SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
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 (the "Company"), which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS
SAUDI FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

Auditor's responsibilities for the audit of the financial statements (Continued)
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the 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 the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- 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 Al-Bassam & Co.

Ahmed A. Mohandis
Certified Public Accountant
License No. 477

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
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Riyadh, Kingdom of Saudi Arabia
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03 March 2021

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SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(All amounts in Saudi Riyals unless otherwise stated)

		As at 31 December	
	Notes	**2020**	**2019**
ASSETS			
Cash and cash equivalents	7	30,714,105	43,208,272
Prepayments and other receivables	8	2,363,764	1,821,305
Net investment in Islamic financings	10	887,422,510	510,146,422
Investment carried at FVOCI	11	892,850	892,850
Assets repossessed held for sale	12	5,897,514	5,616,454
Restricted cash deposit	13	5,764,210	5,460,377
Property and equipment	14	8,772,059	4,957,662
Intangible assets	15	6,917,038	4,428,622
Right-of-use assets	16.1	9,555,215	5,125,858
TOTAL ASSETS		958,299,265	581,657,822
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	100,000,000	100,000,000
Statutory reserve	18	9,352,352	8,400,375
Retained earnings		87,686,215	79,118,421
Actuarial reserve on end of service indemnities		51,278	154,474
TOTAL EQUITY		197,089,845	187,673,270
LIABILITIES			
Trade payables	20	14,533,093	4,311,298
Other payables and accruals	21	12,231,563	11,278,869
Provision for zakat	22	8,975,505	10,667,912
Shari'a alternatives for financial derivative instruments carried at FVTPL	23	734,262	487,538
Financial facilities	9,24	710,019,520	358,744,576
Lease Liabilities	16.1	11,536,049	5,729,272
End of service indemnities	19	3,179,428	2,765,087
TOTAL LIABILITIES		761,209,420	393,984,552
TOTAL EQUITY AND LIABILITIES		958,299,265	581,657,822

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 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2020	2019
INCOME FROM ISLAMIC FINANCING, NET	25	103,819,024	87,862,180
OPERATING (EXPENSES) / INCOME			
Finance cost	26	(17,962,708)	(12,462,448)
General and administrative expenses	27	(42,110,692)	(39,581,018)
Selling and marketing expenses	28	(10,133,498)	(11,312,164)
Impairment on Islamic financing, net	29	(2,768,004)	(2,002,799)
Reversal on fair value measurement of assets repossessed held for sale	12	281,060	171,451
Unrealized loss on shari'a alternatives for financial derivative instruments		(246,724)	(279,476)
Other (loss) / income	30	(18,885,579)	2,011,102
NET OPERATING INCOME BEFORE ZAKAT		11,992,879	24,406,828
Zakat	22	(2,473,108)	(3,636,798)
NET INCOME FOR THE YEAR		9,519,771	20,770,030

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 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2020	2019
NET INCOME FOR THE YEAR		9,519,771	20,770,030
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial loss on end of service indemnities	19	(103,196)	(41,102)
Total other comprehensive loss for the year		(103,196)	(41,102)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,416,575	20,728,928

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 2020
(All amounts in Saudi Riyals unless otherwise stated)

2019	**Share capital**	**Statutory reserve**	**Retained Earnings**	**Actuarial reserve on end of service indemnities**	**Total equity**
Balance as at 1 January 2019	100,000,000	6,323,372	60,425,394	195,576	166,944,342
Net income for the year	-	-	20,770,030	-	20,770,030
Other comprehensive loss	-	-	-	(41,102)	(41,102)
Transfer to statutory reserve	-	2,077,003	(2,077,003)	-	-
Balance as at 31 December 2019	100,000,000	8,400,375	79,118,421	154,474	187,673,270

2020	**Share capital**	**Statutory reserve**	**Retained Earnings**	**Actuarial loss on post-employment benefits**	**Total equity**
Balance as at 1 January 2020	100,000,000	8,400,375	79,118,421	154,474	187,673,270
Net income for the year	-	-	9,519,771	-	9,519,771
Other comprehensive loss	-	-	-	(103,196)	(103,196)
Transfer to statutory reserve	-	951,977	(951,977)	-	-
Balance as at 31 December 2020	100,000,000	9,352,352	87,686,215	51,278	197,089,845

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 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating Income before zakat		11,992,879	24,406,828
Adjustments for:			
Depreciation of right-of-use assets	16,27	2,580,257	1,900,523
Depreciation of property and equipment	14,27	2,276,769	1,932,289
Amortization of intangibles	15,27	1,605,820	1,157,940
Loss on disposal of property and equipment	30	385,361	-
Finance cost	26	17,962,708	12,462,448
Impairment on Islamic financing	29	6,399,431	7,968,382
Net loss on modification of financial instruments	30	20,726,010	-
Loss on the fair valuation of initial recognition of financial assets	30	36,783,908	-
Government grant for SAMA funding for a financing program	30	(35,301,928)	-
Reversal on fair value measurement of assets repossessed held for sale	12	(281,060)	(171,451)
Unrealized loss on shari'a alternatives for financial derivative instruments		246,724	279,476
Provision for end of service indemnities	19.2	899,802	875,374
		66,276,681	50,811,809
(Increase) / decrease in operating assets			
Prepayments and other receivables		(2,057,515)	387,805
Due from a related party		-	199,290
Net investment in Islamic financing		(448,029,468)	(75,279,938)
Restricted cash deposit		(303,833)	817,513
(Decrease)/increase in operating liabilities			
Trade payables		10,221,795	2,919,273
Other payables and accruals		952,694	2,623,445
Due to a related party		-	(111,560)
Cash used in operating activities		(372,939,646)	(17,632,363)
Zakat paid	22	(4,165,515)	(2,985,918)
End of service indemnities paid	19.4	(588,657)	(488,275)
Net cash used in operating activities		(377,693,818)	(21,106,556)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14	(6,476,527)	(1,871,658)
Purchase of intangible assets	15	(4,094,236)	(2,524,675)
Net cash used in investing activities		(10,570,763)	(4,396,333)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial facilities		668,721,467	268,000,000
Repayment of financial facilities		(283,503,650)	(238,088,631)
Finance cost paid		(9,447,403)	(11,358,704)
Lease liabilities paid	16	-	(140,000)
Net cash generated from financing activities		375,770,414	18,412,665
Net decrease in cash and cash equivalents		(12,494,167)	(7,090,224)
Cash and cash equivalents at beginning of the year		43,208,272	50,298,496
Cash and cash equivalents at the end of the year	7	30,714,105	43,208,272

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

(All amounts in Saudi Riyals unless otherwise stated)

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 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:

S. No	Branch	C.R. No.	Date
1	Khurais, Riyadh	7006384437	17 Rabi Thani 1416H
2	Badiya, Riyadh*	1010391633	23 Dhul-Hijjah 1434H
3	Buraidah	7012640483	26 Dhul-Hijjah 1417H
4	Dammam	7011934028	24 Rabi Awal 1423H
5	Jeddah	7006393552	23 Rabi Thani 1434H
6	Al-Ahsa	7007700193	16 Jumad Awal 1435H
7	Medina	7006257864	11 Sha'aban 1435H

*The commercial registration of the branch has been expired. As of 31 December 2020, the Company is under process of completing the legal formalities of cancellation.

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

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

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

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 and presentation 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:

2. BASIS OF PREPARATION (CONTINUED)

2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

2.4.1. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL")

On 11 March 2020, the World Health Organization ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia, in particular, has implemented closure of borders, released social distancing guidelines, and enforced countrywide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The economic impacts of the above events, though the scale and duration of which remains uncertain, primarily include:

- Significant business interruption arising from hindrance in generating new originations travel restrictions and unavailability of personnel etc.;
- Deterioration in the creditworthiness of customers in particular to those working or involved in 'highly exposed sectors such as transportation, tourism, hospitality, entertainment, construction and retail; and
- A significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a general decline in profit rates globally.

Collectively, these current events and the prevailing conditions require the Company to analyze the likely impact of these events on the Company's business operations. The Company has adjusted the macroeconomic factors in the ECL model on the basis of the available data on 31 December 2020. The Board of Directors and the management of the Company have evaluated the current situation and accordingly, have activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance. Under the current situation, the scale and duration of this outbreak and its impact on credit, market, and operational risks remain uncertain and the board of directors and management of the Company is continuously evaluating the evolving situation in liaison with the regulatory authorities and further or additional related quantification of impact cannot be ascertained at this point.

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

2. BASIS OF PREPARATION (CONTINUED)

2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

2.4.2. 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.

2.4.3. 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.

2.4.4. 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.

2.4.5. 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.

2. BASIS OF PREPARATION (CONTINUED)

2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

2.4.6. 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.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

a) 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.

(All amounts in Saudi Riyals unless otherwise stated)

4. 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 where referenced below.

New amendments to standards issued and applied effective January 1, 2020

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 1 and IAS 8	Definition of material	January 1, 2020	The amendments provided a new definition of material and clarified that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.
IFRS 3	Definition of business	January 1, 2020	The amendment clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input, and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.
Revised Conceptual Framework for Financial Reporting	Amendments to references Conceptual Framework in IFRS Standards and updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.	January 1, 2020	The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.
IFRS 9, IAS 39, and IFRS 7	Interest Rate Benchmark Reform	January 1, 2020	A fundamental review and reform of major interest rate benchmarks are being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.
IFRS 16	COVID-19-Related Rent Concessions	June 1, 2020	The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment applies to annual reporting periods beginning on or after 1 June 2020 and earlier application is permitted.

(All amounts in Saudi Riyals unless otherwise stated)

5. 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.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IAS 37	Onerous Contracts Cost of Fulfilling Contract	January 1, 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.
IFRS 16, IFRS 9, IAS 41, and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 percent' 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. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. 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.

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.

6. 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 presented, except for those as disclosed within Note 3.

6.1. 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.

6.2. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.2. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.2. 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.

6.3. Financial instruments

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

6.3.1. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3. Financial instruments (Continued)

6.3.1. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3. Financial instruments (Continued)

6.3.1. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3. Financial instruments (Continued)

6.3.1. 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 Islamic financing. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3. Financial instruments (Continued)

6.3.1. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3. Financial instruments (Continued)

6.3.2. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.4. 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.

6.5. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.5. 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.

6.6. 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.

6.7. 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.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.8. 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.

6.9. 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.

6.10. 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.

6.11. 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.

(All amounts in Saudi Riyals unless otherwise stated)

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.12. 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.

6.13. 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.

6.14. 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.

6.15. 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.

6.16. Zakat

Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia and on an accruals 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.

7. CASH AND CASH EQUIVALENTS

	Note	As of 31 December 2020	2019
Cash in hand		17,000	19,000
Cash at banks	7.1	30,697,105	43,189,272
		30,714,105	43,208,272

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

(All amounts in Saudi Riyals unless otherwise stated)

8. PREPAYMENTS AND OTHER RECEIVABLES

	As of 31 December 2020	2019
Prepaid maintenance and support	1,082,940	224,232
Prepaid banking charges	379,262	297,378
Prepaid rent	229,647	436,769
Advance to staff	209,747	453,324
Prepaid insurance	190,731	200,861
Prepaid license	43,467	134,212
Others	227,970	74,529
	2,363,764	1,821,305

9. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the year

Names of Related Party	Nature of Relationship	Nature of transactions	2020	2019
Abu Dhabi Islamic Bank (ADIB), UAE	Affiliate	Financial facilities obtained	168,000,000	168,000,000
		Financial facilities repaid	(248,000,000)	(178,000,000)
		Finance cost charged	4,761,279	6,381,219
		Reimbursement for expenses paid on behalf of associates	222,445	287,548
		Expenses paid on behalf of associates	(222,445)	(88,258)
Abdullah Ibrahim Al Khorayef Sons Company (AIA), KSA	Shareholder	Rent expense	55,500	222,000
		Collection on behalf of AIA	97,817	212,715
		Repaid to AIA	(97,817)	(324,275)
		Expenses paid on behalf of the shareholder	-	(2,793)
		Reimbursed for an expense-paid on behalf of the shareholder	-	2,793

Key management personnel	**2020**	**2019**
Salaries and other short-term employee benefits	8,706,056	7,613,064

(All amounts in Saudi Riyals unless otherwise stated)

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

9.1. The facility represents short-term Murabaha financing provided by the Ultimate Parent Company. This is an unsecured financial facility. Also, refer to Note 24 and 26.

Financial Facilities	Note	As at 31 December 2020	2019
ADIB, UAE	9.1	88,000,000	168,000,000
Accrued finance cost		1,844,155	4,611,419
		89,844,155	172,611,419

9.2. **Net Investment in Islamic Financings**

Nature of Relationship	Profit rate	Tenure	As at 31 December 2020	2019
Key management	8.7%-9.2%	24 – 60 months	130,324	128,580
			130,324	128,580

(All amounts in Saudi Riyals unless otherwise stated)

10. NET INVESTMENT IN ISLAMIC FINANCINGS

	As at 31 December	
	2020	**2019**
Financial asset carried at amortized cost		
Tawarruq	894,265,972	519,979,674
Murabaha	7,816,089	3,689,138
Investment classified as a finance lease		
Ijara	40,756	301,144
	902,122,817	523,969,956

10.1. Details of net investment in Islamic financings:

	Murabaha		Ijara		Tawarruq		Total	
	As at 31 December		As at 31 December		As at 31 December		As at 31 December	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Gross investment in Islamic financing	9,271,714	4,937,656	41,027	324,818	1,105,180,120	710,088,095	1,114,492,861	715,350,569
Unearned / Deferred Islamic financing income	(1,455,625)	(1,248,518)	(271)	(23,674)	(210,914,148)	(190,108,421)	(212,370,044)	(191,380,613)
	7,816,089	3,689,138	40,756	301,144	894,265,972	519,979,674	902,122,817	523,969,956
Unearned origination fees	(9,584)	(23,633)	-	(99)	(1,847,881)	(2,571,810)	(1,857,465)	(2,595,542)
Deferred transaction costs	14,151	36,591	-	178	3,196,062	3,775,775	3,210,213	3,812,544
	7,820,656	3,702,096	40,756	301,223	895,614,153	521,183,639	903,475,565	525,186,958
				Impairment on Islamic financing			(16,053,055)	(15,040,536)
				Net investment in Islamic financing			**887,422,510**	510,146,422
				Current portion			275,448,480	219,888,905
				Non-current portion			611,974,030	290,257,517

(All amounts in Saudi Riyals unless otherwise stated)

10. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)

10.2. The maturity of the investment classified as a finance lease is as follows:

	As at 31 December	
	2020	**2019**
Year 1	41,027	286,897
Year 2	-	37,921
Year 3	-	-
Year 4	-	-
Year 5	-	-
Year 5 onwards	-	-
Gross investment in Ijara	41,027	324,818
Less unearned income	(271)	(23,674)
Net investment in Ijara	40,756	301,144

10.3. Investment in Islamic financing includes financings provided to key management (see note 9.2).

10.4. 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.

10.5. The Company has assigned Islamic financing receivables amounting to SR 151 million (2019: SR 128 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, (see note 24.3).

10.6. 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 September 2020 it was extended for additional 3 months and during December 2020, SAMA further extended the same for additional 3.5 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 (see Note 30). Modification loss has been recognized under other income / (expenses) in the statement of profit or loss.

10.7. In order to support the SME sector, Monshaat instructed the Company to defer payments of all customers under the Monshaat program for a period of 12 months. 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 (see Note 30). Modification loss has been recognized under other income / (expenses) in the statement of profit or loss.

10.8. During the year, the Company has provided financing amounting to SR 448.5 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 95% secured under the Kafala program and these facilities 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 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 30).

(All amounts in Saudi Riyals unless otherwise stated)

10. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)

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

	Note	2020	2019
Balance at the beginning of the year		15,040,536	10,861,091
Provided during the year		6,399,431	7,968,382
Written off during the year	10.10	(5,386,912)	(3,788,937)
Balance at the end of the year		16,053,055	15,040,536

10.10. During the year, the Risk and Compliance Committee of the Company approved a write-off of net investment in Islamic financing receivable amounting to SR 6.92 million (31 December 2019: SR 5.00 million) for certain customers with a existing provision of SR 5.38 million (31 December 2019: SR 3.78 million). These amounts are subject to enforcement activities.

11. 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 2020, the Company holds 89,285 shares (31 December 2019: 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 the best estimate of fair value.

12. 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. The properties as of December 31, 2020, and 2019 are carried at lower of carrying amount and fair value less cost to sell.

These properties are legally owned by one of the board members of the Company for the sole benefit of the Company.

The fair value of the properties was determined using the sales comparison approach as described in the note below and accordingly designated as level 2 as per the fair value hierarchy.

31 December 2020	Level 1	Level 2	Level 3	Total
Properties held for sale	-	5,897,514	-	5,897,514

31 December 2019	Level 1	Level 2	Level 3	Total
Properties held for sale	-	5,616,454	-	5,616,454

(All amounts in Saudi Riyals unless otherwise stated)

12. ASSET REPOSSESSED HELD FOR SALE (CONTINUED)

Movement for changes in carrying value

	2020	2019
Balance at the beginning of the year	5,616,454	5,445,003
Reversal on fair value measurement	281,060	171,451
Balance at the end of the year	5,897,514	5,616,454

Valuation techniques used to determine level 2 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 Taqeem 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 2 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).

13. 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.

	As at 31 December	
	2020	2019
Restricted cash deposit	5,752,349	5,277,894
Accrued profit on restricted cash deposit	11,861	182,483
	5,764,210	5,460,377

13.1. Maturity profile:

	As at 31 December	
	2020	2019
Current portion		
Restricted cash deposit	-	1,073,248
Non-current portion		
Restricted cash deposit	5,764,210	4,387,129
	5,764,210	5,460,377

(All amounts in Saudi Riyals unless otherwise stated)

14. PROPERTY AND EQUIPMENT

	2020									
	Cost					Accumulated depreciation				Netbook value
	As at				As at	As at			As at	As at
Description	**1-Jan-20**	**Additions**	**Transfers**	**Disposals**	**31-Dec-20**	**1-Jan-20**	**Charge for the year**	**Disposals**	**31-Dec-20**	**31-Dec-20**
Furniture & Fixture	3,055,666	1,001,166	-	(1,926,277)	2,130,555	2,519,413	273,184	(1,798,920)	993,677	1,136,878
Office Equipment	6,711,292	3,085,642	-	(86,855)	9,710,079	5,087,240	1,057,470	(33,156)	6,111,554	3,598,525
Motor Vehicles	226,300	-	-		226,300	226,300	-	-	226,300	-
Leasehold Improvements	6,034,315	2,353,819	66,891	(3,035,721)	5,419,304	4,754,563	946,115	(2,831,416)	2,869,262	2,550,042
Capital work in progress	1,517,605	35,900	(66,891)	-	1,486,614	-	-	-	-	1,486,614
	17,545,178	**6,476,527**	**-**	**(5,048,853)**	**18,972,852**	**12,587,516**	**2,276,769**	**(4,663,492)**	**10,200,793**	**8,772,059**

(All amounts in Saudi Riyals unless otherwise stated)

14. PROPERTY AND EQUIPMENT (CONTINUED)

	2019									
	Cost					Accumulated depreciation				Netbook value
Description	As at 1-Jan-19	Additions	Transfers	Disposals	As at 31-Dec-19	As at 1-Jan-19	Charge for the year	Disposals	As at 31-Dec-19	As at 31-Dec-19
Furniture & Fixture	2,994,077	-	61,589	-	3,055,666	2,180,046	339,367	-	2,519,413	536,253
Office Equipment	6,299,782	-	411,510	-	6,711,292	4,414,484	672,756	-	5,087,240	1,624,052
Motor Vehicles	226,300	-	-	-	226,300	205,669	20,631	-	226,300	-
Leasehold Improvements	5,985,539	-	48,776	-	6,034,315	3,855,028	899,535	-	4,754,563	1,279,752
Capital work in progress	167,822	1,871,658	(521,875)	-	1,517,605	-	-	-	-	1,517,605
	15,673,520	1,871,658	-	-	17,545,178	10,655,227	1,932,289	-	12,587,516	4,957,662

(All amounts in Saudi Riyals unless otherwise stated)

15. INTANGIBLES ASSETS

2020

	Cost					Accumulated amortization				Netbook value
Description	**As at 1-Jan-20**	**Additions**	**Transfers**	**Disposals**	**As at 31-Dec-20**	**As at 1-Jan-20**	**Charge for the year**	**Disposals**	**As at 31-Dec-20**	**As at 31-Dec-20**
Computer Software	10,079,222	2,819,615	-	-	12,898,837	6,587,497	1,605,820	-	8,193,317	4,705,520
Capital work in progress	936,897	1,274,621	-	-	2,211,518	-	-	-	-	2,211,518
	11,016,119	**4,094,236**	**-**	**-**	**15,110,355**	**6,587,497**	**1,605,820**	**-**	**8,193,317**	**6,917,038**

2019

	Cost					Accumulated amortization				Netbook value
Description	**As at 1-Jan-19**	**Additions**	**Transfers**	**Disposals**	**As at 31-Dec-19**	**As at 1-Jan-19**	**Charge for the year**	**Disposals**	**As at 31-Dec-19**	**As at 31-Dec-19**
Computer Software	8,437,950	-	1,641,272	-	10,079,222	5,429,557	1,157,940	-	6,587,497	3,491,725
Capital work in progress	53,494	2,524,675	(1,641,272)	-	936,897	-	-	-	-	936,897
	8,491,444	2,524,675	-	-	11,016,119	5,429,557	1,157,940	-	6,587,497	4,428,622

(All amounts in Saudi Riyals unless otherwise stated)

16. LEASES

16.1. Amounts recognized in the statement of financial position

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

	Note	2020	2019
Right-of-use assets- Building			
Lease liabilities as at 1 January		7,026,381	5,642,632
Prepaid Rent as at 31 December 2018 - Reclassified		-	1,383,749
Balance as at 1 January		7,026,381	7,026,381
Additions during the year		7,009,614	-
Balance as at 31 December		14,035,995	7,026,381
Accumulated Depreciation			
Balance as at 1 January		1,900,523	-
Depreciation charge for the year	27	2,580,257	1,900,523
Balance as at 31 December		4,480,780	1,900,523
Net Book Value as at 31 December		9,555,215	5,125,858
Lease Liabilities			
Balance as at 1 January		5,729,272	5,642,632
Additions during the year		5,494,558	-
Charge for the year	26	312,219	226,640
Less: Lease payments during the year		-	(140,000)
Balance as at 31 December		11,536,049	5,729,272

16.2. The maturity profile of lease liabilities:

	As at 31 December	
	2020	**2019**
Year 1	5,557,056	2,021,000
Year 2	3,536,056	2,021,000
Year 3	1,515,056	1,881,000
Year 4	1,515,056	-
Year 5 onwards	-	-
Total undiscounted lease liabilities	12,123,224	5,923,000
Less: Finance cost	(587,175)	(193,728)
	11,536,049	5,729,272
Current portion		
Lease liabilities payable	5,243,090	1,931,477
Non-current portion		
Lease liabilities payable	6,292,959	3,797,795
	11,536,049	5,729,272

(All amounts in Saudi Riyals unless otherwise stated)

16. LEASES (CONTINUED)

16.3. Amounts recognized in the statement of profit or loss

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

	2020	2019
Lease financial cost (included in finance cost)	312,219	226,640
The expense relating to short-term leases (included in General and administrative expenses, note 27)	877,677	790,854
The expense relating to leases of low-value assets that are not short-term leases	-	-
The expense relating to variable lease payments not included in lease liabilities	-	-

The total cash outflow for leases was Nil (31 December 2019: SR 140,000).

16.4. During the year, the Company has shifted its head office to a new location and has filed a case against its previous landlord. As of 31 December 2020, the case is still pending with the court, therefore, the Company has not derecognized right-of-use asset and lease liabilities for the respective contract.

17. SHARE CAPITAL

The Company's subscribed and paid-up share capital of SR. 100,000,000 is divided into 10,000,000 equity shares of SR. 10 each fully subscribed and paid, and distributed among shareholders as follows:

	31 December 2020 and 2019		
Shareholders	**Holding %**	**No. of Shares**	**Amount**
ADIB Two Financial Invest LLC, UAE	**51%**	5,100,000	51,000,000
Abdullah Ibrahim Al Khorayef Sons Company, KSA	**46%**	4,600,000	46,000,000
Mohamed Abdullah Al Khorayef	**1%**	100,000	1,000,000
Saad Abdullah Al Khorayef	**1%**	100,000	1,000,000
Hamad Abdullah Al Khorayef	**1%**	100,000	1,000,000
	100%	**10,000,000**	**100,000,000**

18. STATUTORY RESERVE

As required by the Company's By-laws, 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.

19. END OF SERVICE INDEMNITIES

	As at 31 December	
	2020	**2019**
The present value of the defined benefit obligation	3,179,428	2,765,087

19.1. PRINCIPAL ACTUARIAL ASSUMPTIONS

	2020	2019
Discount rate (% per annum)	2.00%	2.90%
Rate of change in salary (% per annum)	2.00%	2.50%
Mortality rates SLIC (2001-2005)	WHO SA15-75%	WHO SA16-75%
Employee turnover (withdrawal) rates	Heavy	Heavy

(All amounts in Saudi Riyals unless otherwise stated)

19. END OF SERVICE INDEMNITIES (CONTINUED)

19.2. AMOUNT CHARGEABLE TO PROFIT OR LOSS

	2020	2019
Service cost	811,205	771,747
Finance cost on net defined benefit liability	88,597	103,627
The total amount charged to the statement of profit and loss	899,802	875,374

19.3. AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME OR LOSS

	2020	2019
Actuarial Gains due to change in demographic assumptions	-	(362,172)
Actuarial Losses due to change in financial assumptions	59,658	338,136
Actuarial Losses due to experience adjustments	43,538	65,138
Return on plan assets	-	-
Amount charged to Other Comprehensive Income or Loss	103,196	41,102

19.4. RECONCILIATION OF THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

	2020	2019
The present value of the defined benefit obligation at 1 January	2,765,087	2,336,886
Current service cost	811,205	771,747
Finance cost on defined benefit obligations	88,597	103,627
Benefits paid during the year	(588,657)	(488,275)
Actuarial loss	103,196	41,102
The present value of defined benefit obligation at 31 December	3,179,428	2,765,087

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

	Change in assumption	Increase / (decrease) in present value of end of service indemnities liability	
		Amount	%
Discount rate	+0.5%	3,055,463	(3.89)
	-0.5%	3,312,242	4.17
Long term salary	+0.5%	3,303,485	3.90
	-0.5%	3,062,388	(3.68)
Mortality	+10%	3,179,542	0.003
	-10%	3,179,305	(0.003)
Employee turnover rate	+10%	3,106,816	(2.28)
	-10%	3,241,961	1.966

(All amounts in Saudi Riyals unless otherwise stated)

19. END OF SERVICE INDEMNITIES (CONTINUED)

19.6. Maturity profile:

	As at 31 December	
	2020	2019
Year 1	312,339	257,693
Year 2	402,369	333,728
Year 3	381,597	423,669
Year 4	542,296	391,325
Year 5 onwards	2,970,238	3,093,509
Total undiscounted liabilities	4,608,839	4,499,924
Less: Finance cost	(1,429,411)	(1,734,837)
	3,179,428	2,765,087

The weighted average duration of the defined benefit obligation is 8.06 years.

	As at 31 December	
	2020	2019
Current portion		
Post-employment benefits	306,215	250,431
Non-current portion		
Post-employment benefits	2,873,213	2,514,656
	3,179,428	2,765,087

20. 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.

21. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2020	2019
Employee related accruals	7,398,497	6,972,187
Support and maintenance	1,125,127	282,678
Accrued professional services	565,495	640,831
Payable to suppliers	331,779	888,570
Government-related	492,420	548,938
Accrued commission expense	407,399	517,186
Unclaimed deposits	414,604	424,469
Accrued outsourcing expense	618,896	218,638
Accrued subscription	204,340	30,376
Others	673,006	754,996
	12,231,563	11,278,869

(All amounts in Saudi Riyals unless otherwise stated)

22. PROVISION FOR ZAKAT

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

	As at 31 December 2020	2019
Balance at the beginning of the year	10,667,912	10,017,032
Provision during the year	2,473,108	3,636,798
Payment during the year	(4,165,515)	(2,985,918)
Balance at the end of the year	8,975,505	10,667,912

22.2. STATUS OF ASSESSMENTS

During 2016, zakat assessments have been raised by the GAZT 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 GAZT.

During 2019, GAZT 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 2020, the remaining installments amounted SR 1,563,047 (3 installments of SR 521,016 each).

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

The Company has submitted its Zakat declaration to GAZT for the year ended 31 December 2019 and has obtained the certificate valid until 18 Ramadan 1442H corresponding to 30 April 2021.

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

	As at 31 December 2020	2019
Profit rate swaps	734,262	487,538

	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years
Current assets			
Non-current assets	-	12,456,406	26,959,795
Current liabilities			
Non-current liabilities	-	(12,456,406)	(26,959,795)

As at 31 December 2020, the Company held Profit Rate Swaps of the notional value approx. SR 39.41 million (2019: SR SR 40.39 million).

(All amounts in Saudi Riyals unless otherwise stated)

24. FINANCIAL FACILITIES

	Note	As at 31 December 2020	2019
Short-term financial facilities	9	88,000,000	168,000,000
Long-term financial facilities	24.1	608,834,361	185,762,503
Finance Cost payable	9	13,185,159	4,982,073
		710,019,520	358,744,576

24.1. Maturity profile

	As at 31 December 2020	2019
Current portion		
Long-term financial facilities	182,325,823	77,331,907
Non-current portion		
Long-term financial facilities	426,508,538	108,430,596
	608,834,361	185,762,503

24.2. Unsecured financial facilities at amortized cost

	Note	As at 31 December 2020	2019
Islamic financial facilities:			
-Murabaha	9	89,844,155	172,611,419
Non-profit bearing financing	24.5, 24.7	501,979,685	86,620,255
		591,823,840	259,231,674

24.3. Secured financial facilities at amortized cost

	Note	As at 31 December 2020	2019
Islamic financial facilities:			
-Murabaha	10.5	17,321,368	18,171,672
-Tawarruq	10.5	100,874,312	81,341,230
		118,195,680	99,512,902

24.4. 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.

24.5. During the year, the Company has obtained a long-term financial facility amounting to SR 40 million from Social Development Bank ("SDB"), a Saudi Government-owned financial institution. The facilities obtained by the Company from Social Development Bank are in accordance with the provision of Islamic Sharia and according to the approval of the Sharia supervisory board of the Company. The Company is also required to pay an administrative fee of SR 350,000 over the period of the financial facility which has been incorporated in 36 equal monthly installments. The terms of the financial facility require the management to disburse the amount to its customer which meets the criteria defined in the facility agreement with Social Development Bank.

(All amounts in Saudi Riyals unless otherwise stated)

24. FINANCIAL FACILITIES (CONTINUED)

24.6. During the year, SDB has rescheduled the repayments of the facilities by deferring and extending the tenure of the facilities by 12-months. The accounting impact of these changes in terms of the Financial Facilities has been assessed and account for as per the requirements of IFRS 9 as a modification in terms of the arrangements (see Note 30). Modification gain has been recognized under other income in the statement of profit or loss.

24.7. During the year, the Company has obtained government financing amounting to SR 431.05 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.

24.8. During the year, in accordance with the instructions of SAMA, Banks have rescheduled the repayments of the financial facilities by deferring and extending the tenure of the facilities by further 6 months.

During September 2020 it was extended for 3 months and during December 2020, Banks further extended the same for additional 3.5 months. The accounting impact of these changes in terms of the financial facilities has been assessed and account for as per the requirements of IFRS 9 as a modification in terms of the arrangements (see Note 30). Modification gain has been recognized under other income in the statement of profit or loss.

The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 31 December 2020, the Company was not in compliance with certain covenants of the financing agreements. However, the management has secured the necessary waiver from the respective bank and accordingly believes that the financers will not exercise their right to demand accelerated / immediate payment of the outstanding balance from the Company.

25. INCOME FROM ISLAMIC FINANCINGS, NET

	2020	2019
Revenue from the main operation		
Income from Ijara	12,722	18,796
Income from Murabaha	677,632	343,498
Income from Tawarruq	103,128,670	87,499,886
	103,819,024	87,862,180

25.1. Directly allocated transaction cost of Islamic financing is amounting to SR 3.11 million (2019: SR 2.88 million).

25.2. Takaful expense for Ijara and Murabaha financing is amounting to SR 324,435 (2019: SR 489,102).

26. FINANCE COST

	Notes	2020	2019
Islamic financial facilities;			
-Murabaha	9,24	5,299,415	7,606,427
-Tawarruq	24	5,173,068	4,629,381
- Non-profit bearing financing	24	7,178,006	-
Lease liabilities	16	312,219	226,640
		17,962,708	12,462,448

(All amounts in Saudi Riyals unless otherwise stated)

27. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2020	2019
Salaries, wages, and other benefits		22,691,367	22,613,478
Repair and maintenance		3,878,611	3,106,484
Depreciation of right-of-use assets	16	2,580,257	1,900,523
Depreciation of property and equipment	14	2,276,769	1,932,289
Legal, professional, and consultancy fees		1,799,658	2,584,858
Amortization of intangibles	15	1,605,820	1,157,940
Government expenses		1,218,218	884,619
Utilities		1,004,264	837,897
Rent expense	16.3	877,677	790,854
Miscellaneous		4,178,051	3,772,076
		42,110,692	39,581,018

28. SELLING AND MARKETING EXPENSES

	2020	2019
Salaries, wages, and other benefits	8,533,352	9,127,648
Collection commission	1,164,136	1,473,869
Advertising expenses	436,010	710,647
	10,133,498	11,312,164

29. IMPAIRMENT ON ISLAMIC FINANCING, NET

	Note	2020	2019
Impairment on Islamic financing	10.8	6,399,431	7,968,382
Write-off recoveries		(3,631,427)	(5,965,583)
		2,768,004	2,002,799

30. OTHER (LOSS) / INCOME

	Note	2020	2019
Government grant on SAMA funding for a financing program	24.7	35,301,928	-
Modification gain on financial liabilities	24.6, 24.8	6,844,031	-
Origination fee		1,617,973	1,832,243
Government grant	30.1	533,160	-
Modification loss on financial assets	10.6	(27,570,041)	-
Loss on the fair valuation of initial recognition of financial assets	10.7	(36,783,908)	-
Loss on disposal of property and equipment	14	(385,361)	-
Others		1,556,639	178,859
		(18,885,579)	2,011,102

30.1. During 2020, government grants of SR 533,160 were received as part of a Government initiative to provide immediate financial support as a result of the initiatives and the additional directives from the government of the Kingdom of Saudi Arabia mitigating the negative impact of COVID-19. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year (see Note 3).

31. 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.

31.1. 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.

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

31.2. 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.

31.2.1. 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.

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

31.2. Market risk (Continued)

31.2.2. 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

	2020		2019	
	Change in Basis point	**Impact on income for the year**	**Change in Basis point**	**Impact on income for the year**
Saudi Riyals	+25	216,473	+25	384,362
Saudi Riyals	-25	(216,473)	-25	(384,362)

31.2.3. 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.

31.3. 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).

31. RISK MANAGEMENT (CONTINUED)

31.3. Credit risk (Continued)

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 oil prices.

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.

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.

31. RISK MANAGEMENT (CONTINUED)

31.3. Credit risk (Continued)

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;
- 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 oil prices.

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.

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

31.3. Credit risk (Continued)

Measurement of ECL (Continued)

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 958.30 million (2019: SR 581.65 million), the assets which were subject to credit risk amounted to SR 923.88 million (2019: SR 558.80 million). The management analyzes the credit risk in the following categories:

	Notes	Classification	As at 31 December 2020	2020
Net investment in Islamic financings	10	Amortized Cost	887,422,510	510,146,422
Bank balances	7	Amortized Cost	30,697,105	43,189,272
Restricted cash deposits	13	Amortized Cost	5,764,210	5,460,377
			923,883,825	558,796,071

31.3.1. 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:

	As at 31 December 2020	2019
Neither past nor due	765,412,802	383,072,409
Past due 1-30 days	42,318,350	68,737,685
Past due 31-90 days	54,808,011	50,600,291
Past due 91-180 days	12,124,692	8,601,294
Past due 181-365 days	13,902,004	4,919,866
Past due over 1 year	13,556,958	8,038,411
Net Investment in Islamic financing before adjustment	902,122,817	523,969,956
Unearned origination fees	(1,857,465)	(2,595,542)
Deferred transaction costs	3,210,213	3,812,544
Net Investment in Islamic financing before provision	903,475,565	525,186,958
Less: Impairment for Islamic financing	(16,053,055)	(15,040,536)
Net of Impairment loss	887,422,510	510,146,422
Total portfolio coverage ratio (Impairment divided by Net Investment in Islamic financing before adjustment)	1.8%	2.9%

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

31.3. Credit risk (Continued)

31.3.1. Net investment in Islamic financings (Continued)

Net investment in Islamic financing and the corresponding ECL allowance as at 31 December 2020 classified into is as follows:

	As at 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount before ECL	807,731,152	54,808,011	39,583,654	902,122,817
ECL	8,349,910	3,294,044	4,409,101	16,053,055

	As at 31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount before ECL	451,810,094	50,600,291	21,559,571	523,969,956
ECL	3,987,623	3,358,065	7,694,848	15,040,536

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:

	As at 31 December	
	2020	**2019**
Performing	862,539,163	502,410,385
Non-performing	39,583,654	21,559,571
	902,122,817	523,969,956

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

31.3. Credit risk (Continued)

31.3.1. Net investment in Islamic financings (Continued)

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

	Stage 1	Stage 2	Stage 3	Total
1 January 2020	3,987,623	3,358,065	7,694,848	15,040,536
Transfer from stage 1	(447,980)	319,298	128,682	-
Transfer from stage 2	617,782	(1,142,478)	524,696	-
Transfer from stage 3	118,566	26,309	(144,875)	-
Financial assets – settled	(714,178)	(847,652)	(2,114,922)	(3,676,752)
Financial assets - originated	4,995,386	1,610,788	310,822	6,916,996
Net re-measurement of loss allowance	(207,289)	(30,286)	3,396,762	3,159,187
Write-off during the year	-	-	(5,386,912)	(5,386,912)
31 December 2020	8,349,910	3,294,044	4,409,101	16,053,055

	Stage 1	Stage 2	Stage 3	Total
1 January 2019	5,697,769	2,717,591	2,445,731	10,861,091
Transfer from stage 1	(795,433)	651,888	143,545	-
Transfer from stage 2	556,696	(1,027,154)	470,458	-
Transfer from stage 3	96,622	71,076	(167,698)	-
Financial assets – settled	(773,158)	(646,042)	(1,004,748)	(2,423,948)
Financial assets - originated	2,099,113	379,971	20,748	2,499,832
Net re-measurement of loss allowance	(2,893,986)	1,210,735	9,575,749	7,892,498
Write-off during the year	-	-	(3,788,937)	(3,788,937)
31 December 2019	3,987,623	3,358,065	7,694,848	15,040,536

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 664 million (31 December 2019: 215 million) and the fair value of collateral amounting to SR 1,040 million as at 31 December 2020 (31 December 2019: SR 571 million). The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

31.3. Credit risk (Continued)

31.3.2. 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.

	As at 31 December	
	2020	**2019**
Cash at bank:		
A-	11,194,065	1,951,824
BBB	530,992	7,509,378
BBB+	18,972,048	33,433,104
BBB-	-	294,966
Restricted cash deposit:		
A-	-	5,460,377
BBB+	5,764,210	
	36,461,315	48,649,649

31.3.3. 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.

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.

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

As at 31 December 2020

	Carrying amount	Contractual cash flows	Up to three months	More than three months and up to one year	More than one year
Trade payables	14,533,093	14,533,093	14,533,093	-	-
Other payables and accruals	12,231,563	12,231,563	-	12,231,563	-
Shari'a alternatives for financial derivative instruments carried at FVTPL	734,262	734,262	734,262	-	-
Financial facilities	710,019,520	720,995,248	94,508,616	193,130,052	433,356,580
	737,518,438	748,494,166	109,775,971	205,361,615	433,356,580

As at 31 December 2019

	Carrying amount	Contractual cash flows	Up to three months	More than three months and up to one year	More than one year
Trade payables	4,311,298	4,311,298	4,311,298	-	-
Other payables and accruals	11,278,869	11,278,869	-	11,278,869	-
Shari'a alternatives for financial derivative instruments carried at FVTPL	487,538	487,538	487,538	-	-
Financial facilities	358,744,576	372,487,299	144,699,854	116,361,759	111,425,686
	374,822,281	388,565,004	149,498,690	127,640,628	111,425,686

(All amounts in Saudi Riyals unless otherwise stated)

31. 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 2020			
	Carrying amounts	**Up to three months**	**More than three months and up to one year**	**More than one year**
Cash and cash equivalents	30,714,107	30,714,107	-	-
Prepayments and other receivables	2,363,764	-	2,363,764	-
Due from a related party	-	-	-	-
Net investment in Islamic financing	887,422,510	45,970,029	229,478,451	611,974,030
Investment carried at FVOCI	892,850	-	-	892,850
Restricted cash deposit	5,764,210	-	-	5,764,210
Financial assets	927,157,441	76,684,136	231,842,215	618,631,090
Trade payables	14,533,093	14,533,093	-	-
Other payables and accruals	12,231,563	-	12,231,563	-
Due to a related party	-	-	-	-
Shari'a alternatives for financial derivative instruments carried at FVTPL	734,262	734,262	-	-
Financial facilities	710,019,520	94,507,202	189,003,780	426,508,538
Financial liabilities	737,518,438	109,774,557	201,235,343	426,508,538
Maturity gap	189,639,003	(33,090,421)	30,606,872	192,122,552
Cumulative maturity gap	-	(33,090,421)	(2,483,549)	189,639,003

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

	As at 31 December 2019			
	Carrying amounts	**Up to three months**	**More than three months and up to one year**	**More than one year**
Cash and cash equivalents	43,208,272	43,208,272	-	-
Prepayments and other receivables	1,821,305	-	1,821,305	-
Due from a related party	-	-	-	-
Net investment in Islamic financing	510,146,422	65,464,268	154,424,637	290,257,517
Investment carried at FVOCI	892,850	-	-	892,850
Restricted cash deposit	5,460,377	-	1,073,248	4,387,129
Financial assets	561,529,226	108,672,540	157,319,190	295,537,496
Trade payables	4,311,298	4,311,298	-	-
Other payables and accruals	11,278,869	-	11,278,869	-
Due to a related party	-	-	-	-
Shari'a alternatives for financial derivative instruments carried at FVTPL	487,538	487,538	-	-
Financial facilities	358,744,576	139,034,064	111,279,916	108,430,596
Financial liabilities	374,822,281	143,832,900	122,558,785	108,430,596
Maturity gap	186,706,945	(35,160,360)	34,760,405	187,106,900
Cumulative maturity gap	-	(35,160,360)	(399,955)	186,706,945

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

31.4. 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 2020 and 31 December 2019.

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.

	2020	2019
Leverage ratio (Net investment in Islamic financing before provision and adjustments divided by total equity)	4.57 times	2.79 times

32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

32.1. 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 going concern 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).

(All amounts in Saudi Riyals unless otherwise stated)

32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

32.2. 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.

2020		**Fair value Level**		
	1	**2**	**3**	**Total**
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
FINANCIAL LIABILITIES				
FVTPL mandatorily				
Shari'a alternatives for financial derivative instruments	-	734,262	-	734,262

2019		**Fair value Level**		
	1	**2**	**3**	**Total**
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
FINANCIAL LIABILITIES				
FVTPL mandatorily				
Shari'a alternatives for financial derivative instruments	-	487,538	-	487,538

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

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.

33. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end that require disclosure or adjustment in these financial statements.

34. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 17 Rajab 1442 (corresponding to 1 March 2021) by the Board of Directors of the Company.