IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

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Table of Contents	**Page**

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDER
IJARAH FINANCE COMPANY
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)**

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Ijarah Finance Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, 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 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion
We conducted our audit in accordance with the International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditors' 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, 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 the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

PKF

Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITOR'S REPORT (Continued)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)
As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with goverance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

For Al-Bassam & Co.

Ahmed A. Mohandis
Certified Public Accountant
Registration No. 477

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

29 Rajab, 1443H
2 March, 2022
Riyadh, Kingdom of Saudi Arabia

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

		As at 31 December	
	Note	**2021**	**2020**
ASSETS			
Cash and cash equivalents	6	**11,324,139**	42,828,100
Prepayments and other receivables	7	**44,146,351**	51,666,401
Due from a related party	8	**-**	23,716
Profit-only strips receivables, net	9	**18,460,394**	34,717,645
Financing, net	10	**336,470,114**	236,891,993
Net servicing asset for factorized receivables	11	**17,745,697**	17,738,523
Margin deposits – restricted, net	12	**47,995,579**	56,715,873
Investment carried at Fair Value through Other Comprehensive Income "FVOCI"	13	**892,850**	892,850
Property and equipment	14	**2,889,443**	3,784,142
Intangible assets	15	**7,181,975**	4,406,679
Right-of-use assets	16	**3,188,050**	4,357,688
TOTAL ASSETS		**490,294,592**	454,023,610
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**200,000,000**	200,000,000
Statutory reserve	18	**2,463,105**	1,772,337
Accumulated losses		**(8,551,932)**	(14,753,171)
TOTAL EQUITY		**193,911,173**	187,019,166
LIABILITIES			
Due to related parties	8	**42,829,498**	41,374,021
Other payables and accruals	19	**117,335,649**	97,224,283
Lease liabilities	16	**2,897,307**	3,910,206
Net servicing liability for factorized receivables	11	**29,192,145**	31,447,922
Provision for zakat	20	**1,790,450**	360,697
Borrowings	21	**100,037,984**	90,741,234
Employees' post-employment benefits	22	**2,300,386**	1,946,081
TOTAL LIABILITIES		**296,383,419**	267,004,444
TOTAL EQUITY AND LIABILITIES		**490,294,592**	454,023,610
Contingencies and commitments	23		

The accompanying notes 1 to 35 form an integral part of these financial statements

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

		For the year ended 31 December	
	Note	**2021**	**2020**
OPERATING INCOME			
Income from financing	25	**38,132,109**	32,689,537
Income from factorized receivables		**17,266,285**	12,588,805
Contract fee income	26	**9,346,222**	9,390,155
Other income	27	**76**	4,687,200
TOTAL OPERATING INCOME		**64,744,692**	59,355,697
OPERATING EXPENSES			
Finance cost	28	**(4,768,493)**	(2,785,670)
General and administrative expenses	29	**(43,724,357)**	(44,487,595)
Selling and marketing expenses	30	**(3,467,253)**	(4,823,440)
Impairment charge for financing	10	**(4,086,464)**	(5,516,335)
TOTAL OPERATING EXPENSES		**(56,046,567)**	(57,613,040)
OPERATING INCOME FOR THE YEAR BEFORE ZAKAT		**8,698,125**	1,742,657
Zakat	20	**(1,790,450)**	(888,203)
NET INCOME FOR THE YEAR		**6,907,675**	854,454

The accompanying notes 1 to 35 form an integral part of these financial statements

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended 31 December 2021	2020
NET INCOME FOR THE YEAR		**6,907,675**	854,454
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items that will not be reclassified subsequently to statement of profit or loss:			
Actuarial loss on employees' post-employment benefits	22	**(15,668)**	-
Total other comprehensive loss for the year		**(15,668)**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,892,007**	854,454

The accompanying notes 1 to 35 form an integral part of these financial statements

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

2020	**Note**	**Share capital**	**Statutory reserve**	**Accumulated losses**	**Total equity**
Balance as at 1 January 2020		100,000,000	1,686,892	(15,522,180)	86,164,712
Net income for the year		-	-	854,454	854,454
Additional contribution		100,000,000	-	-	100,000,000
Transfer to statutory reserve	18	-	85,445	(85,445)	-
Balance as at 31 December 2020		200,000,000	1,772,337	(14,753,171)	187,019,166

2021	**Note**	**Share capital**	**Statutory reserve**	**Accumulated losses**	**Total equity**
Balance as at 1 January 2021		200,000,000	1,772,337	(14,753,171)	187,019,166
Net income for the year		-	-	6,907,675	6,907,675
Other comprehensive loss		-	-	(15,668)	(15,668)
Transfer to statutory reserve	18	-	690,768	(690,768)	-
Balance as at 31 December 2021		200,000,000	2,463,105	(8,551,932)	193,911,173

The accompanying notes 1 to 35 form an integral part of these financial statements

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended 31 December 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income before zakat		**8,698,125**	1,742,657
Adjustments for:			
Depreciation of right of use assets	16	**1,169,638**	1,163,717
Depreciation of property and equipment	14, 29	**1,009,093**	1,534,882
Amortization of intangibles	15, 29	**1,514,270**	1,370,413
Gain of reassessment of lease rentals	16	**-**	(67,274)
Reversal against expected defaults in respect of factorized receivables	12	**(596,276)**	(157,363)
Reversal in respect of fair value of margin deposits	12	**(4,012,522)**	(277,342)
Reversal of impairment on profit-only strips receivables		**(5,366,484)**	(1,416,260)
Impairment charge for financing	10	**4,086,464**	5,516,335
Interest expense on lease liabilities	16, 28	**202,101**	250,412
Finance cost on borrowings	28	**4,566,392**	2,535,258
Provision for employees' post-employment benefits	22	**562,130**	942,915
		11,832,931	13,138,350
(Increase) / decrease in operating assets			
Prepayments and other receivables		**7,520,050**	2,515,526
Due from a related party		**23,716**	162,319
Profit-only strips receivables		**21,623,735**	27,959,492
Financing		**(103,664,585)**	(70,433,018)
Net servicing asset for factorized receivables		**(7,174)**	(11,963,265)
Margin deposits – restricted		**13,329,092**	(8,058,982)
(Decrease) / increase in operating liabilities			
Other payables and accruals		**19,750,665**	51,981,938
Due to related parties		**1,455,477**	(532,223)
Net servicing liability for factorized receivables		**(2,255,776)**	9,740,712
Cash (used in) / from operating activities		**(30,391,869)**	14,510,849
Employees' post-employment benefits paid	22	**(223,493)**	(351,551)
Net cash (used in) / generated from operating activities		**(30,615,362)**	14,159,298
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14	**(114,394)**	(1,932,143)
Purchase of intangible assets	15	**(4,289,566)**	(1,582,098)
Net cash used in investing activities		**(4,403,960)**	(3,514,241)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**205,367,738**	82,238,779
Repayment of borrowings		**(193,716,335)**	(71,128,957)
Finance cost paid		**(6,921,042)**	(881,912)
Lease liabilities paid	16	**(1,215,000)**	(1,215,000)
Net cash generated from financing activities		**3,515,361**	9,012,910
Net (decrease) / increase in cash and cash equivalents		**(31,503,961)**	19,657,967
Cash and cash equivalents at beginning of the year		**42,828,100**	23,170,133
Cash and cash equivalents at the end of the year	6	**11,324,139**	42,828,100
***Supplemental non-cash transaction**			
Transfer from due to related party to share capital		**-**	100,000,000
Additions to right of use asset		**-**	508,376
Zakat Settlement	20	**360,697**	973,545

The accompanying notes 1 to 35 form an integral part of these financial statements

1. LEGAL STATUS AND OPERATIONS

Ijarah Finance Company (the "Company") is a Single Person Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia having commercial registration number 7001727754 dated 15 Rajab 1433H (corresponding to 5 June 2012G).

On 16 Thul-Qidah 1436H (corresponding to 31 August 2015G), the Company received a license from the Saudi Central Bank ("SAMA") to conduct lease financing business in the Kingdom of Saudi Arabia. The Finance Companies Control Law was issued by the Saudi Council of Ministers through its publication No. 259 dated 12 Shabaan 1433H (corresponding to 2 July 2012) and the Royal Decree No. 51 dated 13 Shaban 1433H (corresponding to 3 July 2012) and their implementing regulations were issued by SAMA for conducting lease financing business in the Kingdom of Saudi Arabia.

The Company's Head Office is located at the following address:
Ijarah Finance Company
Ibn Kathir Street
P.O. Box 6337
Riyadh 1442
Kingdom of Saudi Arabia

The Company has the following branches:

S. No	Branch	C.R. No.
1	Riyadh	7001727754
2	Riyadh	7014176437
3	Dammam	7003769010
4	Jeddah	7003790479
5	Madinah	7005226571
6	Riyadh	7015861540
7	Tabuk	7015861557
8	Burayda	7016920113

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

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

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

2.2. BASIS OF MEASUREMENT

These financial statements are prepared under the historical cost method except for Investments measured at fair value and employee defined benefit obligations which are stated at present value of their obligation 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. BASIS OF PREPARATION (CONTINUED)

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:

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

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

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

During the year ended December 31, 2021, the Company has revised certain inputs and assumptions (including but not limited to macroeconomic factors and scenario probabilities used for the determination of ECL.

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

2.4.2. Determination of servicing assets / liabilities

The Company enters into factorization and agency arrangements with local banks. Under these arrangements, the Company has been appointed by the banks to service the receivables purchased by the banks. Assumptions used to calculate the servicing assets / liabilities are based on estimates of collection costs to be incurred by the Company over the life of the individual factorization and agency transaction, executed under the respective factorization and agency agreement.

2.4.3. Determination of discount rate for present value calculations

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

2. BASIS OF PREPARATION (CONTINUED)

2.4.4. Actuarial valuation of employees' post-employment benefits

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.

2.4.5. Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

2.4.6. Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgements and estimates to determine the IBR at the commencement of lease.

2.4.7. Business model assessment

Classification and measurement of financial assets depend on the results of the SPPI 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.

2.4.8. 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.

2.4.9. Fair value measurement and valuation process

Some of the 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.

(All amounts in Saudi Riyals unless otherwise stated)

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

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

New amendments to standards issued and applied effective January 1, 2021

Standard, interpretation, amendments	Description	Effective date
Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform Whilst adoption is not mandatory for September 2021 year ends, earlier application is permitted.	Annual periods beginning on or after 1 January 2021
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 June 2020

4. NEW AND AMENDED STANDARDS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2022. The Company did not opt for early adoption of these pronouncements and do not expect the adoption to have a significant impact on the financial statements of the Company:

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021

(All amounts in Saudi Riyals unless otherwise stated)

4. NEW AND AMENDED STANDARDS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE (CONTINUED)

A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	*Amendments to IFRS 3, 'Business combinations'* update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. *Amendments to IAS 16, 'Property, plant and equipment'* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in statement of income. *Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'* specify which costs a company includes when assessing whether a contract will be loss-making. *Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.*	Annual periods beginning on or after 1 January 2022.
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
Narrow-scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023.

4. NEW AND AMENDED STANDARDS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE (CONTINUED)

A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only - it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after 1 January 2023.

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 have no material impact on the financial statements of the Company in the period of initial application.

5. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below.

5.1. Cash and cash equivalents

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

5.2. Leases

Lease arrangements where the Company is a lessor

Leases for which the Company is a lessor are classified as 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 recognised 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.

Ijarah receivables

Ijarah finance is an agreement wherein gross amounts due under originated Ijarah (finance) includes the total of future payments on Ijarah 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 Ijarah contracts receivable and the cost of the Ijarah assets is recorded as unearned Ijarah finance income and for presentation purposes, is deducted from the gross amounts due under Ijarah finance.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2. Leases (Continued)

Lease arrangements where the Company is a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises 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 recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased 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.

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 interest on the lease liability (using the effective interest 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 interest 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2. Leases (Continued)

Lease arrangements where the Company is a lessee (continued)

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. 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.

Right-of-use assets are depreciated over the shorter period of lease term and 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 the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “Rent expenses” in profit or loss (see note 29).

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

5.3. Financial instruments

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

5.3.1. Financial assets

Initial measurement

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

Murabaha receivables

Murabaha is an agreement whereby the company sells to a customer an asset, which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Murabaha sale contracts include total of future sale payments on the Murabaha agreement (Murabaha sale contract receivables). The difference between Murabaha receivables and the cost of sold asset, is recorded as unearned Murabaha profit and for presentation purposes it is deducted from the gross amount due under the Murabaha receivables.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (continued)

Tawarruq receivables

Tawarruq is an agreement whereby the company sells to a customer an asset, which the Company has purchased and subsequently to such sale, arranges to sell out the underlying asset and pay out the sale proceed to the customer. The selling price comprises the cost plus an agreed profit margin. Gross amount due under the Tawarruq sale contracts include total sale payment in the Tawarruq agreement (Tawarruq sale contract receivable). The difference between Tawarruq receivables and the cost of sold asset, is recorded as unearned Tawarruq profit and for presentation purposes it is deducted from the gross amount due under the Tawarruq receivables.

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 or 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (continued)

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (continued)

Net servicing asset / liability for factorized receivable
When the Company has transferred its contractual right to receive cash flows from an asset but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement takes the form of a guarantee over the transferred assets, which was provided by the Company to banks. This guarantee represents the blocked margin deposits or bank guarantees provided to the banks, as the case may be, till the end of the agreements.

Where the Company is appointed to service the derecognized financial asset for a fee, the Company recognizes either a net servicing asset or a net servicing liability for that servicing contract. If the fee to be received is not expected to compensate the Company adequately for performing the service, a net servicing liability for the servicing obligation is recognized at its fair value. If the fee to be received is expected to be more than adequate compensation for the services to be provided, a servicing asset is recognized for the servicing right. The total amount of such net servicing assets has been classified separately under 'assets' in these financial statements.

The Company's net servicing assets and related liabilities are calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreements, and by estimating the present value of servicing liabilities and related provisions. The discount rate used is the rate agreed as per the terms of the respective securitization agreement.

The change in present values of servicing assets, servicing liabilities and related provisions will be reassessed at each period end and the impact, if any, will be taken to the statement of profit or loss.
Following initial recognition, net servicing assets, being intangibles assets, are carried at cost less any accumulated amortization and any accumulated impairment losses.

Net servicing assets are amortized over their definite useful economic life (in conformity with the collection arrangements with the banks or private investors) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization of net servicing asset is charged to the statement of profit or loss.

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 financing. No impairment loss is recognized on equity investments carried at FVOCI.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (continued)

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; and

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (continued)

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 2 years 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 other income.

5.3.2. Financial liabilities

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

Subsequent measurement
After initial recognition, the Company classifies its financial liabilities, other than financial guarantees & financing commitments, 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 market place.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.4. 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 statement of profit or 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.

Description	**Years**
Computer Hardware	4-5 years
Vehicles	4-5 years
Furniture and Fixtures	4-5 years
Building and Improvements	5-20 years

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 statement of profit or 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.

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

5.5. 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 5 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 statement of profit or loss account in the year in which they arise.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6. Impairment of non-financial assets

At each statement of financial position date, the carrying amounts of non-financial assets are reviewed regularly 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 assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 assets or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized as an expense in the statement of profit or loss immediately.

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 recognised 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.

5.7. Proposed dividend and transfer between reserves

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

5.8. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates. The expense relating to a provision is presented in the statement of profit or loss.

5.9. Employees’ post-employment benefits

This represents the employee’s post-employment benefits plan. Post-employment benefits as required by the Saudi Arabian 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.10. Contingent liabilities

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

5.11. Revenue recognition

Income from Ijarah, Murabaha and Tawarruq 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.

Income from factorization and agency arrangements represents gains or losses on de-recognition of financial assets including income on amortization of net servicing asset.

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

5.12. Foreign currency transactions

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

5.13. General and Administrative expenses and Selling and marketing expenses

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

5.14. 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 accruals basis. Zakat charge for 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.

(All amounts in Saudi Riyals unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

	Note	As at 31 December 2021	2020
Cash at banks	6.1	**11,286,139**	**42,793,100**
Cash in hand		**38,000**	**35,000**
		11,324,139	**42,828,100**

6.1. The Company also have margin deposits – restricted amounting to SR 47,995,579 (2020: SR 56,715,873) against factorized receivables as required under certain factorization and agency agreement (See Note 12).

7. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December 2021	2020
Claims receivable	**16,100,223**	16,153,350
Prepaid sales commission	**5,099,478**	5,780,252
VAT receivables on factorized contracts	**4,554,974**	6,962,471
Advance to suppliers	**3,632,455**	3,878,057
VAT receivable from GAZT	**2,636,847**	2,711,790
Termination receivables	**2,240,950**	7,279,716
Prepaid insurance	**2,119,246**	941,853
Origination fee receivables	**1,978,785**	1,518,396
Prepaid admin fee	**1,858,579**	2,442,397
Zakat refundable	**1,603,690**	1,964,387
Advance to employees	**564,029**	617,208
Other receivables	**1,757,095**	1,416,524
	44,146,351	51,666,401

8. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the year

Names of Related Party	Nature of Relationship	Nature of transactions	2021	2020
Afras Trading and Contracting Company	Affiliate	Outsourcing services	**5,438,513**	12,152,329
National Leasing Company	Affiliate	Vehicles purchases	**3,466**	-
Saudi Financial Lease Contract registry	Affiliate	Contract Registry	**471,782**	1,014,215
EKAL Human Resource Company	Affiliate	Outsourcing services	**78,209**	45,494
Watad Holding Company	Owner	Additional Contribution to Share Capital	**-**	100,000,000

(All amounts in Saudi Riyals unless otherwise stated)

8. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Key management personnel	**2021**	**2020**
Salaries and other short-term employee benefits	**4,611,725**	4,649,700
Post-employment benefits and other long-term benefits	**289,195**	297,353
Advances	**-**	163,333

Balances as at the year-end

	As at 31 December	
	2021	**2020**
Due from a related party		
Saudi Financial Lease Contract registry	**-**	23,716

Balances as at the year-end

		As at 31 December	
	Note	**2021**	**2020**
Due to related parties			
Watad Holding Company	8.1	**28,000,000**	28,000,000
Afras Trading and Contracting Company		**14,443,200**	13,060,419
National Leasing Company		**275,800**	289,612
Saudi Financial Lease Contract registry		**89,763**	-
EKAL Human Resource Company		**20,735**	23,990
		42,829,498	41,374,021

8.1 The shareholder of the Company is committed to provide the necessary financial support to the Company for its working capital, as and when needed. The balance bears zero finance cost and is not due for repayment during 2022.

9. PROFIT-ONLY STRIPS RECEIVABLES

Based on the agreements with the banks relating to the sale of the Ijarah financing, the Company sold the principal amount and retained the Company's share in the profit of the sold Ijarah financing. The receivables of the Ijarah financing are presented at present value taking into account, the expectations of defaults and early settlement.

10. FINANCING, NET

The business activities of the Company are in the Kingdom of Saudi Arabia and primarily represents Ijarah Auto finance, Murabaha and Tawarruq Consumer Islamic financing.

The product wise breakup of financing is as follows:

		As at 31 December	
	Note	**2021**	**2020**
Net investment in Ijarah financing	10.1	**300,652,306**	236,891,993
Net investment in Murabaha financing	10.4	**18,633,796**	-
Net investment in Tawarruq financing	10.7	**17,184,012**	-
		336,470,114	236,891,993

(All amounts in Saudi Riyals unless otherwise stated)

10. FINANCING, NET (CONTINUED)

10.1. Details of net investment in Ijarah financing:

		As at 31 December	
	Note	**2021**	**2020**
Net investment in Ijarah financing before provision for impairment		**315,377,009**	247,788,497
Less: Impairment of Ijarah financing	10.3	**(14,724,703)**	(10,896,504)
Net investment in Ijarah financing		**300,652,306**	236,891,993

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

	As at 31 December	
	2021	**2020**
Year 1	**111,033,566**	81,071,354
Year 2	**102,479,185**	76,137,140
Year 3	**97,319,111**	71,052,100
Year 4	**97,167,460**	66,921,396
Year 5 and onwards	**44,040,260**	71,189,132
Gross investment in Ijarah	**452,039,582**	366,371,122
Less: Unearned income	**(136,662,573)**	(118,582,625)
Net investment in Ijarah	**315,377,009**	247,788,497

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

	As at 31 December	
	2021	**2020**
Balance at the beginning of the year	**10,896,504**	5,380,169
Provided during the year	**3,828,199**	5,516,335
Balance at the end of the year	**14,724,703**	10,896,504

10.4. Details of net investment in Murabaha financing:

		As at 31 December	
	Note	**2021**	2020
Net investment in Murabaha financing before provision for impairment		**18,868,887**	-
Less: Impairment of Murabaha financing	10.6	**(235,091)**	-
Net investment in Murabaha financing		**18,633,796**	-

10.5. The maturity of the investment classified as a Murabaha financing is as follows:

	As at 31 December	
	2021	**2020**
Year 1	**11,576,537**	-
Year 2	**9,851,229**	-
Year 3	**7,291,945**	-
Gross investment in Murabaha	**28,719,711**	-
Less: Unearned income	**(9,850,824)**	-
Net investment in Murabaha	**18,868,887**	-

(All amounts in Saudi Riyals unless otherwise stated)

10. FINANCING, NET (CONTINUED)

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

	As at 31 December	
	2021	**2020**
Balance at the beginning of the year	**-**	-
Provided during the year	**235,091**	-
Balance at the end of the year	**235,091**	-

10.7. Details of net Investment in Tawarruq financing:

		As at 31 December	
	Note	**2021**	2020
Net investment in Tawarruq financing before provision for impairment		**17,207,186**	-
Less: Impairment of Tawarruq financing	10.9	**(23,174)**	-
Net investment in Tawarruq financing		**17,184,012**	-

10.8. The maturity of the investment classified as a Tawarruq financing is as follows:

	As at 31 December	
	2021	**2020**
Year 1	**8,531,372**	-
Year 2	**8,222,182**	-
Year 3	**7,403,833**	-
Year 4	**6,470,775**	-
Year 5 and onwards	**6,035,161**	-
Gross investment in Tawarruq	**36,663,323**	-
Less: Unearned income	**(19,456,137)**	-
Net investment in Tawarruq	**17,207,186**	-

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

	As at 31 December	
	2021	**2020**
Balance at the beginning of the year	**-**	-
Provided during the year	**23,174**	-
Balance at the end of the year	**23,174**	-

11. NET SERVICING ASSET / LIABILITY FOR FACTORIZED RECEIVABLES

Under the factorization and agency agreements, the Company has been appointed by the banks to service the purchased receivables. Where the Company is appointed to service the derecognized financial assets for a fee, the Company initially recognizes either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset / liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset / liability are discount rates, estimates of servicing costs and the fixed servicing fees.

(All amounts in Saudi Riyals unless otherwise stated)

11. NET SERVICING ASSET / LIABILITY FOR FACTORIZED RECEIVABLES (CONTINUED)

Discount Rates

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the expectation of investor's return and the individual risks of the underlying assets. Such discount rate, is adjusted for defaults and rates based on publicly available market data.

Servicing costs

The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation. Also, the calculation of discount rate and servicing cost is sensitive to expected default rate and prepayment risk, which are expected to be minimal.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing assets. Evaluation of impairment is performed on a quarterly basis taking into consideration historical trends, past experience and forecasts of defaults and prepayments.

12. MARGIN DEPOSITS - RESTRICTED

Margin deposits with banks as of 31 December comprise of the followings:

	As at 31 December 2021		
	Current	**Non-Current**	**Total**
Margin deposits with banks	**10,709,403**	**43,599,688**	**54,309,091**
Less: Provision against expected defaults in respect of factorized receivables	**(710,994)**	**(623,117)**	**(1,334,111)**
Less: Provision in respect of present value of margin deposits	**(673,410)**	**(4,305,991)**	**(4,979,401)**
As at 31 December 2021	**9,324,999**	**38,670,580**	**47,995,579**

	As at 31 December 2020		
	Current	**Non-Current**	**Total**
Margin deposits with banks	10,742,299	56,895,884	67,638,183
Less: Provision against expected defaults in respect of factorized receivables	(364,469)	(1,565,918)	(1,930,387)
Less: Provision in respect of present value of margin deposits	(462,121)	(8,529,802)	(8,991,923)
As at 31 December 2020	9,915,709	46,800,164	56,715,873

13. INVESTMENT CARRIED AT FVOCI

During 2017, in accordance with instructions issued by SAMA, the Company made an investment in the Saudi Financial Lease Contract Registry Company amounting to SR 892,850. As of 31 December, 2021, the Company holds 89,285 shares (31 December 2020: 89,285).

The investments in equity instruments are not held for trading. Instead, they are held for the 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 the 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.

(All amounts in Saudi Riyals unless otherwise stated)

14. PROPERTY AND EQUIPMENT

	2021								
	Cost				Accumulated depreciation				Netbook value
Description	As at 1-Jan-21	Additions during the year	Transfers/ Disposal during the year	As at 31-Dec-21	As at 1-Jan-21	Charge for the year	Disposals during the year	As at 31-Dec-21	As at 31-Dec-21
Furniture and Fixture	**2,160,975**	**23,776**	**-**	**2,184,751**	**1,649,936**	**176,495**	**-**	**1,826,431**	**358,320**
Computer Hardware	**3,358,805**	**85,915**	**-**	**3,444,720**	**1,962,798**	**433,517**	**-**	**2,396,315**	**1,048,405**
Vehicles	**218,000**	**-**	**-**	**218,000**	**43,600**	**43,600**	**-**	**87,200**	**130,800**
Building and improvement	**4,769,771**	**4,703**	**-**	**4,774,474**	**3,381,545**	**355,481**	**-**	**3,737,026**	**1,037,448**
Capital work in progress	**314,470**	**-**	**-**	**314,470**	**-**	**-**	**-**	**-**	**314,470**
	10,822,021	**114,394**	**-**	**10,936,415**	**7,037,879**	**1,009,093**	**-**	**8,046,972**	**2,889,443**

(All amounts in Saudi Riyals unless otherwise stated)

14. PROPERTY AND EQUIPMENT (CONTINUED)

	2020								
	Cost				Accumulated depreciation				Netbook value
Description	As at 1-Jan-20	Additions during the year	Transfers/ Disposal during the year	As at 31-Dec-20	As at 1-Jan-20	Charge for the year	Disposals during the year	As at 31-Dec-20	As at 31-Dec-20
Furniture and Fixture	1,951,639	209,336	-	2,160,975	1,437,462	212,474	-	1,649,936	511,039
Computer Hardware	2,315,424	1,043,381	-	3,358,805	1,490,072	472,726	-	1,962,798	1,396,007
Vehicles	-	218,000	-	218,000	-	43,600	-	43,600	174,400
Building and improvement	4,308,345	461,426	-	4,769,771	2,575,463	806,082	-	3,381,545	1,388,226
Capital work in progress	314,470	-	-	314,470	-	-	-	-	314,470
	8,889,878	1,932,143	-	10,822,021	5,502,997	1,534,882	-	7,037,879	3,784,142

(All amounts in Saudi Riyals unless otherwise stated)

15. INTANGIBLES ASSETS

2021

	Cost				Accumulated amortization				Netbook value
Description	**As at 01-Jan-21**	**Additions during the year**	**Transfers/ Disposals during the year**	**As at 31-Dec-21**	**As at 01-Jan-21**	**Charge for the year**	**Disposals during the year**	**As at 31-Dec-21**	**As at 31-Dec-21**
Computer Software	**12,998,147**	**809,728**	**-**	**13,807,875**	**8,591,468**	**1,514,270**	**-**	**10,105,738**	**3,702,137**
Capital work in progress	**-**	**3,479,838**	**-**	**3,479,838**	**-**	**-**	**-**	**-**	**3,479,838**
	12,998,147	**4,289,566**	**-**	**17,287,713**	**8,591,468**	**1,514,270**	**-**	**10,105,738**	**7,181,975**

2020

	Cost				Accumulated amortization				Netbook value
Description	**As at 1-Jan-20**	**Additions during the year**	**Transfers/ Disposals during the year**	**As at 31-Dec-20**	**As at 1-Jan-20**	**Charge for the year**	**Disposals during the year**	**As at 31-Dec-20**	**As at 31-Dec-20**
Computer Software	11,416,049	1,582,098	-	12,998,147	7,221,055	1,370,413	-	8,591,468	4,406,679
	11,416,049	1,582,098	-	12,998,147	7,221,055	1,370,413	-	8,591,468	4,406,679

(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	As at 31 December 2021	2020
Right-of-use assets			
Lease liabilities as at 1 January		**6,517,825**	6,009,449
Prepaid Rent as at 31 December 2018 -Reclassified		**-**	-
Balance as at 1 January		**6,517,825**	6,009,449
Additions during the year		**-**	508,376
Rental reassessment		**-**	-
Balance as at 31 December		**6,517,825**	6,517,825
Accumulated Depreciation			
Balance as at 1 January		**2,160,137**	996,420
Depreciation charge for the year	29	**1,169,638**	1,163,717
Balance as at 31 December		**3,329,775**	2,160,137
Net Book Value as at 31 December		**3,188,050**	4,357,688
Lease Liabilities			
Balance as at 1 January		**3,910,206**	4,433,692
Additions during the year		**-**	508,376
Adjustment / Rental reassessment		**-**	(67,274)
Charge for the year	28	**202,101**	250,412
Less: Lease payments during the year		**(1,215,000)**	(1,215,000)
Balance as at 31 December		**2,897,307**	3,910,206

16.2 Maturity profile of lease liabilities:

	2021	2020
Year 1	**1,215,000**	1,215,000
Year 2	**1,040,000**	1,040,000
Year 3	**880,000**	1,040,000
Year 4	**880,000**	880,000
Year 5 onwards	**-**	880,000
Current portion		
Lease liabilities payable	**1,156,138**	1,156,138
Non-current portion		
Lease liabilities payable	**1,741,169**	2,754,068

16.3 Amounts recognized in the statement of profit or loss

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

	2021	2020
Lease financial cost (included in finance cost) (note 28)	**202,101**	250,412
Expense relating to short-term leases (included in General and administrative expenses, note 29)	**699,094**	662,603

16.4 During the year the principal repayment of lease liability was SR 1,215,000 (2020: SR 1,215,000).

(All amounts in Saudi Riyals unless otherwise stated)

17. SHARE CAPITAL

The Company's subscribed and paid-in share capital of SR 200,000,000 is divided into 20,000,000 equity shares of SR 10 each fully owned by Watad Holding Company.

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. OTHER PAYABLES AND ACCRUALS

	Note	As at 31 December 2021	2020
Payable to banks from factorized receivables	19.1	**81,645,046**	61,760,349
Accounts payable		**20,834,214**	18,940,670
Other		**14,856,389**	16,523,264
		117,335,649	97,224,283

19.1 This relates to collections made by the Company in respect of factorized receivables which will be settled to the banks in future.

20. PROVISION FOR ZAKAT

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

	As at 31 December 2021	2020
Balance at the beginning of the year	**360,697**	446,039
Provided during the year		
- Current year	**1,790,450**	360,697
- Prior year	**-**	527,506
Adjustment during the year	**(360,697)**	(973,545)
Balance at the end of the year	**1,790,450**	360,697

20.2. STATUS OF ASSESSMENTS:

The Company submitted its Zakat declaration to GAZT for the year ended 31 December 2020 and has obtained the certificate valid until 29 Ramadan 1443H corresponding to 30 April 2022.

Furthermore, the Company has adjusted the last year zakat charge from the balance receivable from GAZT after obtaining the approval from GAZT. The remaining receivable as at 31 December 2021 is 1.6 million.

21. BORROWINGS

	Note	As at 31 December 2021	2020
Medium-term borrowings principal portion	21.1	**60,000,000**	-
Short-term borrowings principal portion	21.2	**40,000,000**	88,348,600
Accrued interest		**37,984**	2,392,634
		100,037,984	90,741,234

21.1. The Company has a Medium – term borrowing facility limit from a local bank for the purpose of financing the working capital needs. The bank facility bears profit at market prevailing rates. As per the agreement with the bank, the Company has the limit for borrowing maximum SR 155,000,000 at a fixed rate plus SAIBOR.

(All amounts in Saudi Riyals unless otherwise stated)

21. BORROWINGS (CONTINUED)

21.2. The Company has a short – term borrowing facility limit amounting to SR 100 million from a local bank for the purpose of financing the working capital needs. The bank facility bears profit at market prevailing rates. As per the agreement with the bank, the Company has the limit for borrowing maximum 100,000,000 at a fixed rate plus SAIBOR.

The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 31 December 2021, and 2020, the Company was in compliance with covenants of the financing agreements.

22. EMPLOYEES' POST-EMPLOYMENT BENEFITS

22.1. PRINCIPAL ACTUARIAL ASSUMPTIONS

The movement in employees' post-employment benefits recognized in the statement of financial position are as follows:

	As at 31 December	
	2021	**2020**
Net liability at the beginning of the year	**1,946,081**	1,354,717
Current service cost	**562,130**	942,915
Benefit paid during the year	**(223,493)**	(351,551)
Re-measurements due to actuarial loss	**15,668**	-
Net liability at the end of the year	**2,300,386**	1,946,081

22.2. The amounts recognized in the statement of income in respect of employees' post-employment benefit are as follows:

	2021	**2020**
Employer's part of current service cost	**562,130**	942,915

22.3. The Company carried out an employee benefits actuarial valuation, using the projected unit credit method, of its liability as at 31 December 2021 arising from the employee end of service benefits to qualifying in-service employees.

Significant actuarial assumptions

The following were the principal actuarial assumptions:

Key actuarial assumptions	**2021**	**2020**
Financial assumptions		
Discount rate used	2.45%	2.00%
Long term salary increase rate	2.45%	3.15%
Mortality rates	WHO SA19 - 75%	WHO SA16 - 75%
Rates of employee turnover	Heavy	Heavy

Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation. The following is a sensitivity analysis for the salary increase and discount rate assumptions that were performed at the previous and current valuation date:

(All amounts in Saudi Riyals unless otherwise stated)

22. EMPLOYEES' POST-EMPLOYMENT BENEFITS (CONTINUED)

	2021	2020
Discount Rate +0.5%	2,528,010	2,153,396
Discount Rate -0.5%	2,735,488	2,344,409
Long Term Salary Increases +0.5%	2,734,948	2,343,908
Long Term Salary Increases -0.5%	2,527,535	2,152,959

22.4. The Company records its liability under Employee benefits based on regulatory requirements. In order to determine the liability as per IFRS, the Company performed detailed actuarial valuation of its employee benefits. The difference between the provision of end of service as per Ministry of Human resource and social development and the provision as per IFRS actuarial valuation was immaterial. Accordingly, the adjustment was not recognized in the financial statements.

23. CONTINGENCIES AND COMMITMENTS

As at 31 December 2021 and 2020, the Company has no contingencies and commitments.

24. IJARAH FINANCING RECEIVABLES - FACTORIZATION AND AGENCY AGREEMENTS

In accordance with the terms of certain factorization and agency agreements, the Company has factorized Ijarah financing with the banks.

The Company continues to manage these off statement of financial position Ijarah financing receivables as a servicer in accordance with the factorization and agency agreements entered into with the banks. The Company is continuing to manage these factorized receivables for an agreed fee which is disclosed as revenue (see Note 25). These receivables are secured by promissory notes from the customers.

The total Ijarah receivables sold during the year are as follows:

	2021	2020
Total receivables sold	**-**	173,187,717

25. INCOME FROM FINANCING

	Note	2021	2020
Income from Ijarah financing	25.1	**36,970,402**	32,689,537
Income from Murabaha financing		**819,895**	-
Income from Tawarruq financing		**341,812**	-
		38,132,109	32,689,537

25.1. Income from Ijarah is net of insurance expense amounting to SR 7.4 million (2020: SR 6.9 million).
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26. CONTRACT FEE INCOME

Contract Fee income mainly includes loan administration fees, collection fees, other post execution contract related fees and other service charges.

27. OTHER INCOME

	2021	2020
VAT Refund	**-**	2,711,790
Gain on loan modification	**-**	1,975,396
Others	**76**	14
	76	4,687,200

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCE COST

	Note	2021	2020
Finance charge on borrowings		**4,566,392**	2,535,258
Lease liabilities	16	**202,101**	250,412
		4,768,493	2,785,670

29. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2021	2020
Salaries, wages, and other benefits		**15,113,610**	19,889,280
Outsourcing services	8	**12,869,317**	12,197,823
Subscriptions		**2,855,749**	2,232,033
Depreciation	14	**1,009,093**	1,534,882
Amortization	15	**1,514,270**	1,370,413
Professional and consultancy fees		**1,383,267**	1,303,876
Depreciation right of use asset	16	**1,169,638**	1,163,717
Telecommunication expense		**720,968**	948,056
Rent expense		**699,094**	662,603
Bank charges		**320,233**	351,292
Repair and maintenance		**171,652**	315,296
Other expenses		**5,897,466**	2,518,324
		43,724,357	44,487,595

30. SELLING AND MARKETING EXPENSES

	2021	2020
Sales Commission	**2,625,201**	3,636,543
Advertising expenses	**842,052**	1,186,897
	3,467,253	4,823,440

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 to review 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 assist 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.

31. RISK MANAGEMENT (CONTINUED)

31.1. Risk management structure (Continued)

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 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.

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 is not exposed to long term obligations with floating profit rates therefore, the Company is not exposed to any significant profit rate risk.

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 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 financing and advances may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to current or potential credit deterioration of the customer. Existing financing and advances whose terms have been modified may be derecognized and the renegotiated financing and advances recognized as new 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 financing 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, 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.

Modified Financial Assets (continued)
The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of financing and installment covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

Definition of 'Default'
The Company considers a financial asset to be in default when:

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

31. RISK MANAGEMENT (CONTINUED)

31.3. Credit risk (Continued)

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.

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.

31.3.1. Net investment in financing

The investment in financing 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 financing portfolio.

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

31.3. Credit risk (Continued)

31.3.1. Net investment in financing (continued)

The aging of net investment in financing contracts is as under:

	As at 31 December	
	2021	**2020**
Neither past nor due	**270,194,189**	183,887,010
Past due 1-30 days	**36,547,442**	28,804,008
Past due 31-90 days	**18,097,764**	14,343,338
Past due 91-180 days	**9,660,090**	7,167,515
Past due above 180 days	**16,953,597**	13,586,626
	351,453,082	247,788,497
Less: Impairment for financing	**(14,982,968)**	(10,896,504)
Net of Impairment loss	**336,470,114**	236,891,993
Total portfolio coverage ratio	**4.26%**	4.40%

Net investment in financing and the corresponding ECL allowance as at 31 December 2021 classified into is as follows:

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount before ECL for financing	**300,260,321**	**18,423,297**	**32,769,464**	**351,453,082**
ECL	**2,231,469**	**524,972**	**12,226,527**	**14,982,968**

	31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount before ECL for Net investment financing	212,691,018	14,343,338	20,754,141	247,788,497
ECL	3,833,576	887,461	6,175,467	10,896,504

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 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 financing:

	As at 31 December	
	2021	**2020**
Performing	**318,683,618**	227,034,356
Non-performing	**32,769,464**	20,754,141
	351,453,082	247,788,497

(All amounts in Saudi Riyals unless otherwise stated)

31. RISK MANAGEMENT (CONTINUED)

31.3. Credit risk (Continued)

31.3.1. Net investment in financing (continued)

Concentration risk

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

The Company manages its credit risk exposure through diversification of 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 financing is mitigated by holding collaterals which are leased assets.

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.

31.3.2. Bank balances and other receivables

The credit quality of the Company’s bank balances 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.

	As at 31 December	
	2021	**2020**
Cash at bank:		
A-1	**11,324,139**	42,793,100
Margin deposit-restricted		
A-1	**54,309,091**	67,638,183

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)

2021

	Carrying amount	Up to three months	More than three months and up to one year	More than one year
Other payables and accruals	**117,335,649**	**12,422,812**	**31,593,573**	**73,319,264**
Due to related parties	**42,829,498**	**7,563,044**	**7,266,454**	**28,000,000**
Net servicing liability for factorized receivables	**29,192,145**	**1,459,607**	**1,459,607**	**26,272,931**
Borrowings	**100,037,984**	**43,037,984**	**9,000,000**	**48,000,000**
	289,395,276	**64,483,447**	**49,319,634**	**175,592,195**

2020

	Carrying amount	Up to three months	More than three months and up to one year	More than one year
Other payables and accruals	97,224,283	4,861,214	4,861,214	87,501,855
Due to related parties	41,374,021	6,820,751	6,553,270	28,000,000
Net servicing liability for factorized receivables	31,447,922	1,572,396	1,572,396	28,303,130
Borrowings	90,741,234	90,741,234	-	-
	260,787,460	103,995,595	12,986,880	143,804,985

(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 2021 and 31 December 2020.

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.

	2021	**2020**
Aggregate financing to equity ratio (Financing divided by total equity)	**1.74 times**	1.27 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).

The Company’s financial assets consist of cash and bank balances, investment, net investment in Ijarah, Murabaha and Tawarruq financing, and other receivables, its financial liabilities consist of other payables and accruals, borrowings, 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 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

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

2021	Fair value Level			
	1	2	3	Total
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	**-**	**-**	**892,850**	**892,850**

2020	Fair value Level			
	1	2	3	Total
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850

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

33. RECLASSIFICATION OF PRIOR PERIOD FIGURES

Certain comparative information has been reclassified to conform to the current period presentation.

34. SUBSEQUENT EVENTS

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

35. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 29 Rajab 1443H (corresponding to 2 March 2022G) by the Board of Directors of the Company.