AJIL FINANCIAL SERVICES COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2020
with
INDEPENDENT AUDITOR'S REPORT

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License No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

To the Shareholders of AJIL Financial Services Company

Opinion

We have audited the financial statements of AJIL Financial Services Company ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the 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 that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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Independent Auditor's Report

To the Shareholders of AJIL Financial Services Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

Other Matter

The financial statements of AJIL Financial Services Company for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 February 2020.

For KPMG Al Fozan & Partners
Certified Public Accountants

كي بي إم جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46 KPMG س.ت رقم: ٤٦
Certified Public Accountants
KPMG Al Fozan & Partners

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, 19 Rajab 1442H
Corresponding to 3 March 2021

AJIL FINANCIAL SERVICES COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
Expressed in Saudi Arabian Riyals

	Notes	2020	2019
ASSETS			
Cash and bank balances	4	**30,765,788**	37,184,787
Advances, prepayments and other receivables	5	**69,592,263**	55,403,496
Net investment in finance leases	6	**1,211,856,960**	1,334,292,835
Murabaha financing receivables	7	**389,201,408**	227,381,536
Margin deposits	8	**12,098,349**	13,236,934
Due from a related party	17	**102,262**	--
Property and equipment	9	**2,549,011**	3,779,006
Right of use assets	10	**9,980,762**	2,189,958
Intangible assets	11	**2,429,743**	2,942,177
Equity investment at fair value through other comprehensive income	12	**892,850**	892,850
Total assets		**1,729,469,396**	1,677,303,579
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	**500,000,000**	500,000,000
Statutory reserve	14	**100,572,044**	100,572,044
Retained earnings		**240,184,861**	284,673,643
Actuarial losses on employees' defined benefit obligations	15	**(3,642,137)**	(2,911,214)
Total shareholders' equity		**837,114,768**	882,334,473
Liabilities			
Trade, accrued and other payables	16	**100,815,665**	42,309,233
Due to related parties	17	**16,175,628**	1,100,931
Net servicing liability for sold finance lease receivable	18	**1,500,593**	2,418,973
Lease liabilities in respect of right of use assets	10	**8,675,255**	1,125,860
Term loans	19	**747,840,231**	725,860,362
Accrued Zakat	20	**351,941**	6,626,618
Employees' defined benefit obligation	15	**16,995,315**	15,527,129
Total liabilities		**892,354,628**	794,969,106
Total shareholders' equity and liabilities		**1,729,469,396**	1,677,303,579

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

AJIL FINANCIAL SERVICES COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2020
Expressed in Saudi Arabian Riyals

	Notes	**2020**	2019
Revenues	21	**131,145,781**	155,792,652
Operating expenses			
Expected credit losses on net investment in finance leases	6	**(72,633,413)**	(29,192,674)
Expected credit losses on financial assets	5&7	**(20,207,547)**	(7,930,664)
Depreciation of property and equipment	9	**(1,485,181)**	(1,587,511)
Depreciation of right of use assets	10	**(1,335,404)**	(1,730,636)
Amortization of intangible assets	11	**(934,624)**	(993,227)
General and administrative expenses	22	**(56,062,901)**	(56,976,508)
Modification losses, net	33	**(12,149,482)**	**--**
Finance charges	23	**(10,450,027)**	(26,514,907)
		(175,258,579)	(124,926,127)
(Loss) / profit before Zakat		**(44,112,798)**	30,866,525
Zakat	20	**(375,984)**	(6,626,618)
Net (loss) / profit for the year		**(44,488,782)**	24,239,907
Basic and diluted (loss) / earning per share	30	**(0.890)**	0.485

AJIL FINANCIAL SERVICES COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020
Expressed in Saudi Arabian Riyals

	Note	**2020**	2019
Net (loss) / profit for the year		**(44,488,782)**	24,239,907
Other comprehensive income:			
Items that will not to be reclassified to statement of profit or loss in subsequent periods:			
Re-measurement (loss) / gain on employees' defined benefit obligation	15	**(730,923)**	35,986
Total other comprehensive (loss) / income for the year		**(730,923)**	35,986
Total comprehensive (loss) / income for the year		**(45,219,705)**	24,275,893

AJIL FINANCIAL SERVICES COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020
Expressed in Saudi Arabian Riyals

	Notes	**Saudi shareholders**	**Foreign shareholders**	**Total**
2020				
Share capital				
Balance as at 1 January and 31 December	13	**500,000,000**	--	**500,000,000**
Statutory reserve				
Balance as at 1 January and 31 December	14	**100,572,044**	--	**100,572,044**
Retained earnings				
Balance as at 1 January		**284,673,643**	--	**284,673,643**
Net loss for the year		**(44,488,782)**	--	**(44,488,782)**
Balance as at 31 December		**240,184,861**	--	**240,184,861**
Actuarial losses on employees' defined benefit obligations				
Balance as at 1 January		**(2,911,214)**	--	**(2,911,214)**
Other comprehensive loss for the year	15	**(730,923)**	--	**(730,923)**
Balance as at 31 December		**(3,642,137)**	--	**(3,642,137)**
Total equity		**837,114,768**	--	**837,114,768**
2019				
Share capital				
Balance as at 1 January	13	375,000,000	125,000,000	500,000,000
Transfers (note 13)		125,000,000	(125,000,000)	--
Balance as at 31 December		500,000,000	--	500,000,000
Statutory reserve	14			
Balance as at 1 January		73,611,040	24,537,013	98,148,053
Transfers		24,537,013	(24,537,013)	--
Transferred from retained earnings		2,423,991	--	2,423,991
Balance as at 31 December		100,572,044	--	100,572,044
Retained earnings				
Balance as at 1 January		214,394,613	69,397,572	283,792,185
Net profit for the year		22,316,680	1,923,227	24,239,907
Dividend	24	(24,035,245)	--	(24,035,245)
Prior year adjustments related to zakat		3,100,787	--	3,100,787
Transfer		71,320,799	(71,320,799)	--
Transferred to statutory reserve		(2,423,991)	--	(2,423,991)
Balance as at 31 December		284,673,643	--	284,673,643
Actuarial losses on employees' defined benefit obligations				
Balance as at 1 January		(2,210,400)	(736,800)	(2,947,200)
Transfers	15	(736,800)	736,800	--
Other comprehensive income for the year		35,986	--	35,986
Balance as at 31 December		(2,911,214)	--	(2,911,214)
Total equity		882,334,473	--	882,334,473

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

AJIL FINANCIAL SERVICES COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
Expressed in Saudi Arabian Riyals

	Notes	2020	2019
Operating activities			
(Loss) / profit for the period before Zakat		**(44,112,798)**	30,866,525
Adjustments for:			
Depreciation of property and equipment	9	**1,485,181**	1,587,511
Depreciation of right of use assets	10	**1,335,404**	1,730,636
Amortization of intangible assets	11	**934,624**	993,227
Expected credit losses on net investment in finance leases	6	**72,633,413**	29,192,674
Expected credit losses on financial assets	5&7	**20,207,547**	7,930,664
Employees' defined benefit obligation	15	**1,878,925**	2,176,187
(loss) / Gain on disposal of property and equipment		**10,207**	(39,619)
Financial charges		**10,630,312**	26,199,313
Modification losses, net	33	**12,149,482**	--
Operating profit before changes in operating assets and liabilities		**77,152,297**	100,637,118
Changes in operating assets and liabilities:			
Net investment in finance leases		**33,711,166**	(83,217,691)
Murabaha financing receivables		**(169,834,862)**	(28,357,956)
Advances, prepayments and other receivables		**(27,354,779)**	88,480,295
Due from a related party		**(102,262)**	--
Margin deposits		**1,138,585**	(1,083,563)
Trade, accrued and other payables		**50,300508**	(117,706,776)
Due to related parties		**15,074,697**	(4,461,378)
Net servicing liability for sold finance lease receivables		**(918,380)**	(391,051)
Cash used in operations		**(20,833,030)**	(46,101,002)
Zakat paid	20	**(6,650,661)**	(5,489,988)
Finance charges paid		**(2,244,102)**	(26,730,862)
Employees' defined benefit obligation paid	15	**(1,141,662)**	(595,525)
Net cash used in operating activities		**(30,869,455)**	(78,917,377)
Investing activities			
Purchase of property and equipment and intangible assets	9&11	**(689,651)**	(2,781,866)
Proceeds from disposal of property and equipment intangible assets		**2,067**	274,765
Net cash used in investing activities		**(687,584)**	(2,507,101)
Financing activities			
Proceeds from borrowings		**311,000,000**	1,120,860,362
Repayments of borrowings		**(285,078,317)**	(1,007,600,000)
Dividend paid		--	(24,035,245)
Repayment of lease liabilities		**(783,643)**	(1,773,000)
Net cash generated from financing activities		**25,138,040**	87,452,117
Net (decrease) / increase in cash and bank balances		**(6,418,999)**	6,027,639
Cash and bank balances at the beginning of the year	4	**37,184,787**	31,157,148
Cash and bank balance at the end of the year		**30,765,788**	37,184,787

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

1. ACTIVITIES

AJIL Financial Services Company (the "Company" or "AJIL") is registered in the Kingdom of Saudi Arabia under commercial registration number 4030122889, dated 30 Rajab 1418H (corresponding to 30 November 1997). The legal status of the Company was changed from a Limited Liability Company to a Closed Joint Stock Company under Ministerial Declaration number 206/Q, dated 18 Jumada Thani 1429H (corresponding to 22 June 2008), and according to Companies Law Provisions issued by Royal Decree number M/6 dated 27 Thul Quada 1417H (corresponding to 5 April 1997).

A new commercial registration certificate under the same number was issued by the Ministry of Commerce on 11 Rajab 1429H (corresponding to 14 July 2008). The unified number of Company as per commercial registration certificate is 7001457873.

The Company's objectives are to carry out financial leasing transactions and to finance productive assets in small and medium enterprises including:

1. Financing of fixed and moveable assets, peripherals, accessories and spare parts thereof, including but not limited to industrial, agricultural, commercial, artisanal, professional, therapeutic, educational, recreational, energy, water and sewage facilities and projects; equipment used in warehouses, production equipment and machinery, equipment used in the medical field, in construction, transportation, airport, railroads and stations associated therewith; cranes and vehicles (Including Trucks, buses, trains, cars, whether manufactured or retrofitted for civil defense, airports or other such purposes), office equipment, stationery and computers; and

2. Buying, selling, leasing and renting commercial real estate, lands and buildings of all kinds, transferring them and disposing thereof for the purposes of finance leasing and signing finance lease contracts for all the foregoing; including registering and transferring commercial and residential real estate, lands and buildings used as collateral for financing operations related to the Company's financing activities.

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

AJIL Financial Services Company
Jeddah 101 Building
Sari Street
P.O. Box 13624
Jeddah 21414
Kingdom of Saudi Arabia

On 21 Rajab 1435H (corresponding to 20 May 2014), 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 Shaban 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.

1. ACTIVITIES (continued)

On 1 Muharram 1439H (corresponding to 21 September 2017), the Company received a no objection certificate from SAMA to conduct commodity murabaha business in the Kingdom of Saudi Arabia.

These financial statements include the results, assets and liabilities of the following branches:

Commercial Registration Number	Location
2050044861	Dammam
2051031244	Al-Khobar
5850027895	Abha
1010194653	Riyadh
4030612980	Jeddah

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2020 have been prepared:

- in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”) (collectively referred to as “IFRS that are endorsed in KSA”).

- In compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia, Finance Lease Law (and its implementing regulations) and the By-Laws of the Company, in so far as they relate to the preparation and presentation of the financial statements.

On 17 July 2019, SAMA instructed finance companies in the Kingdom of Saudi Arabia to account for Zakat in the statement of profit or loss. This aligns with IFRS that are endorsed in KSA.

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

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention, except for investment at fair value through other comprehensive income (“FVOCI”) which are measured at fair value and the employees’ defined benefit obligation which are recognised at the present value of future obligations using the projected unit credit method.

2.3 Functional and presentation currency

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency.

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRSs that are as endorsed in KSA, requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures including contingent liabilities disclosure. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of related assets or liabilities, in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, are described below. The Company based its assumptions and estimates on information available when financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company's management. Such changes are reflected in the assumptions when they occur.

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

Actuarial valuation of employee benefits liabilities
The cost of the employees' defined benefit obligation and the carrying value of employees' defined benefit obligation are determined using external actuarial valuation. An external actuarial valuation involves making various assumptions that may differ from actual developments in the future.

These include the determination of appropriate discount rate and future salary increases. 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 at each reporting date.

Expected credit losses (ECL) on net investment in finance leases and financial assets
ECL assessment requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk (where appropriate). These estimates are driven by a number of factors, changes in which can result in different levels of ECL allowances.

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's model for determination of defaults, which assigns loss rate (LR) to the individual pool of receivables and assessing the exposure at default (EAD).
- The segmentation of finance leases and murabaha financing receivables when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the appropriate inputs.
- Determination of associations between macroeconomic scenarios and economic inputs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings.

Fair Value of unquoted assets
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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
• In the principal market for the asset or liability; or
• In the absence of a principal market, in the most advantageous market for the asset or liability.
The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Financial instruments for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of their nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets
The Company reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use.

Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. A reversal of an impairment loss is recognized as income immediately in the separate statement of profit or loss and other comprehensive income.

COVID-19 and SAMA support program
The Company has excercised judgement in the assessment/ determination of the impact of COVID-19 on ECL as well as regarding the financial reporting impact of SAMA support programmes (note 33).

Leases – Company as Lessee

a) *Determining the lease term of contracts with renewal and termination options – Company as lessee*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has certain lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

b) *Estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the Company's financial statements for the year ended 31 December 2019, except as disclosed below:

New standards, interpretations and amendments promulgated by International Accounting Standard Board (IASB) and adopted by the Company:

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after 1 January 2020. The management has assessed that the amendments have no significant impact on the Company's financial statements.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any significant future impact to the Company.

Amendments to References to the Conceptual Framework in IFRS Standards
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") was engaged in a two-phase process of amending its guidance to assist in a smoother transition away from Inter Bank Offered Rates (IBOR).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform (continued)

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform. These amendments had no impact on the financial statements of the Company.

Phase (2) - The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR) which were issued in August 2020. The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. The Phase 2 Amendments introduce new areas of judgement and the Company needs to ensure it has appropriate accounting policies and governance in place before the transition. For the additional disclosures, the Company will have to assess and implement required updates in the financial reporting systems and processes to gather and present the information required.

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Cash and cash equivalents
Cash and cash equivalents include cash in hand, cash at banks and other short term highly liquid investments with original maturities of three months or less, which are available to the Company without any restrictions. Temporary cheques issued for title transfer of acquired properties are classified as cash in transit and included in cash and cash equivalents.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

a) As a lessee
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

a) As a lessee (continued)
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company presents right-of-use assets that do not meet the definition of investment property in ‘property, plant and equipment’ and lease liabilities in ‘loans and borrowings’ in the statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

a) As a lessee (continued)
Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b) As a Lessor
At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Contracts based on Musharika, which in substance represents a syndicated finance lease arrangement, is recorded as net investment in finance lease and is stated at cost, representing the balance of the Company’s share in the Musharika funding.

Financial instruments

Classification of financial assets

On initial recognition, a financial asset is recognised at fair value and classified as amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through statement of income (“FVIS”).

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

- 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification of financial assets (continued)

Financial asset at FVOCI
Debt instruments:
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVIS:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (HTCS); 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.

Equity instruments:
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 election is made on an investment-by-investment basis.

Financial asset at FVIS
All other financial assets are classified as measured at FVIS.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVIS 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 period after the Company changes its business model for managing the financial assets.

Business model assessment

The Company makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed and 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 contractual profit revenue, 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; and
- 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Business model assessment (continued)

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 realised 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.

Assessments whether contractual cash flows are solely payments of principal and profit ("SPPI" criteria)
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 lending risk associated with the principal amount outstanding during a particular period and other basic lending 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 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.

Classification of financial liabilities
Upon initial recognition, the Company recognises financial liabilities at fair value and classifies its financial liabilities, as measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost, unless they to be measured at fair value through income statement or if the Company adopts to measure a liability at fair value through income statement as per the requirements of IFRS 9.

Derecognition

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of income.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in statement of income on derecognition of such securities. Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability. In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

When the Company transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, the entity is required to recognise either a servicing asset or a servicing liability for that servicing contract, as follows:

a) If the fee to be received is not expected to compensate adequately for performing the servicing, the Company should recognise a servicing liability for the servicing obligation at its fair value.
b) If the fee to be received is expected to be more than adequate compensation for the servicing, the Company should recognise a servicing asset for the servicing right. This should be recognised at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

A servicing asset is a non-financial asset representing a right to receive a higher than normal amount for performing future services. Accordingly, it is generally accounted for in accordance with IAS 38 – Intangible Assets. Similarly, a servicing liability represents consideration received in advance for services to be performed in the future and is generally accounted for as deferred revenue in accordance with IFRS 15 – Revenue from Contracts with Customers.

Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit/loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Modifications of financial assets and financial liabilities (continued)

Financial liabilities
The Company derecognizes the financial liability when its contractual obligations are discharged or cancelled or expire. Moreover, if the terms of financial liability are modified and the cash flows of the modified liability are substantially different, the Company derecognizes a financial liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability recognized with modified terms is recognised in statement of income. Furthermore, the Company cannot reclassify any financial liability.

Impairment of financial assets

The Company recognizes loss allowances for ECL on the following assets that are not measured at FVIS:

- financial assets that are debt instruments; and
- loan commitments issued, if any.
- finance lease receivables

No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL for:

- trade and other receivables without a significant financing component
- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The key inputs into the measurement of ECL are based on the following variables:

- Loss rate
- Exposure at default (EAD)

The Company categorizes its leasing portfolio into four groups depending on the size of financing and associated risks:

- Large exposure of large customers
- Medium exposure of large customers
- Small exposure of large customers
- Exposure of small and medium customers

The Company also considers forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs.

The forward-looking information includes elements such as expert judgement, macroeconomic factors and economic forecasts obtained through internal and external sources.

Management apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model, if required.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Measurement of ECL

For finance lease receivables, ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- finance leases that are not credit-impaired at the reporting date; an estimate of lifetime loss is made, considering the loss rate, exposure at defaults, taking into account the forward looking information i.e. the macro-economic factor;
- finance leases that are credit-impaired (690 days past due) at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash inflows.

For murabaha financing receivables ("receivables"), the Company measures loss allowance for stage 1 receivables at an amount equal to 12 months expected credit losses. Where the expected lifetime of a receivable is less than 12 months, expected losses are measured at its expected lifetime. 12 months expected credit losses are the portion of expected credit losses that result from default events on the receivables that are possible within 12 months after the reporting period. The receivables of the Company are categorized as follows:

Stage 1: These represent the receivables where customers have low risk of default and a strong capacity to meet contractual cash flows.

Stage 2: these represent financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 60 days past due in making contractual payment/installment.

Stage 3: these represent defaulted receivables. A default on a receivables is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due. The Company measures loss allowance for non-performing receivables at an amount equal to lifetime expected credit losses.

Restructured financial assets or leases

If the terms of a financial asset or finance lease are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original special commission rate of the existing financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Credit-impaired financial assets

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

A financial asset that has been renegotiated due to deterioration in the borrower'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, financial assets (other than murabaha financing receivables) that are overdue for 360 days or more are considered impaired, unless evidence to the contrary exists.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount of the financial assets and net investment in finance lease.

Write-off

Finance lease receivables, murabaha receivables and other financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. 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.

Murabaha financing receivables
Murabaha is an Islamic form of financing where the Company, based on requests from its customers, purchases specific commodities and sells them to the customers at an agreed-upon price equal to the Company’s cost plus a specified profit margin, which is payable on a deferred basis in agreed-upon instalments. Murabaha financing receivables represent financial assets held at amortised cost.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when permitted under International Financial Reporting Standards, or for gains and losses arising from a group of similar transactions.

Property and equipment
Property and equipment are initially recorded at cost and stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. Capital work-in-progress is not depreciated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
Leasehold assets are depreciated on a straight-line basis over the shorter of the useful life of the assets or the term of the lease after deducting the estimated residual value from the cost of such assets. The following rates of depreciation are applied:

Office equipment	20% to 25%
Furniture and fixtures	15%
Owned and leased motor vehicles	20%

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure for repairs and maintenance are charged to the statement of profit or loss. Expenditure that increases the value or materially extends the life of the related assets is capitalized.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

Subsequent costs are included in the asset's carrying amounts or recognised 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 or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Zakat
The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat (“GAZT”). Zakat expense is charged to the profit or loss.

Withholding tax
The Company withholds taxes on certain foreign payments as required under the Saudi Arabian Tax Laws. Such withholding tax is recorded as a liability.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Dividend distributions
The Company recognizes a liability to make cash dividends distribution to shareholders when the dividends are authorised and no longer at the discretion of the Company. The corresponding amount is directly recognized in statement of changes in equity with a corresponding liability on the statement of financial position.

Employee benefits

Short-term employee benefits
Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

Post-employment benefits

The Company's obligation under employee end-of-service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss.

Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Transactions in foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences 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 rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Company applies appropriate applicable guidance (based on the nature of corresponding transaction) when recognizing revenue. Following are the key sources of Company's revenue and related recognition policy:

a) Income from finance lease and musharika arrangements

Finance lease income is recognised over the period of the lease on a systematic basis, which results in a constant periodic rate of return on the net investment outstanding. Direct costs incurred to generate lease finance income are netted off from earned lease income.

b) Income from murabaha receivables

Interest income from murabaha receivables is recognised using the effective interest method over the term of the arrangement.

c) Income from agency (servicing) agreements

Income from agency arrangements is recognized as related services are provided. The Company applies a five-step model to determine when to recognize revenue and at what amount.

- Step:1 Identify the contract with the customer
- Step:2 Identify the performance obligations in the contract
- Step:3 Determine the transaction price
- Step:4 Allocate the transaction price to the performance obligations in the contract
- Step:5 Recognize revenue when or as the entity satisfies a performance obligation

Each specified distinct service promised to the customer in the contract is identified and evaluated whether the entity under the consideration obtains control of the service before it is transferred to the customer. Revenue is measured on the consideration specified in the contract with the customer and excludes amount collected on behalf of the third parties.

Revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of the services. Revenue is measured at the amount of consideration the Company expects to receive in exchange for providing services. Sales, value added tax, and other taxes collected concurrent with revenue-producing activities are excluded from revenue.

4. CASH AND BANK BALANCES

Cash and cash equivalents at 31 December comprise of the following:

	2020	2019
Cash in hand	**150,438**	131,438
Bank balances (note 4.1)	**30,615,350**	37,053,349
	30,765,788	37,184,787

4. CASH AND BANK BALANCES (continued)

4.1 At 31 December, all bank balances are maintained with local banks, which are rated at investment grade levels. Moreover, balance with banks includes SR 21.7 million (2019: 3.6 million) maintained with a related party (note 17).

4.2 The carrying value of bank balances (included above) represents its maximum exposure to credit risk without taking into account any collateral and other credit enhancement. Moreover, none of the bank balance was impaired at the reporting date

5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advance, prepayments and other receivables at 31 December comprise of the following:

	2020	2019
Advance payment (note 5.1)	**17,324,938**	28,069,278
Trade and other receivables (note 5.2)	**28,660,355**	17,324,459
Receivable from musharika partner (note 5.3)	**15,558,610**	--
Prepaid expenses	**4,620,540**	6,397,649
Advances to employees	**3,427,820**	3,612,110
	69,592,263	55,403,496

5.1 Advance payments mainly represent payment made to a musharika partner under musharika arrangements.

5.2 During the year ended 31 December 2020 the Company reclassified certain receivables related to lease arrangements from Net investment in finance leases to 'Trade and other receivables' under Advances, prepayments and other receivables, against which an expected credit loss allowance of SR 12.2 million has been maintained, to achieve enhanced presentation consistent with the nature of the asset. Moreover, certain amounts payable to musharika partners, previously offset with 'Advance payment' under Advances, prepayments and other receivables have been reclassified to 'Trade and other payables' under Trade, accrued and other payables due to difference in counter parties. Following is the impact of the foregoing on the balances for 31 December 2019:

	Balances as previously presented	**Amount of reclassification**	**Balances after reclassification**
Net investment in finance leases	**1,347,979,745**	**(13,686,910)**	**1,334,292,835**
Advances, prepayments and other receivables	**40,290,916**	**15,112,580**	**55,403,496**
Trade, accrued and other payables	**40,883,562**	**1,425,670**	**42,309,233**

No other balances or accounts have been reclassified as a result of the foregoing or were otherwise affected therefrom.

5.3 This represents lease disbursement under finance lease arrangement in respect of a musharika arrangement on behalf of a musharika partner. The amount was fully received subsequent to the year-end.

5. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES (continued)

5.4 The carrying value of trade and other receivables (included above) represents its maximum exposure to credit risk without taking into account any collateral and other credit enhancement. Moreover, none of the balance was impaired at the reporting date.

6. NET INVESTMENT IN FINANCE LEASES

	2020	2019
Gross investment in finance leases (note 6.1)	**1,444,691,418**	1,781,864,835
Less: unearned finance income and modification losses (note 6.2)	**(114,341,155)**	(144,370,148)
Net investment in finance leases (before allowance for expected credit losses)	**1,330,350,263**	1,637,494,687
Less: allowance for expected credit losses on finance leases (note 6.3)	**(118,493,303)**	(303,201,852)
Net investment in finance leases	**1,211,856,960**	1,334,292,835

6.1 The gross investment in finance leases include SR 0.9 million (31 December 2019: SR 6.3 million) receivable from related parties (note 17).

6.2 Unearned finance income as at 31 December 2020 includes modification loss and suspended income amounting to SR 16.9 million (2019: SR Nil) and SR Nil (2019: SR 2.4 million) respectively.

The contractual maturity of the gross investment in finance lease and net investment in finance leases is as follows:

31 December 2020	**Years**	**Gross investment**	**Unearned finance income and modification losses**	**Net investment (before allowance for expected credit losses)**
Current portion	**2021**	**992,526,909**	**(76,023,250)**	**916,503,659**
Non-current portion	**2022**	**304,771,784**	**(29,320,996)**	**275,450,788**
	2023	**126,214,063**	**(7,940,535)**	**118,273,528**
	2024	**19,071,252**	**(989,460)**	**18,081,792**
	2025	**2,107,410**	**(66,914)**	**2,040,496**
Total non-current portion		**452,164,509**	**(38,317,905)**	**413,846,604**
Total		**1,444,691,418**	**(114,341,155)**	**1,330,350,263**
Less: allowance for expected credit losses on finance leases				**(118,493,303)**
				1,211,856,960

6. NET INVESTMENT IN FINANCE LEASES (continued)

31 December 2019	Years	Gross investment	Unearned finance income	Net investment (before allowance for expected credit losses)
Current portion	2020	1,259,245,516	(94,737,562)	1,164,507,954
Non-current portion	2021	342,688,306	(36,815,988)	305,872,318
	2022	144,245,774	(10,093,452)	134,152,322
	2023	25,598,280	(2,264,154)	23,334,126
	2024	10,086,959	(458,992)	9,627,967
Total non-current portion		522,619,319	(49,632,586)	472,986,733
Total		1,781,864,835	(144,370,148)	1,637,494,687
Less: allowance for expected credit losses on finance leases				(303,201,852)
				1,334,292,835

6.3 The movement in allowance for expected credit losses against finance lease receivables is as follows:

	2020	2019
At 1 January	**303,201,852**	336,881,269
Charge for the year	**72,633,413**	29,192,674
Transfers (note 6.7)	**7,462,596**	10,483,511
Written-off during the year (note 6.8)	**(264,804,558)**	(73,355,602)
At 31 December	**118,493,303**	303,201,852

6.4 As at 31 December 2020, 18% of the gross investment in finance leases corresponds to top five customers (2019: 18%).

6.5 The Company has entered into Musharika agreements with certain investors to finance its leasing business under syndication arrangements. In accordance with the provisions of these agreements, syndicate investors participate in underlying leasing transactions on agreed basis.

Total outstanding balance of such agreements as at 31 December 2020 amounted to SR 619 million (2019: SR 581 million). The Company recorded these transactions as net investment in finance leases up to the extent of its share in the Musharika arrangement. As at 31 December 2020, the investments in Musharika, amounted to SR 59.6 million (2019: SR 67.4 million), which represents the Company's maximum exposure in respect of these agreements.

6.6 The Company in ordinary course of its business, holds collateral in respect of the finance lease receivables (being the title of assets leased out) in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.

6. NET INVESTMENT IN FINANCE LEASES (continued)

6.7 During the year ended 31 December 2020, the Company bought back a securitised finance lease receivables pool amounting SR 9.1 million (2019: SR 67.4 million). As such the loss allowance amounting to SR 7.4 million maintained against the corresponding margin deposit (note 8) has been transferred to the net investment in finance lease.

6.8 As per management's established policy, finance lease and murabaha receivables are written off when there is no realistic prospect of recovery. However, such receivables where written off, could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. However, write offs during the year of SR 264 million include an amount of SR 3.6 million representing receivables which have been written off as a result of negotiated settlements with the respective counterparties and are therefore, not subject to further recovery proceedings.

6.9 As at 31 December 2020, finance lease receivables that are neither past due nor impaired amount to SR 906 million (2019: 1,048 million). Moreover, finance lease receivables that are not impaired but past due for: less than three months, more than three months but less than nine months and more than nine months but less than twelve months amounted to SR 73 million (2019: 106 million), SR 81 million (2019 : SR 105 million) and SR 38 million (2019: SR 36 million), respectively. Furthermore, finance lease receivables past due for twelve months or more (considered impaired) amounted to SR 233 million (2019 : SR 342 million).

7. MURABAHA FINANCING RECEIVABLES

	2020	2019
Murabaha financing receivables	**446,043,432**	264,504,303
Less: unearned finance income	**(41,386,686)**	(26,456,126)
Murabaha financing receivables (before allowance for expected credit losses on murabaha financing receivables)	**404,656,746**	238,048,177
Less: allowance for expected credit losses on murabaha financing receivables (note 7.1)	**(15,455,338)**	(10,666,641)
Murabaha financing receivables	**389,201,408**	227,381,536

7.1 The movement in allowance for expected credit losses on murabaha financing receivables is given below:

	2020	2019
At 1 January	**10,666,641**	2,735,977
Charge for the year	**8,014,990**	7,930,664
Written off during the year	**(3,226,293)**	--
At 31 December	**15,455,338**	10,666,641

7. MURABAHA FINANCING RECEIVABLES (continued)

The contractual maturity of the murabaha receivables is as follows:

	Years	Gross murabaha	Unearned income and modification losses	Net investment Investment in murabaha receivables
31 December 2020				
Current portion	**2021**	**249,863,071**	**(24,585,236)**	**225,277,835**
Non-current portion	**2022**	**110,125,143**	**(12,039,729)**	**98,085,414**
	2023	**64,145,510**	**(4,171,282)**	**59,974,228**
	2024	**21,857,874**	**(590,439)**	**21,267,435**
	2025	**51,834**	**--**	**51,834**
Total non-current portion		**196,180,361**	**(16,801,450)**	**179,378,911**
Total		**446,043,432**	**(41,386,686)**	**404,656,746**
Less: allowance for expected credit losses on murabaha financing receivables				**(15,455,338)**
				389,201,408

	Years	Gross murabaha	Unearned income and modification losses	Net investment Investment in murabaha receivables
31 December 2019				
Current portion	2020	173,312,065	(16,526,633)	156,785,432
Non-current portion	2021	48,473,848	(7,022,077)	41,451,771
	2022	35,835,177	(2,733,835)	33,101,342
	2023	6,734,153	(173,581)	6,560,572
	2024	149,060	--	149,060
Total non-current portion		91,192,238	(9,929,493)	81,262,745
Total		264,504,303	(26,456,126)	238,048,177
Less: allowance for expected credit losses on murabaha financing receivables				(10,666,641)
				227,381,536

As at 31 December 2020, murabaha financing receivables that are neither past due nor impaired amount to SR 394 million (2019: 255 million). Moreover, murabaha financing receivables that are not impaired but past due for less than three months amount to SR 9 million (2019: SR 6 million). Furthermore, impaired murabaha financing receivables past due for more than: three months but less than twelve months amount to SR 1 million (2019: nil) and receivables overdue for more than twelve months amount to SR 0.2 million (2019: 3.4 million).

8. MARGIN DEPOSITS

These represents funds in restricted bank accounts against receivables sold to the banks as required under certain securitization and agency agreements. This amount represents the maximum liability (against defaulted receivables, if any) of the Company according to the relevant securitization and agency agreements. The carrying value of margin deposit as at the reporting date represents its maximum exposure to credit risk without taking into account any collateral and other credit enhancement. Moreover, none of the margin deposit balance was impaired at the reporting date.

9. PROPERTY AND EQUIPMENT

Property and equipment at 31 December 2020 comprise of the following:

	Office equipment	Furniture and fixtures	Leased vehicles	Motor vehicles	Capital work in progress	Total
Cost:						
At 1 January 2020	8,635,014	6,473,363	1,002,710	597,294	146,991	**16,855,372**
Additions	236,453	19,158	--	--	--	**255,611**
Disposals	(43,850)	--	--	--	--	**(43,850)**
Transfers	136,098	10,893	--	--	(146,991)	--
At 31 December 2020	**8,963,715**	**6,503,414**	**1,002,710**	**597,294**	--	**17,067,133**
Depreciation:						
At 1 January 2020	6,334,724	5,351,691	1,002,710	387,241	--	**13,076,366**
Charge for the year	1,025,196	403,990	--	55,995	--	**1,485,181**
Disposals	(43,425)	--	--	--	--	**(43,425)**
At 31 December 2020	**7,316,495**	**5,755,681**	**1,002,710**	**443,236**	--	**14,518,122**
Net book amounts:						
At 31 December 2020	**1,647,220**	**747,733**	--	**154,058**	--	**2,549,011**

9. PROPERTY AND EQUIPMENT (continued)

Property and equipment at 31 December 2019 comprise of the following:

	Office equipment	Furniture and fixtures	Leased vehicles	Motor vehicles	Capital work in progress	Total
Cost:						
At 1 January 2019	8,242,632	6,138,413	1,002,710	724,847	12,165	16,120,767
Additions	440,127	54,787	--	--	758,868	1,253,782
Disposals	(68,260)	(38,286)	--	(342,390)	(70,241)	(519,177)
Transfers	20,515	318,449	--	214,837	(553,801)	--
At 31 December 2019	8,635,014	6,473,363	1,002,710	597,294	146,991	16,855,372
Depreciation:						
At 1 January 2019	5,346,673	4,911,635	1,002,710	511,870	--	11,772,888
Charge for the year	1,052,741	478,342	--	56,428	--	1,587,511
Disposal	(64,690)	(38,286)	--	(181,057)	--	(284,033)
At 31 December 2019	6,334,724	5,351,691	1,002,710	387,241	--	13,076,366
Net book value:						
At 31 December 2019	2,300,290	1,121,672	--	210,053	146,991	3,779,006

10. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Company has obtained premises / properties on lease from different lessors, with the right to use such properties against consideration as per mutual agreement.

Movement during the year related to right of use assets and lease liabilities is as follows:

a) Right-of-use assets

The reconciliation of carrying amounts of right-of-use assets are as below:

	2020	2019
Balance at 1 January	**2,189,958**	3,920,594
Addition during the year	**9,126,208**	--
Charge for the year	**(1,335,404)**	(1,730,636)
At 31 December	**9,980,762**	2,189,958

10. RIGHT OF USE ASSETS AND LEASE LIABILITIES(continued)

b) Lease liabilities

Current and non-current portions of the lease liabilities are as follows:

	2020	2019
Non-current portion of lease liabilities	**5,783,503**	342,217
Current portion of lease liabilities	**2,891,752**	783,643
	8,675,255	1,125,860

Lease liability as at 31 December 2020 include SR 1.27 million pertaining to related parties.

c) Movement of lease liabilities:

	2020	2019
At 1 January	**1,125,860**	2,791,121
Addition	**8,152,753**	--
Financial charges	**180,285**	107,739
Repayments	**(783,643)**	(1,773,000)
At 31 December	**8,675,255**	1,125,860

d) Depreciation and finance cost

	2020	2019
Depreciation expense	**1,335,404**	1,730,636
Finance costs	**180,285**	107,739
	1,515,689	1,838,375

The aging of minimum lease payments together with the present value of minimum lease payments, as of 31 December 2019 and 2020 are as follows:

	2020		2019	
	Minimum lease payments	***Present value of minimum lease payments***	*Minimum lease payments*	*Present value of minimum lease payments*
Within twelve months	**3,035,715**	**2,891,752**	963,928	783,643
One to three years	**6,078,636**	**5,783,503**	528,481	342,217
Total minimum lease payments	**9,114,351**	**8,675,255**	1,492,409	1,125,860
Less: financial charges	**(439,096)**	**--**	(366,549)	--
	8,675,255	**8,675,255**	1,125,860	1,125,860

11. INTANGIBLE ASSETS

Intangible assets at 31 December 2020 comprise of the following:

	Cost	**Capital work in progress**	**Total**
Cost:			
At 1 January 2020	10,962,273	71,250	**11,033,523**
Additions during the year	136,301	297,739	**434,040**
Transferred from capital work in progress	22,682	(22,682)	--
Disposal	--	(11,850)	**(11,850)**
At 31 December 2020	**11,121,256**	**334,457**	**11,455,713**
Amortization:			
At 1 January 2020	(8,091,346)	**--**	**(8,091,346)**
Amortized during the year	(934,624)	**--**	**(934,624)**
At 31 December 2020	**(9,025,970)**	**--**	**(9,025,970)**
Net book value at 31 December 2020	**2,095,286**	**334,457**	**2,429,743**

Intangible assets at 31 December 2019 comprise of the following:

	Cost	Capital work in progress	Total
Cost:			
At 1 January 2019	9,434,189	71,250	9,505,439
Additions during the year	1,412,584	115,500	1,528,084
Transferred from capital work in progress	115,500	(115,500)	--
At 31 December 2019	10,962,273	71,250	11,033,523
Amortization:			
At 1 January 2019	(7,098,119)	--	(7,098,119)
Amortized during the year	(993,227)	--	(993,227)
At 31 December 2019	(8,091,346)	--	(8,091,346)
Net book value at 31 December 2019	2,870,927	71,250	2,942,177

Intangible assets represent costs incurred with respect to the acquisition of software license.

12. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 14 December 2017, the Company subscribed to 2.38% shareholding in Saudi Company for Registration of Financial Leasing Contracts ("Registration Company"), registered in the Kingdom of Saudi Arabia. The Registration Company has been formed for registration of contracts relating to financial leases, amendments, registration and transfer of title deeds of the assets under the finance leases. The investment is not held for trading and the Company has decided to irrevocably classify the investment as FVOCI. Moreover, as at 31 December 2020 and 2019 the investment is classified under level 3 of fair value hierarchy.

13. SHARE CAPITAL

The share capital of the Company is divided into 50,000,000 shares (2019: 50,000,000) of SR 10 each.

a) Shareholding as at 31 December 2020

Name of shareholders	Percentage of shareholding	No. of Shares	Amount
Riyad Bank	48.46%	24,230,769	242,307,690
Zahid Group Holding Company Limited	34.62%	17,307,692	173,076,920
Al Yemni Investments	6.92%	3,461,539	34,615,390
Khaled Ahmed Al – Juffali Company	5%	2,500,000	25,000,000
Hussein Alireza Sons Company Limited	5%	2,500,000	25,000,000
Total		**50,000,000**	**500,000,000**

On 29 May 2019, one of the shareholders, Al-Wasilah Rent A Car Company Limited agreed to sell its entire shareholding (2,500,000 shares) to Hussein Alireza Sons Company Limited. Legal formalities for the transfer of shares were completed in all respects and share register was updated by the Company on 3 February 2020.

On 11 October 2020, one of the shareholders, Al-Yemni Motors Company Limited agreed to sell its entire shareholding (3,461,539 shares) to Al Yemni Investments. Legal formalities for the transfer of shares were completed in all respects and share register was updated by the Company on 1 November 2020.

a) Shareholding as at 31 December 2019

Name of shareholders	Percentage of shareholding	No. of Shares	Amount
Riyad Bank	48.46%	24,230,769	242,307,690
Zahid Group Holding Company Limited	34.62%	17,307,692	173,076,920
Al – Yemni Motors Company Limited	6.92%	3,461,539	34,615,390
Al – Wasilah Rent A Car Company Limited	5%	2,500,000	25,000,000
Khaled Ahmed Al – Juffali Company	5%	2,500,000	25,000,000
Total		**50,000,000**	**500,000,000**

14. STATUTORY RESERVE

In accordance with the Company's By-laws and the Saudi Arabian Regulations for Companies, the Company set aside 10% of its net income each year as statutory reserve until such reserve equals to 30% of the share capital. This reserve is currently not available for distribution to the shareholders of the Company.

15. EMPLOYEES' DEFINED BENEFIT OBLIGATION

The Company operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor Law. The amount recognized in the statement of financial position is determined as follows:

	2020	2019
Present value of defined benefit obligation at 31 December 2020	**16,995,315**	15,527,129

An independent actuarial valuation exercise has been conducted by the Company as at 31 December 2020 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labour Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

The movement in EOSB for the year ended 31 December is as follows:

	2020	2019
Balance as at 1 January	**15,527,129**	13,982,453
Included in profit or loss		
Current service cost	**1,464,003**	1,653,800
Interest cost	**414,922**	522,387
	1,878,925	2,176,187
Included in other comprehensive income		
Actuarial loss / (gain)	**730,923**	(35,986)
Benefits paid	**(1,141,662)**	(595,525)
Balance as at 31 December	**16,995,315**	15,527,129

Defined benefit obligation:

a) Actuarial assumptions

The following were the principal actuarial assumptions applied at the reporting date (expressed as weighted averages).

	2020	2019
Discount rate (%)	**2.41%**	3.55%
Future salary growth (%)	**3.20%**	3.20%
Retirement age	**60**	60

15. EMPLOYEES' DEFINED BENEFIT OBLIGATION (continued)

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

The weighted-average duration of the defined benefit obligation was 11.3 years (31 December 2019: 10.6 years).

b) Sensitivity analysis
Reasonably possible changes at the reporting date to one of the foregoing actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2020		2019	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(1,895,816)**	**2,291,647**	1,366,085	1,646,670
Future salary growth (1% movement)	**2,248,428**	**(1,899,360)**	1,635,395	1,382,510

Although the analysis does not take into account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

16. TRADE, ACCRUED AND OTHER PAYABLES

	2020	2019
Trade and other payables (note 16.1)	**48,325,433**	7,713,027
Accrued financial charges and other expenses	**24,284,295**	15,446,938
Other payables	**28,205,937**	19,149,268
	100,815,665	42,309,233

16.1 This includes SR 34.78 million received from customers in respect of securitization and musharika arrangements pending onward transfer to banks.

17. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions mainly pertain to finance leases, agency services, real estate development and technical advisory, which are undertaken at mutually agreed terms and conditions and approved by the Company's management.

During the year, the Company transacted with the following related parties:

Name	Relationship
Riyad Bank	Shareholder
Al -Wasilah Rent A Car Company Limited	Other related party
Al-Yemni Motors Company Limited	Other related party
Zahid Tractor and Heavy Machinery Company Limited	Other related party
Wared Transport Company	Other related party
Wared Express Company Limited	Other related party
Saudi Company of Site Technology Limited	Other related party
Arabian Company for Marketing Services LLC	Other related party
Altaaqa Alternative Solutions company Limited	Other related party
Juffali Printing Systems Company	Other related party
The Machinery Group LLC (TAMGO)	Other related party
Juffali Industrial Product Company	Other related party
Khaled Ahmed Al Juffali Industrial Company	Other related party
Khaled Ahmed Al Juffali Holding Company	Other related party
Zahid Travel Group	Other related party
Global Gypsum Co. LTD.,	Other related party
OCS Arabia Company LLC	Other related party
Al Taaqa Alternative Solutions Company Limited	Other related party
Ejar Machinery Rental Alternative Co. Ltd.	Other related party
Juffali Printing Systems Company	Other related party
Khaled Ahmed Juffali Construction Company	Other related party
Nihad Abdullah Arab & Sons Limited Company	Other related party
Board of Directors	Key management personnel
Members of Audit Committee	Key management personnel
Executive Management of the Company	Key management personnel

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Significant related parties transactions for the year ended 31 December and balances arising there from are described as under:

17.1 Due from related parties

17.1.1 Amount due from related parties [included in net investment in finance leases (note 6)]

Name	Relationship	Nature of transactions	Amount of transaction during the year		Closing balance	
			2020	2019	**2020**	2019
Global Gypsum Company Limited	Other related party	Gross investment in finance lease	**--**	--	**--**	4,871,136
Khaled Ahmed Al Juffali Industrial Company	Other related party	Gross investment in finance lease	**--**	--	**644,705**	1,072,910
Wared Transport Company	Other related party	Gross investment in finance lease	**--**	--	**--**	40,888
Khaled Ahmed Al Juffali Company	Shareholder	Gross investment in finance lease	**--**	--	**35,669**	40,272
Al -Wasilah Rent A Car Company Limited	Other related party	Gross investment in finance lease	**3,435,505**	--	--	**--**
Khaled Ahmed Juffali Construction Company	Other related party	Gross investment in finance lease	**--**	--	**27,550**	62,715
Nihad Abdullah Arab & Sons Limited Company	Other related party	Gross investment in finance lease	**--**	266,496	**236,128**	255,392
					944,052	6,343,313

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

17.1 Due from related parties (continued)

17.1.2 Amount due from related parties

Name	Relationship	Nature of transactions	Amount of transaction during the year		Closing balance	
			2020	2019	**2020**	2019
Saudi Company of Site Technology Limited	Other related party	GPS installation services	**663,533**	--	**102,262**	--

17.1.3 Other Related parties balances [included under cash and bank balances (note 4)]

Name	Relationship	Nature of transactions	Balance	
			2020	2019
Riyad Bank	Shareholder	Bank account	**21,661,520**	3,644,622

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

17.2 Due to related parties

Name	Relationship	Nature of transactions	Amount of transaction during the year 2020	Amount of transaction during the year 2019	Closing balance 2020	Closing balance 2019
Saudi Company of Site Technology Limited	Other related party	GPS installation services	**--**	2,369,086	**--**	904,347
Zahid Tractor & Heavy Machinery Co Limited	Other related party	Purchase of leasing equipment	**346,511,843**	450,356,093		
	Other related party	Services rendered	**1,056,209**	1,092,146	**15,781,878**	190,336
OCS Arabia Company LLC	Other related party	Services rendered	**21,935**	7,630	**--**	6,248**--**
Board of Directors	Board of Directors	Remuneration to Board of Directors	**300,000**	--	**300,000**	--
Members of Audit Committee	Members of Audit Committee	Remuneration to Members of Audit Committee	**93,750**	--	**93,750**	--
					16,175,628	1,100,931

17.2.1 Amount due to related parties [included in term loan (note 19)]

Name	Relationship	Nature of transactions	Amount of transaction during the year 2020	Amount of transaction during the year 2019	Closing balance 2020	Closing balance 2019
Riyadh Bank	Shareholder	Short term loan borrowing	**170,000,000**	270,000,000		
		Short term loan repayment	**205,000,000**	340,000,000	**50,000,000**	85,000,000

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

17.2 Due to related parties (continued)

17.2.2 Amount due to related parties [included in trade, accrued and other payable(note 16)]

Name	Relationship	Nature of transactions	Amount of transaction during the year		Closing balance	
			2020	2019	**2020**	2019
Riyadh Bank	Shareholder	Financial charges on term loan	**957,977**	5,232,051	**499,810**	242,852
Al-Yemni Motors Company Limited	Other related party	Purchase of leasing equipment	**2,769,500**	8,639,400	**--**	--
The Machinery Group LLC (TAMGO)	Other related party	Purchase of leasing equipment	**1,142,562**	10,204,950	**--**	--
Arabian Company for Marketing Services LLC	Other related party	Services rendered	**73,422**	73,679	**--**	--
Juffali Industrial Product Company	Other related party	Purchase of leasing equipment	**18,338,744**	34,544,894	**--**	--
Zahid Travel Group	Other related party	Services rendered	**96,570**	322,545	**--**	--
AL TAAQA Alternative Solutions Company Limited	Other related party	Purchase of leasing equipment	**1,074,100**	1,821,750	**--**	--
EJAR Machinery Rental Alternative Co. Ltd.	Other related party	Purchase of leasing equipment	**2,197,500**	5,318,775	**--**	--
Juffali Printing Systems Company	Other related party	Purchase of leasing equipment	**7,210,484**	221,162	**--**	--
Haji Hussein Ali Reza Company Limited	Other related party	Purchase of leasing equipment	**1,690,500**	--	**--**	--
Nihad Abdullah Arab & Sons Limited Company	Other related party	Services rendered	**196,351**	216,409	**--**	--
					499,810	242,852

17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

17.2 Due to related parties (continued)

17.2.3 Included in employee related costs and key management remuneration (note 22)

Name	Nature of transactions	Amount of transaction during the year 2020	2019
Key management personnel	Key management remuneration	**5,770,342**	5,609,891
Secretary to the Board	Services Rendered	**--**	550,000

Compensation of key management personnel of the Company

	2020	2019
Short-term employee benefits	**5,210,542**	5,066,591
Post-employment benefits	**559,800**	543,300
	5,770,342	5,609,891

18. NET SERVICING LIABILITY FOR SOLD FINANCE LEASE RECEIVABLES

Movement in net servicing liability for sold finance lease receivable under agency arrangements during the year ended 31 December is analyzed as follows:

	2020	2019
Balance as at 1 January	**2,418,973**	2,810,024
Amortization for the year	**(918,380)**	(391,051)
Net book value at 31 December	**1,500,593**	2,418,973

Assumptions and their sensitivity involved in the calculation of net servicing assets/ liability

Under the securitization 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 recognises 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.

18. NET SERVICING LIABILITY FOR SOLD FINANCE LEASE 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 rates are adjusted for defaults and prepayments 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.

19. TERM LOANS

	2020	2019
Short term loans (see note 19.1)	**666,530,443**	669,714,286
Long term loans (see note 19.2)	**81,309,788**	56,146,076
	747,840,231	725,860,362

19.1 These represent short term loans drawn from various local banks against credit lines of SR 2,514 million (31 December 2019: SR 2,657 million). These facilities carry fixed profit rates and are repayable within 8 months from the condensed statement of financial position date. These facilities are collateralized against promissory notes issued by the Company.

19.2 This represent long-term loans of SR 50.3 million received from Social Development Bank ("SDB") under "Monhsa'at Program" and of SR 31 million from SAMA under "Loan Guarantee Program". The purpose is to finance small and medium enterprises under the respective programs. These long-term loans are repayable in fixed monthly instalments with last instalment due in November 2023.

20. ACCRUED ZAKAT

The movement in accrued zakat for the year was as follows:

	2020	2019
At 1 January	**6,626,618**	47,723,840
Provided during the year	**351,941**	6,626,618
Prior year adjustments	**24,043**	(3,100,787)
Payments during the year	**(6,650,661)**	(5,489,988)
Reimbursed to shareholders	**--**	(39,133,065)
At 31 December	**351,941**	6,626,618

The Company is calculating Zakat accruals for the year ended 31 December 2020 based on the new Zakat rules for financing companies.

20. ACCRUED ZAKAT (continued)

Status of assessments

Zakat and tax assessments have been finalised up to the years ended 31 December 2017.

The Company has submitted Zakat and tax return for the year ended 31 December 2018 in accordance with the settlement agreement with GAZT.

Due to COVID-19 outbreak, GAZT extended the deadline to submit Zakat and tax return for the year ended 31 December 2019 to 29 July 2020 and has issued the unrestricted Zakat and Tax Certificate valid until 30 April 2021 without submission of return. Accordingly, the Company has submitted the Zakat and tax return for the year ended 31 December 2019 within the stipulated timeline.

21. REVENUES

	2020	2019
Income from finance leases (note 21.1)	**100,213,009**	129,033,425
Income from murabaha financing	**27,906,460**	22,018,752
Net income from servicing arrangements (note 18)	**3,026,312**	4,740,475
	131,145,781	155,792,652

21.1 - Earned lease income is net of the insurance expense of SR 13.3 million (2019: SR 14 million).

21.2 - Revenue is generated from markets within Kingdom of Saudi Arabia.

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Salaries and other employee's benefits	**43,599,433**	44,057,461
Consultancy charges	**2,950,888**	3,569,331
Rent (note 27)	**1,200,634**	1,421,666
Software maintenance and other charges	**2,651,031**	1,360,731
Communication and networking	**1,430,022**	1,411,274
Others	**4,230,893**	5,156,045
	56,062,901	56,976,508

23. FINANCE CHARGES

This mainly includes finance costs on term loans amounting to SR 10.42 million (2019: SR 26.1 million).

24. DIVIDEND

The shareholders in their general assembly meeting held on 26 June 2019 approved the distribution of SR 0.48 per share, totaling SR 24.04 million. No zakat adjustment has been made against the dividend approved for distribution on 26 June 2019. No dividend was announced during the year ended 31 December 2020 until the reporting date.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Company's activities but it 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 achieving profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to market risk, credit risk, and liquidity risk.

25.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and equity price risk.

Commission rate risk
Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market commission rates. As at 31 December 2020 and 31 December 2019, the Company is not exposed to significant commission rate risk as its special commission bearing assets and liabilities carry fixed rates.

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.

Equity price risk
The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities.

25.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk on cash and bank balances, net investment in finance lease, murabaha financing receivables, due from related parties, net deferred consideration receivable, employees' receivables and other receivables. The Company has established procedures to manage credit exposure including, credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines.

Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers.

The Company manages concentration of credit risk exposure through diversification of activities and sale of future net investment in finance lease receivables to different banks through purchase and agency agreements. However, the Company mitigates its credit risk through evaluation of credit worthiness internally and by obtaining promissory notes and by retaining the title of the asset leased out. An allowance for doubtful finance lease and murabaha financing receivable is maintained at a level which, in the judgement of management, is adequate to provide for impairment losses on delinquent receivables.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.2 Credit risk (continued)

All finance leases are secured mainly through promissory notes and by retaining the title of the assets leased out and generate a fixed rate of commission for each contract. The title of the assets under finance lease agreements is held in the name of the Company as collateral to be repossessed, in case of default by the customer. For credit risk arising from financial assets of the Company, including sold lease receivables – under securitization and agency arrangements (to the extent of margin deposits or guarantee amount – note 8).

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Maximum credit exposure

Maximum exposure to credit risk without taking into account any collateral and other credit enhancements is as follows:

	2020	2019
Cash and bank balances	**30,615,350**	37,053,349
Advances, prepayments and other receivables	**64,971,723**	49,005,847
Net investment in finance leases	**1,330,350,263**	1,637,494,687
Murabaha receivables	**404,656,746**	238,048,177
Total maximum credit exposure	**1,830,594,082**	1,961,602,060

25.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that adequate bank facilities are available to meet any commitments, as they arise.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2020, based on contractual payment dates:

2020	**Less than 3 months**	**3 to 12 months**	**More than 12 months**	**Total**
Trade, accrued and other payables	47,508,695	53,306,970	--	100,815,665
Due to related parties	15,781,878	393,750		16,175,628
Term loans	227,034,279	465,758,106	55,047,846	747,840,231
Employees' defined benefit liabilities	--	--	16,995,315	16,995,315
	290,324,852	**519,458,826**	**72,043,161**	**881,826,839**

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.3 Liquidity risk (continued)

2019	Less than 3 months	3 to 12 months	More than 12 months	Total
Trade, accrued and other payables	42,309,233	--	--	42,309,233
Due to related parties	1,100,931	--	--	1,100,931
Term loans	180,542,839	511,342,517	33,975,006	725,860,362
Employees' defined benefit liabilities	--	--	15,527,129	15,527,129
Total	223,953,003	511,342,517	49,502,135	784,797,655

25.3 Capital Management

The primary objectives of the Company's capital management are to safeguard its ability to continue as a going concern, maintain healthy capital ratios in order to support its business and to provide an optimal return to its shareholders.

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 amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

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

	2020	2019
Aggregate financing to capital ratio (Net investment in finance lease plus Murabaha financing receivables divided by total equity)	**2.07 times**	2.12 times

26. FINANCE LEASE RECEIVABLES – SECURITIZATION AND AGENCY AGREEMENTS

In accordance with the terms of certain securitization and agency agreements, the Company has sold finance lease receivables to the banks.

The Company continues to manage these off statements of financial position finance lease receivables as a servicer in accordance with the securitization and agency agreements entered into with the banks (note 6). The Company is continuing to manage these sold receivables for an agreed fee which is disclosed as revenue (note 18). These receivables are secured by promissory notes from the customers.

26. FINANCE LEASE RECEIVABLES – SECURITIZATION AND AGENCY AGREEMENTS (continued)

The outstanding position of such off statement of financial position finance lease receivables is as follows:

	2020	2019
Balance of outstanding finance lease receivables relating to securitization	**22,135,693**	72,481,215

The maturity analysis of above outstanding finance lease receivables is as follows:

31 December 2020	**Up to 1 year**	**More than 1 year**
Securitization agreements	**22,135,693**	**--**

31 December 2019	Up to 1 year	More than 1 year
Securitization agreements	65,742,232	6,738,983

27. PREMISES RENT UNDER OPERATING LEASE ARRANGEMENTS

	2020	2019
Payments under operating leases recognized as an expense during the year (note 22)	**1,200,634**	1,421,666

This represents rent under operating lease arrangements in respect of short term leases or leases of low value items.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at the reporting date, the management of the Company believes that the carrying values of the Company's financial assets and net investment in finance lease approximate their respective fair values.

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

29. CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments at 31 December 2020 and 31 December 2019.

30. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net (loss) / profit for the year by the weighted average number of shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Company.

31. PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- IFRS 17 Insurance Contracts.
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

Based on management's assessment, the new pronouncements are not expected to have any material impact on the financial statements of the Company.

32. RECLASSIFICATION OF PRIOR PERIOD FIGURES

Except as disclosed in note 5.2, certain prior period figures have been reclassified to conform to current period presentation, which are insignificant/immaterial in nature and amount.

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

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. Whilst the PSFSP encompasses several programs, the one most pertinent to the Company as at 31 December 2020 is the deferred payments program.

As part of the deferred payments program launched by SAMA, the Company was required to defer payments for nine months on financing facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company effected the payment reliefs by deferring the instalments falling due within the period of nine months from 14 March 2020 to 14 December 2020 without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. Furthermore, on 1 December 2020, SAMA extended the deferred payments program until 31 March 2021. The Company has affected the payment reliefs by deferring the instalments falling due within the period from 15 December 2020 to 31 March 2021 with increase in the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of the arrangement. The foregoing has resulted in total modification losses of SR 28 million of which approximately SR 12 million was unwound during the year.

33. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (continued)

The Company generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.

Furthermore, in accordance with the PSFSP, the Company also receives deferral on debt obligation, which were due between the period from 15 March 2020 to 31 March 2021, resulting in total modification gain of SR 19.3 million of which approximately SR 15.4 has been unwound during the year.

The aforementioned modification gain and losses are included in the statement of profit or loss under modification losses- net.

34. BOARD OF DIRECTORS' APPROVAL

These condensed interim financial statements were approved by the Board of Directors on 16 Rajab 1442H, corresponding to 28 February 2021.