>

**23.3. Secured financial facilities at amortized cost**

	As at 31 December	
	2022	2021
Islamic financial facilities:		
-Murabaha	<b>54,640,491</b>	13,149,835
-Tawarruq	<b>38,341,313</b>	77,444,984
	<b><u>92,981,804</u></b>	<u>90,594,819</u>

**23.4.** The Company has obtained bank financial facilities from local Islamic banks for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates and also have restricted cash deposits.

**23.5.** During the year, the Company has obtained government financing amounting to SR 131.2 million from SAMA at a zero-profit rate to finance the Small and Medium-Sized Entities (SME) under SAMA funding for a financing program. These financings are repayable in 30 monthly installments with the first installment is due after 6 months' grace period from the date of the contract, which is discounted using average market prevailing profit rates for similar financing facilities. The difference between financing received and its present value is recorded as a government grant and has been accounted for as per the requirements of IFRS.

**23.6.** The facility agreements include financial covenants which, among other things, require the Company to maintain certain financial ratios. As of 31 December 2022, the Company was not in compliance with a financial covenant associated with the term financing agreements for which outstanding facility balances were classified within current portion of financial facilities.

**23.7.** During the year, the Company has received government financing amounting to SR 0.91 million from SAMA at a zero-profit rate under SAMA liquidity support program. These financings are repayable at the end of 18 months which is discounted using average market prevailing profit rates for similar financing facilities.

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**24. INCOME FROM ISLAMIC FINANCINGS, NET**

	<u>2022</u>	<u>2021</u>
<b>Revenue from the main operation</b>		
Income from Tawarruq	140,474,338	133,904,200
Income from Murabaha	885,956	778,678
Income from Ijara	-	212
	<u>141,360,294</u>	<u>134,683,090</u>

**24.1.** Directly allocated transaction cost of Islamic financing is amounting to SR 2.36 million (2021: SR 2.43 million).

**24.2.** Takaful expense for Ijara and Murabaha financing is amounting to SR 0.12 million (2021: SR 0.27 million).

**25. FINANCE COST**

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
Islamic financial facilities;			
- Non-profit bearing financing		31,880,521	25,845,667
-Tawarruq		2,437,596	4,912,096
- Murabaha		2,918,656	3,881,376
Lease liabilities	15	<u>78,489</u>	<u>262,156</u>
		<u>37,315,262</u>	<u>34,901,295</u>

**26. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Salaries, wages, and other benefits		22,298,102	22,233,918
Repair and maintenance		6,209,474	4,330,817
Depreciation of right-of-use assets	15	1,500,105	3,302,952
Depreciation of property and equipment	13	2,250,808	2,187,928
Legal, professional, and consultancy fees		1,926,903	1,842,324
Amortization of intangibles	14	2,084,167	1,961,313
Utilities		986,545	1,144,009
Government expenses		2,004,971	883,297
Rent expense	15.3	960,490	680,124
Miscellaneous		2,427,773	3,076,547
		<u>42,649,338</u>	<u>41,643,229</u>

**27. SELLING AND MARKETING EXPENSES**

	<u>2022</u>	<u>2021</u>
Salaries, wages, and other benefits	8,729,896	9,354,976
Collection commission	2,018,445	2,087,964
Advertising expenses	941,270	922,413
	<u>11,689,611</u>	<u>12,365,353</u>

**28. IMPAIRMENT ON ISLAMIC FINANCING, NET**

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Impairment on Islamic financing	9.7	4,260,000	4,729,558
Write-off recoveries		(4,355,332)	(5,419,397)
		<u>(95,332)</u>	<u>(689,839)</u>

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**29. OTHER INCOME, NET**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Government grant on SAMA funding for lending program and liquidity support	23.5,23.7	<b>10,714,961</b>	38,065,617
Modification gain on financial liabilities		-	1,354,709
Origination fees		<b>993,956</b>	1,248,143
Government grant		<b>577,160</b>	943,920
Modification loss on financial assets	9.5	<b>(300,478)</b>	(3,979,546)
Loss on the fair valuation of initial recognition of financial assets	9.6	<b>(6,816,412)</b>	(36,502,925)
Income on contract termination		<b>953,802</b>	-
Loss on disposal of property and equipment	13	-	(3,533)
Income from restricted cash deposits	12	<b>77,672</b>	131,303
Others		<b>39,720</b>	(7,808)
		<b>6,240,381</b>	1,249,880

**30. RISK MANAGEMENT**

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement, and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk, and liquidity risk.

**30.1. Risk management structure**

**Board of Directors**

The Board of Directors are responsible for establishing the Company's policies, including risk management framework, and reviewing the performance of the Company to ensure compliance with these policies.

**Credit and risk management committee**

The credit and risk management committee are appointed by the Board of Directors. The credit and risk management committee assists the Board in reviewing overall risks which the Company might face, evaluate and review operational and non-operational risks and decide on mitigating factors related therewith.

**Audit committee**

The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, and the soundness of the internal controls of the Company.

**Internal audit**

All key operational, financial, and risk management processes are audited by the Internal Audit. The internal audit examines the adequacy of the relevant policies and procedures, the Company's compliance with the internal policies and regulatory guidelines. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**30. RISK MANAGEMENT (CONTINUED)**

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

**30.2. Market risk**

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

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

**30.2.1. Currency risk**

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

**30.2.2. Profit rate risk**

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company's exposure to the risk of changes in market profit rates relates primarily to the Company's long-term debt obligations with floating profit rates. For floating rate liabilities, the analysis is prepared to assume the amount of liability outstanding at the reporting date was outstanding for the whole year. A 0.25 % increase or decrease is used when reporting profit rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in profit rates.

Sensitivity analysis for variable-rate financial instruments

	<b>2022</b>		<b>2021</b>	
	<b>Change in Basis point</b>	<b>Impact on income for the year</b>	<b>Change in Basis point</b>	<b>Impact on income for the year</b>
Saudi Riyals	+25	114,063	+25	184,727
Saudi Riyals	-25	(114,063)	-25	(184,727)

**30.2.3. Other price risks**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risks.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**30. RISK MANAGEMENT (CONTINUED)**

**30.3. Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

**Amounts arising from ECL – Significant increase in credit risk**

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

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

- the remaining lifetime 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).

**Generating the term structure of PD**

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 an in-depth analysis of the impact of certain other factors (e.g., forbearance experience) on the risk of default. For most exposures, key macroeconomic indicators are Gross Domestic Product (GDP) forecast and Consumer Price Index (CPI) forecast.

**Determining whether credit risk has increased significantly**

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modeling.

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

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. 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 year that might be available to the customer.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**30. RISK MANAGEMENT (CONTINUED)**

**30.3. Credit risk (Continued)**

**Modified Financial Assets**

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

When the terms of a financial asset 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 may renegotiate Islamic financings receivable to customers in financial difficulties (referred to as 'forbearance activities' to maximize collection opportunities and minimize the risk of default. Under the Company's policy, Islamic financings 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 profit payments, and amending the terms of Islamic financing and installment covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

**Definition of 'Default'**

The Company considers a financial asset to be in default when:

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the customer is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a customer is in default. The Company considers indicators that are:

- qualitative- e.g., breaches of the covenant, SIMAH scoring, sector of economies, employment type;
- quantitative- e.g., overdue status and;
- based on data developed internally and obtained from external sources.

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

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

**Incorporation of forward-looking information**

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 macroeconomic variables and credit risk and credit losses. The economic scenario used includes the key indicators of Gross Domestic Product (GDP) forecast and Consumer Price Index (CPI) forecast.



**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**30. RISK MANAGEMENT (CONTINUED)**

**30.3. Credit risk (Continued)**

**Measurement of ECL**

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

- i. The probability of default (PD);
- ii. Loss given default (LGD);
- iii. 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. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. For PD estimation, a transition matrix-based approach was used. Segment level transition rates between different delinquency buckets were used to compute PD, which was then extrapolated across the behavioral life

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, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

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. Outstanding Balance, Instalment Amount, and Profit Rate are used to derive an amortizing balance curve for each account.

Out of the total assets of SR 1,098.3 million (2020: SR 1,217.3 million), the assets which were subject to credit risk amounted to SR 1,070.8 million (2020: SR 1,188,5 million). The management analyzes the credit risk in the following categories:

	Notes	Classification	As at 31 December	
			2022	2021
Net investment in Islamic financings	9	Amortized Cost	<b>1,036,370,658</b>	1,144,882,979
Bank balances	6	Amortized Cost	<b>31,917,175</b>	37,742,586
Restricted cash deposits	12	Amortized Cost	<b>2,601,274</b>	5,895,513
			<b><u>1,070,889,107</u></b>	<u>1,188,521,078</u>

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**30. RISK MANAGEMENT (CONTINUED)**

**30.3. Credit risk (Continued)**

**30.3.1. Net investment in Islamic financings**

The investment in Islamic financings generally exposes to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' creditworthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The Company also follows a credit classification mechanism, primarily driven by days delinquency as a tool to manage the quality of credit risk of the Islamic financing portfolio.

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

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Neither past nor due	<b>589,930,099</b>	858,887,913
Past due 1-30 days	<b>157,300,357</b>	58,072,764
Past due 31-90 days	<b>153,678,153</b>	136,189,225
Past due 91-180 days	<b>50,323,741</b>	37,403,854
Past due 181-365 days	<b>53,898,821</b>	50,394,127
Past due over 1 year	<b>46,483,686</b>	19,112,304
Net Investment in Islamic financing before adjustment	<b>1,051,614,857</b>	1,160,060,187
Unearned origination fees	<b>(1,443,061)</b>	(1,314,452)
Deferred transaction costs	<b>2,694,830</b>	2,625,333
Net Investment in Islamic financing before provision	<b>1,052,866,626</b>	1,161,371,068
Less: Impairment for Islamic financing	<b>(16,495,968)</b>	(16,488,089)
Net of Impairment loss	<b>1,036,370,658</b>	1,144,882,979
Total portfolio coverage ratio (Impairment divided by Net Investment in Islamic financing before adjustment)	<b>1.6%</b>	1.4%

Net investment in Islamic financing and the corresponding ECL allowance as at 31 December 2022 classified into is as follows:

	<b>As at 31 December 2022</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Carrying amount before ECL	716,319,312	144,642,723	190,652,822	1,051,614,857
ECL	2,968,804	2,521,943	11,005,221	16,495,968
	<b>As at 31 December 2021</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Carrying amount before ECL	905,033,959	125,278,457	129,747,771	1,160,060,187
ECL	1,919,480	3,190,889	11,377,720	16,488,089

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**30. RISK MANAGEMENT (CONTINUED)**

**30.3. Credit risk (Continued)**

**30.3.1. Net investment in Islamic financings (Continued)**

The portfolio that is neither past due nor impaired has a satisfactory history of repayment, where applicable. As at the statement of financial position date, the Company has adequate collaterals to cover the overall credit risk exposure after making an impairment provision.

Management classifies the investment in Islamic financing that are either not yet due or otherwise past due but for 90 days or less as “performing” while all receivables that are past due for more than 90 days are classified as “non-performing”. Below is the breakdown of performing and non-performing Islamic financing:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Performing	<b>900,846,544</b>	1,053,149,902
Non-performing	<b>150,768,313</b>	106,910,285
	<b><u>1,051,614,857</u></b>	<u>1,160,060,187</u>

The movement in provision for impairment for Islamic financing receivables is as follows:

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>1 January 2022</b>	1,919,480	3,190,889	11,377,720	16,488,089
Transfer from stage 1	(238,662)	140,312	98,350	-
Transfer from stage 2	231,911	(629,803)	397,892	-
Transfer from stage 3	3,643	900,046	(903,689)	-
Financial assets – settled	(1,309,786)	(2,309,815)	(5,765,884)	(9,385,485)
Financial assets - originated	1,105,264	514,086	424,410	2,043,760
Net re-measurement of loss allowance	1,256,954	716,228	9,628,543	11,601,725
Write-off during the year	-	-	(4,252,121)	(4,252,121)
<b>31 December 2022</b>	<u>2,968,804</u>	<u>2,521,943</u>	<u>11,005,221</u>	<u>16,495,968</u>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>1 January 2021</b>	8,349,910	3,294,044	4,409,101	16,053,055
Transfer from stage 1	(1,863,314)	1,205,671	657,643	-
Transfer from stage 2	924,378	(1,760,624)	836,246	-
Transfer from stage 3	161,727	390,242	(551,969)	-
Financial assets – settled	(591,439)	(672,800)	(1,317,925)	(2,582,164)
Financial assets - originated	1,105,264	514,086	424,410	2,043,760
Net re-measurement of loss allowance	(6,167,046)	220,270	11,214,738	5,267,962
Write-off during the year	-	-	(4,294,524)	(4,294,524)
<b>31 December 2021</b>	<u>1,919,480</u>	<u>3,190,889</u>	<u>11,377,720</u>	<u>16,488,089</u>

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**30. RISK MANAGEMENT (CONTINUED)**

**30.3. Credit risk (Continued)**

**30.3.1. Net investment in Islamic financings (Continued)**

**Concentration risk**

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

The Company manages its credit risk exposure through diversification of Islamic financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

**Collateral held as security and other credit enhancements**

The credit risks on gross amounts due in relation to the investment in Islamic financing is mitigated by holding collaterals which are leased assets and real-estate. Further, the carrying amount of investment in Islamic Financing amounts against which collateral has been obtained amounts to SR 190 million (31 December 2021: 187 million) and the fair value of collateral amounting to SR 565 million as at 31 December 2022 (31 December 2021: SR 564 million). The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

**30.3.2. Bank balances and other receivables**

The credit quality of the Company's bank balances and restricted cash deposit is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. Other receivables are neither significant nor exposed to significant credit risk. No ECL was taken for restricted cash deposits and bank balances as the impact of the ECL was not material.

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash at bank:</b>		
A	<b>1,983</b>	-
A-	<b>13,225,825</b>	10,066,668
BBB+	<b>18,689,367</b>	27,675,918
<b>Restricted cash deposit:</b>		
BBB+	<b>2,601,274</b>	5,895,513
	<b>34,518,449</b>	43,638,099

**30.3.3. Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The shareholders of the Company are committed to provide the necessary financial support to the Company for its working capital, as and when needed.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**30. RISK MANAGEMENT (CONTINUED)**

The table below summarizes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**30. RISK MANAGEMENT (CONTINUED)**

**As at 31 December 2022**

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to three months</b>	<b>More than three months and up to one year</b>	<b>More than one year</b>
Trade payables	2,265,355	2,265,355	2,265,355	-	-
Other payables and accruals	11,134,534	11,134,534	-	11,134,534	-
Due to a related party	87,440	87,440	87,440	-	-
Financial facilities	681,531,342	691,329,512	166,578,671	326,660,968	198,089,873
	<b>695,018,671</b>	<b>704,816,841</b>	<b>168,931,466</b>	<b>337,795,502</b>	<b>198,089,873</b>

**As at 31 December 2021**

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to three months</b>	<b>More than three months and up to one year</b>	<b>More than one year</b>
Trade payables	776,863	776,863	776,863	-	-
Other payables and accruals	14,594,853	14,594,853	-	14,594,853	-
Due to a related party	30,080	30,080	30,080	-	-
Shari'a alternatives for financial derivative instruments carried at FVTPL	168,230	168,230	168,230	-	-
Financial facilities	940,585,153	946,588,458	137,658,612	375,000,955	433,928,891
	<b>956,155,179</b>	<b>962,158,484</b>	<b>138,633,785</b>	<b>389,595,808</b>	<b>433,928,891</b>

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**30. RISK MANAGEMENT (CONTINUED)**

**Analysis of financial assets and liabilities based on maturities**

The table shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled:

	As at 31 December 2022			
	Carrying amounts	Up to three months	More than three months and up to one year	More than one year
Cash and cash equivalents	31,927,675	31,927,675	-	-
Prepayments and other receivables	5,398,182	-	5,398,182	-
Due from a related party	856,742	856,742	-	-
Shari'a alternatives for financial derivative instruments carried at FVTPL	34,165	34,165	-	-
Net investment in Islamic financing	1,036,370,658	150,914,448	382,797,925	502,658,285
Investment carried at FVOCI	892,850	-	-	892,850
Restricted cash deposit	2,601,274	500,004	1,601,270	500,000
<b>Financial assets</b>	<b>1,078,081,546</b>	<b>184,233,034</b>	<b>389,797,377</b>	<b>504,051,135</b>
Trade payables	2,265,355	2,265,355	-	-
Other payables and accruals	11,134,534	-	11,134,534	-
Due to a related party	87,440	87,440	-	-
Financial facilities	681,531,342	163,365,433	324,463,644	193,702,265
<b>Financial liabilities</b>	<b>695,018,671</b>	<b>165,718,228</b>	<b>335,598,178</b>	<b>193,702,265</b>
<b>Maturity gap</b>	<b>383,062,875</b>	<b>18,514,806</b>	<b>54,199,199</b>	<b>310,348,870</b>
<b>Cumulative maturity gap</b>	<b>-</b>	<b>18,514,806</b>	<b>72,714,005</b>	<b>383,062,875</b>

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**30. RISK MANAGEMENT (CONTINUED)**

	<b>As at 31 December 2021</b>			
	<b>Carrying amounts</b>	<b>Up to three months</b>	<b>More than three months and up to one year</b>	<b>More than one year</b>
Cash and cash equivalents	37,761,086	37,761,086	-	-
Prepayments and other receivables	2,639,736	-	2,639,736	-
Due from a related party	38,453	38,453	-	-
Net investment in Islamic financing	1,144,882,979	130,848,201	363,581,014	650,453,764
Investment carried at FVOCI	892,850	-	-	892,850
Restricted cash deposit	5,895,513	1,752,345	1,643,163	2,500,005
<b>Financial assets</b>	<b>1,192,110,617</b>	<b>170,400,085</b>	<b>367,863,913</b>	<b>653,846,619</b>
Trade payables	776,863	776,863	-	-
Other payables and accruals	14,594,853	-	14,594,853	-
Due to a related party	30,080	30,080	-	-
Shari'a alternatives for financial derivative instruments carried at FVTPL	168,230	168,230	-	-
Financial facilities	940,585,153	136,414,498	371,922,506	432,248,149
<b>Financial liabilities</b>	<b>956,155,179</b>	<b>137,389,671</b>	<b>386,517,359</b>	<b>432,248,149</b>
<b>Maturity gap</b>	<b>235,955,438</b>	<b>33,010,414</b>	<b>(18,653,446)</b>	<b>221,598,470</b>
<b>Cumulative maturity gap</b>	<b>-</b>	<b>33,010,414</b>	<b>14,356,968</b>	<b>235,955,438</b>



**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**30. RISK MANAGEMENT (CONTINUED)**

**30.4. Capital risk management**

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

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Company monitors the aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA.

	<u>2022</u>	<u>2021</u>
Leverage ratio (Net investment in Islamic financing before provision and adjustments divided by total equity)	<u>2.7 times</u>	<u>4.9 times</u>

**31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

**31.1. Fair value measurement of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a legal and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**SAUDI FINANCE COMPANY**  
(A Saudi Closed Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
(All amounts in Saudi Riyals unless otherwise stated)

**31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**31.2. Fair values of financial assets and liabilities**

The Company's financial assets consist of cash and bank balances, investment, net investment in Islamic financing, restricted cash deposits and other receivables, its financial liabilities consist of trade payables, financial facilities, due to related party and other liabilities.

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

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI and Shari'a alternatives for financial derivative instruments. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

2022	Fair value Level			Total
	1	2	3	
<b>FINANCIAL ASSET</b>				
<b>FVOCI designated</b>			892,850	892,850
Investment carried at FVOCI				
Shari'a alternatives for financial derivative instruments		34,165		34,165
<b>FINANCIAL LIABILITIES</b>				
<b>FVTPL mandatorily</b>				

2021	Fair value Level			Total
	1	2	3	
<b>FINANCIAL ASSET</b>				
<b>FVOCI designated</b>				
Investment carried at FVOCI	-	-	892,850	892,850
<b>FINANCIAL LIABILITIES</b>				
<b>FVTPL mandatorily</b>				
Shari'a alternatives for financial derivative instruments	-	168,230	-	168,230

The above financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

Financial assets / financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Investment carried at FVOCI	Cost	N/A	N/A

**SAUDI FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**31. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**31.2. Fair values of financial assets and liabilities (continued)**

Shari'a alternatives for financial derivative instruments classified as Level 2 comprise profit rate swaps. These derivatives are fair valued using widely recognized valuation models. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

**32. CONTINGENCIES AND CAPITAL COMMITMENTS**

**Contingencies**

There were no contingent liabilities as at 31 December 2022 and 2021.

**Capital commitments**

There are no capital commitments as at 31 December 2022 and 2021.

**33. SUBSEQUENT EVENTS**

No subsequent events have occurred after the reporting date and before the issuance of these financial statements which require adjustment to, or additional disclosures, in these financial statements.

**34. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were approved and authorized for issue on 8 Sha'aban 1444 (H) (corresponding to 28 February 2023 (G)) by the Board of Directors of the Company.

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