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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by the management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Gulf Finance Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements from 1 to 33, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONTINUED)

Based on the information that has been made available to us, as disclosed in Note 10, the Company issued a loan amounting to SR 8 Million to its parent entity, Shuaa Capital PSC, registered in United Arab Emirates, which contravenes with the following regulations applicable to the Company. As at 31 December 2021 the loan has been overdue for more than 720 days and has been fully provided.

1. Article 73 of Regulation for Companies in the Kingdom of Saudi Arabia
2. Article 12(a) of Finance Companies Control Law issued by Saudi Central Bank ("SAMA")
3. Article 56(4) of implementing regulations for Finance Companies Control Law issued by SAMA
4. Article 58(2)(a) of implementing regulations for Finance Companies Control Law issued by SAMA

For Al-Bassam & Co.

Ahmed A. Mohandis
Certified Public Accountant
License No. 477

البسام وشركاؤه
محاسبون قانونيون
C.R.1010385804
Al-Bassam & Co.
Certified Public Accountants

Riyadh, Kingdom of Saudi Arabia
03 Sha'ban, 1443
06 March, 2022

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

	Note	As at 31 December 2021	2020
ASSETS			
Cash and bank balances	7	**19,315,686**	10,759,206
Term deposit	8	**86,583,380**	33,039,331
Prepayments and other receivables	9	**919,638**	1,164,382
Due from a related party	10	**-**	8,348,882
Net investment in Islamic financing	11	**154,755,239**	188,127,000
Restricted cash deposits	12	**2,267,000**	355,720
Investment carried at FVOCI	13	**892,850**	892,850
Property and equipment	14	**75,964**	104,374
Intangible assets	15	**89,968**	80,000
Right-of-use assets	16	**32,914**	98,741
TOTAL ASSETS		**264,932,639**	242,970,486
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**100,000,000**	100,000,000
Statutory reserve	18	**994,257**	994,257
Accumulated losses		**(37,164,052)**	(7,933,496)
Actuarial reserve on End-of-service indemnities		**1,322,632**	457,878
TOTAL EQUITY		**65,152,837**	93,518,639
LIABILITIES			
Other payables and accruals	19	**2,190,248**	3,452,799
Lease liabilities	16	**35,000**	102,009
Due to related party	10	**412,094**	92,340
Provision for zakat	20	**209,164**	476,502
Financial facilities	21	**195,690,025**	143,667,099
End-of-service indemnities	22	**1,243,271**	1,661,098
TOTAL LIABILITIES		**199,779,802**	149,451,847
TOTAL EQUITY AND LIABILITIES		**264,932,639**	242,970,486
Contingencies and commitments	23		

The accompanying notes 1 to 33 form an integral part of these financial statements.

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

	Note	2021	2020
INCOME FROM ISLAMIC FINANCING, NET	24	**17,548,216**	19,788,090
OPERATING (EXPENSES) / INCOME			
Finance cost	25	**(7,110,005)**	(2,563,370)
General and administrative expenses	26	**(11,703,855)**	(11,286,049)
Impairment on Islamic financing	11	**(23,581,512)**	(912,369)
Impairment on Due from related party	10	**(9,143,123)**	-
Impairment on fair value measurement of assets repossessed held for sale		**-**	(741,000)
Other income / (expense), net	27	**4,973,175**	(9,356,436)
NET OPERATING LOSS BEFORE ZAKAT		**(29,017,104)**	(5,071,134)
Zakat	20	**(213,452)**	(351,884)
NET LOSS FOR THE YEAR		**(29,230,556)**	(5,423,018)

The accompanying notes 1 to 33 form an integral part of these financial statements.

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

	Note	2021	2020
NET LOSS FOR THE YEAR		**(29,230,556)**	(5,423,018)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain / (loss) on End-of-service indemnities	22.3	**864,754**	(74,519)
Total other comprehensive income / (loss) for the year		**864,754**	(74,519)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(28,365,802)**	(5,497,537)

The accompanying notes 1 to 33 form an integral part of these financial statements.

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

31 December 2020	**Note**	**Share capital**	**Statutory reserve**	**Accumulated losses**	**Actuarial reserve on End-of-service indemnities**	**Total equity**
Balance as at 1 January 2020 (Audited)	17,18	100,000,000	994,257	(2,510,478)	532,397	99,016,176
Net loss for the year		-	-	(5,423,018)	-	(5,423,018)
Other comprehensive loss	22.3	-	-	-	(74,519)	(74,519)
Balance as at 31 December 2020		100,000,000	994,257	(7,933,496)	457,878	93,518,639

31 December 2021	**Note**	**Share capital**	**Statutory reserve**	**Accumulated losses**	**Actuarial reserve on End-of-service indemnities**	**Total equity**
Balance as at 1 January 2021	17,18	**100,000,000**	**994,257**	**(7,933,496)**	**457,878**	**93,518,639**
Net loss for the year		**-**	**-**	**(29,230,556)**	**-**	**(29,230,556)**
Other comprehensive income	22.3	**-**	**-**		**864,754**	**864,754**
Balance as at 31 December 2021		**100,000,000**	**994,257**	**(37,164,052)**	**1,322,632**	**65,152,837**

The accompanying notes 1 to 33 form an integral part of these financial statements.

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

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Operating loss before zakat		**(29,017,104)**	(5,071,134)
Adjustments for:			
Depreciation of right of use assets	16	**65,827**	65,827
Depreciation of property and equipment	14	**35,313**	40,424
Amortization of intangible assets	15	**22,724**	803,605
Finance cost	25	**7,110,005**	2,563,370
Impairment on Islamic financing	11	**23,581,512**	912,369
Impairment on Due from related party	10	**9,143,123**	-
Impairment on fair value measurement of assets repossessed held for sale		**-**	741,000
Provision for operational loss	26	**-**	266,910
Provision for End-of-service indemnities	22	**488,544**	409,232
Modification loss on financial assets	27	**4,413,023**	16,244,645
Loss on the fair valuation of initial recognition of financial assets	27	**1,702,571**	1,548,290
Government grant on SAMA liquidity support	27	**(6,840,014)**	(2,753,920)
Government grant on SAMA funding for lending program	27	**(1,929,290)**	(1,819,795)
Modification gain on financial liabilities	27	**-**	(1,177,583)
Accrued Income on Term Deposits	8	**(224,040)**	(39,331)
(Increase) / decrease in operating assets			
Prepayments and other receivables		**244,744**	192,040
Due from a related party		**(760,000)**	(2,472,406)
Net investment in Islamic financing		**3,674,655**	(39,408,405)
Restricted cash deposit		**(1,911,280)**	-
(Decrease)/increase in operating liabilities			
Other payables and accruals		**(1,262,551)**	(419,575)
Due to related party		**285,513**	(15,331)
Cash generated from / (used in) operating activities		**8,823,275**	(29,389,768)
Zakat paid	20	**(480,790)**	(920,432)
End-of-service indemnities paid	22.4	**(96,539)**	(17,500)
Net cash generated from / (used in) operating activities		**8,245,946**	(30,327,700)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14	**(6,903)**	(6,870)
Purchase of Term Deposits	8	**(119,359,340)**	(33,000,000)
Encashment of Term Deposits		**33,000,000**	-
Purchase of intangible assets	15	**(32,692)**	(100,000)
Net cash used in investing activities		**(86,398,935)**	(33,106,870)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial facilities		**109,540,453**	58,676,509
Repayment of financial facilities		**(51,168,874)**	(9,962,264)
Finance cost paid		**(4,631,441)**	(1,077,377)
Lease liabilities paid	16	**(70,000)**	(70,000)
Net cash generated from financing activities		**53,670,138**	47,566,868
Net decrease in cash and cash equivalents		**(24,482,851)**	(15,867,702)
Cash and cash equivalents at beginning of the year	6	**43,798,537**	26,626,908
Cash and cash equivalents at end of the year	6	**19,315,686**	10,759,206

The accompanying notes 1 to 33 form an integral part of these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

Gulf Finance Company ("the Company") is a Saudi closed Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial registration under No. 1010369744 and unified No. 7013624916 on 28 Dhul Qa'adah 1433H (corresponding to 14 October 2012).

On 15 December 2013 and in accordance with article 6 of the implementing regulations of the law of supervision of finance companies, the Company submitted its application to the Saudi Central Bank (SAMA) to obtain its license as a financing company. On 3 Jumada al-Akhirah 1435H (corresponding to 3 April 2014), the Company obtained the preliminary approval on the license from SAMA. On 16 Safar 1436H (corresponding to 8 December 2014) the Company obtained the license from SAMA to engage in the finance lease activities. The principal of activities of the Company includes financial lease, financing production assets to Small and Medium Enterprises (SMEs).

The Company's Head Office is located at the following address:
Gulf Finance Company
Al Hokair Holding Group Building,
Ground Floor, North Ring Road, Al Murooj Area
P.O. Box 240249
Riyadh 11322
Kingdom of Saudi Arabia

The Company's activities as per the commercial registration of the Company include:
(a) Wholesale and retail trade in cars and vehicles, trucks, tankers and heavy equipment, electrical and electronic devices and its spare parts in cash and installment; and

(b) Purchase of land for the construction of buildings and the investment of these buildings by selling or leasing them for the benefit of the Company provided that the real estate shall be outside the boundaries of Makkah and Madinah.

The Company has the following branches

S. No	Branch	Unified No.	Date
1	Riyadh	7013624916	26 Jumada Al-Awwal 1434H
2	Jeddah	7001738363	28 Dhul Qada 1433H
3	Dammam*	2050091775	12 Rajab 1434H

*The commercial registration of the branch has been expired. As of 31 December 2021, the branch is not operational.

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.2. BASIS OF MEASUREMENT

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

a) End of service indemnities are recognized at the present value of future obligations using the Projected Unit Credit Method;
b) Investment in Equity Instruments are measured at fair value; and
c) Assets repossessed held for sale measured at the lower of carrying amount and fair value less cost to sell.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

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

2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

2.4.1. Determination of discount rate for present value calculations

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

2.4.2. Actuarial valuation of employees' end-of-service indemnities

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

2.4.3. Business model assessment

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

2. BASIS OF PREPARATION (CONTINUED)

2.4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

2.4.4. Significant increase in credit risk

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

2.4.5. Fair value measurement and valuation process

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

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

(All amounts in Saudi Riyals unless otherwise stated)

3. New standards, amendments to standards and interpretations

Amendments

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

New amendments to standards issued and applied effective in year 2021

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IFRS 16	Amendments to IFRS 16 Leasing - Covid-19 Related Rent Concessions	April 1, 2021	This amendment extend the exemption from assessing whether a COVID-19-related rent concession is a lease modification for payments originally due on or before June 30, 2022 (rather than payment due on or before June 30, 2021).

(All amounts in Saudi Riyals unless otherwise stated)

4. New standards, amendments and revised IFRS issued but not yet effective

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

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts Cost of Fulfilling Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.

(All amounts in Saudi Riyals unless otherwise stated)

New standards, amendments and revised IFRS issued but not yet effective (continued)

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

New standards, amendments and revised IFRS issued but not yet effective (continued)

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

5. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently to all years presented, except as disclosed under Note 3.

5.1. Cash and cash equivalents

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

5.2. Leases

Lease arrangements where the Company is a lessor

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

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

Ijara receivables

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

Lease arrangements where the Company is a lessee

The Company leases buildings for branches. Rental contracts are typically made for fixed periods of 1 year to 4 years but may have extension options. The Company assesses whether a contract is or contains a lease, at inception of the contract. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for financing purposes. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee each lease payment is allocated between the liability and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2. Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and;
- restoration costs.

Lease arrangements where the Company is a lessee (Continued)

Extension and termination options are included in a number of property leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

To optimize lease costs during the contract period, the Company sometimes provides residual value guarantees in relation to equipment leases.

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

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2. Leases (Continued)

Lease arrangements where the Company is a lessee (Continued)

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

5.3. Financial instruments

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

5.3.1. Financial Asset

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

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

Subsequent measurement
After initial recognition financial assets can be measured at Amortized cost, Fair value through other comprehensive income ("FVOCI") or Fair value through profit and loss ("FVTPL").

a) Financial Asset at amortized cost

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

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

b) Financial asset at FVOCI

Debt Instruments
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets, 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (Continued)

c) Financial Asset at FVTPL

All other financial assets are classified as measured at FVTPL.

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

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

Business model assessment

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (Continued)

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

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

- the carrying amount (measured at the date of derecognition) and
- the consideration received (including any new asset obtained less any new liability assumed)

is recognized in profit or loss.

Modification
When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, The Company recalculates the gross carrying amount of the financial asset and recognize a modification gain or loss in the statement of profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Reclassification
Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

Impairment
The Company assesses on a forward-looking basis, the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For net investment in Islamic financing, the Company applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition unless they have low credit risk at the reporting date, but that does not have objective evidence of impairment. For these assets, lifetime ECL is recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that result from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (Continued)

Impairment
The Company, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. Other instruments are considered as low risk and the Company uses a provision matrix in calculating the expected credit losses.

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

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

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

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

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

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

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

Write-off
Financial assets are written off only when:
(I) there is a recommendation by the collections department and approved by management and board members as per the policy, and
(ii) there is no reasonable expectation of recovery.

Where financial assets are written off, the Company continues to engage in enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, are recognized as other income in the statement of comprehensive income.

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.2. Financial Liabilities

Classification of financial liabilities
The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

These amounts represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.
6.

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

Subsequent measurement
After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

De-recognition of financial liabilities
Financial liabilities are derecognized when the obligations specified in the contract is discharged, canceled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment.

Modification
For financial liabilities, if an exchange or change in the terms of a debt instrument does not qualify for de-recognition it is accounted for as a modification of the financial liability. If the exchange or modification is not accounted for as an

extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

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

5.3.3. Effective interest method

The effective interest method is a method of calculating the amortized cost of financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

5.4. Assets repossessed held for sale

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.4 Assets repossessed held for sale (Continued)

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

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

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

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

5.5. Property and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

	Years
Computers and office equipment	3
Furniture and fixture	3
Motor vehicle	4

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

5.6. Intangible assets

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6. Intangible assets (Continued)

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses if any. Amortization is charged applying the straight-line method over the useful lives of 3 - 5 years.

Amortization is charged from the month in which the asset is available for use. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably

5.7. Impairment of non-financial assets

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets or cash-generating unit in prior year. The reversal of an impairment loss is recognized in the statement of profit or loss immediately.

5.8. Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of financial liability or financial asset. The Company’s ordinary shares are classified as equity instruments.

5.9. Statutory reserves

In accordance with Company’s By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to recognize a reserve comprising 10% of its Net Income for the year. As per its By-laws, the Company will cease the contribution when such reserve will reach 30% of its Share Capital.

5.10. Trade payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

5.11. Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)
using the cash flows estimated to settle the present obligation to its carrying amount is the present value of those cash flows.

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

5.12. Zakat
Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on the accrual basis. Zakat charge for the year is charged directly to the statement of profit or loss with a corresponding liability recognized in the statement of financial position. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization, refer note 3.

5.13. Financial facilities
Financial facilities are initially recognized at fair value, net of transaction costs incurred. Financial facilities are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of profit or loss of the period of the financial facilities using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Financial facilities are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the

Difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Financial facilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.16. Revenue recognition - Finance lease and other operating income

(i) Income from finance lease
Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:
a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e., net of the expected credit loss)

(ii) Processing fee
Processing fees and other operating income represent administration fees which include leases initiation and customer risk assessment. Processing fee income is recognized over the period of the lease using the effective rate method, which results in a constant periodic rate of return on the net investment outstanding.

Other operating income is recorded as when incurred.

5.17. Proposed dividend and transfer between reserves

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

5.18. Onerous contracts

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

5.19. Foreign currency transactions

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

5.20. General and Administrative expenses and Selling and marketing expenses

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

5.21 Government Grant

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

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

(All amounts in Saudi Riyals unless otherwise stated)

6. CASH AND CASH EQUIVALENTS

		As at 31 December	
	Note	**2021**	**2020**
Cash at bank	**7**	**19,312,686**	10,756,206
Cash in hand		**3,000**	3,000
Term Deposits – Original maturity of less than 3 months	**8**	**-**	33,000,000
Accrued profit		**-**	39,331
		19,315,686	43,798,537

7. CASH AND BANK BALANCES

		As at 31 December	
	Note	**2021**	**2020**
Cash at bank	**6, 7.1**	**19,312,686**	10,756,206
Cash in hand		**3,000**	3,000
		19,315,686	10,759,206

7.1. The Company does not earn profit on current accounts with banks.

8. TERM DEPOSITS

The Company has placed these term deposits with local banks having average profit rate of 1%. These investments are carried at amortized cost.

		As at 31 December	
	Note	**2021**	**2020**
Term deposits with original maturity upto 3 months	**6**	**-**	33,000,000
Term deposits with original maturity more than 3 months		**86,359,340**	-
Accrued profit		**224,040**	39,331
		86,583,380	33,039,331
Current portion		**80,461,380**	33,039,331
Non-current portion		**6,122,000**	-

9. PREPAYMENTS AND OTHER RECEIVABLES

		As at 31 December	
	Note	**2021**	**2020**
Prepaid kafala fee		**273,053**	289,375
Prepaid facility fee	21	**241,543**	-
Prepaid insurance		**172,659**	8,610
Prepaid professional fee		**96,135**	-
Prepaid office rent		**34,167**	488,039
Others		**102,081**	378,358
		919,638	1,164,382

(All amounts in Saudi Riyals unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the year

Names of Related Parties	Nature of Relationship	Nature of transactions	Note	2021	2020
Shuaa Capital PSC – UAE.	Shareholder – ("Parent Company")	Allocation of other operating expenses		**(52,883)**	(64,466)
		Finance income	**27**	**760,000**	763,155
		Collection against disposed-off financing portfolio		**(289,598)**	(30,000)
		Commission on collection from customers	**27**	**-**	87,538
		Payments to Parent Company		**-**	1,716,179
Gulf Finance Company PJSC – UAE	Shareholder	Allocation of software and related cost	**26**	**(124,668)**	(39,443)
		Allocation of other operating expenses		**(16,156)**	-
		Allocation of support services relating to IT software		**(398,088)**	(408,392)
		Repayment by Gulf Finance Company		**595,881**	463,166

(All amounts in Saudi Riyals unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions during the year

Names of Related Parties	Nature of Relationship	Nature of transactions	Note	2021	2020
Second Coast Company for Commercial Hotels	Affiliate	Profit earned	24	**838,412**	527,090
		Profit received		**(403,096)**	(773,126)
		Modification loss	27	**(231,959)**	(223,686)
		Writeoff*		**(44,468)**	-
		Fee income received	27	**(45,348)**	-
		Repayment by the related party		**-**	(1,726,874)
Fifth Coast Company for Commercial Hotels	Affiliate	Profit earned	24	**539,888**	415,886
		Writeoff*		**(236,666)**	-
		Profit received		**(677,778)**	-
		Fee income received	27	**(28,750)**	-
		Repayment by the related party		**(5,000,000)**	-
		Modification loss	27	**(5,172)**	(341,755)
First Sabeel Hotels Company	Affiliate	Profit earned	24	**820,630**	955,695
		Writeoff*		**(411,780)**	-
		Repayment by the related party		**(7,600,000)**	(1,500,000)
		Modification loss	27	**(2,462)**	(519,468)
		Profit received		**(1,030,222)**	(150,000)
		Fee income received	27	**(43,700)**	-
Raibat Al Yasmin Company for Real Estate Investment and Development	Affiliate	Modification loss	27	**(326,007)**	(369,877)
		Profit earned	24	**1,049,046**	979,214
		Writeoff*		**(182,613)**	-
		Profit received		**(1,271,944)**	-
		Fee income received	27	**(54,625)**	-

(All amounts in Saudi Riyals unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions during the year

Names of Related Party	Nature of Relationship	Nature of transactions	Note	2021	2020
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Affiliate	Net finance provided under Islamic Financing	10.2	**-**	700,784
		Profit earned	24	**520,260**	375,473
		Writeoff*		**(23,863)**	-
		Profit received		**(508,094)**	-
		Fee income received	27	**(301,447)**	-
Key Management Personnel	Executives	Salaries and other short-term employee benefits	26	**4,012,828**	3,667,880
	Directors	Board Remuneration		**200,000**	200,000

*These write-offs relate to the unreconciled differences and has been approved by the board of directors.

Balances as at the year-end

	Nature of balance	Note	As at 31 December 2021	2020
Due from a related party				
Shuaa Capital PSC, UAE	Loan to shareholder	10.1	**9,143,123**	8,348,882
	Provision for impairment		**(9,143,123)**	-
			-	8,348,882
Due to related parties				
Shuaa Capital PSC, UAE	Allocation of software and related cost		**376,722**	**-**
Gulf Finance Company PJSC, UAE	Allocation of software and related cost		**35,372**	92,340
			412,094	92,340

10.1 This represents an unsecured short-term intercompany loan without any asset-backed financing to the Parent Company under an agreement made on 7 February 2019. The loan bears interest of 9.5% per annum and was repayable in 90 days. However, upon the expiry of the term, it was rescheduled by the Company on the request of the Parent Company dated 5 August 2019 for another 180 days and was repayable on 4 November 2019. As at December 31, 2021 the loan has been overdue for more than 720 days. However, full provision for impairment has been recorded during the year.

(All amounts in Saudi Riyals unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Net investment in Islamic financing

The Company has certain Islamic financing agreements with the related parties. These related parties are special purpose vehicles of Shuaa Capital KSA. Due from these related parties against outstanding Islamic financing are included within net investment in Islamic financing and are given below:

		As at 31 December	
	Note	**2021**	**2020**
Second Coast Company for Commercial Hotels	**10.2**	**7,886,667**	7,773,126
Fifth Coast Company for Commercial Hotels	**10.2**	**-**	5,408,478
First Sabeel Hotels Company	**10.2**	**-**	8,267,533
Raibat Al Yasmin Company for Real Estate Investment and Development	**10.2**	**9,500,000**	10,286,143
Shuaa Cayan City Lights for Development & Real Estate Investment Company	**10.2**	**5,330,783**	5,643,926
Provision for impairment		**(22,717,450)**	(81,715)
		-	37,297,491

(All amounts in Saudi Riyals unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

10.2 The following represents the terms and conditions of short-term financing provided to related parties.

Secured – Ijara	**Note**	**Relationship**	**Effective Interest Rate**	**Tenure**	**No. of times Rescheduled**	**Amount Financed**
Second Coast Company for Commercial Hotels	**10.3**	Affiliates	10%	12 months	6	9,500,000
Fifth Coast Company for Commercial Hotels	**10.4**	Affiliates	10%	12 months	2	5,000,000
First Sabeel Hotels Company	**10.5**	Affiliates	10%	12 months	2	7,600,000
						22,100,000
Unsecured – Murabaha						
Raibat Al Yasmin Company for Real Estate Investment and Development	**10.6**	Affiliates	10%	12 months	2	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	**10.7**	Affiliates	10%	12 months	3	3,000,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	**10.8**	Affiliates	10%	12 months	3	1,855,944
						14,355,944
						36,455,944

10.3 During the year 2021, the Company rescheduled the loan for an additional period of 6 months under SAMA program till 30 June 2021. The Company has further rescheduled the loan from 30 June 2021 without receiving the principal amount and therefore upon rescheduling the Company downgraded the Customer to Stage 3.

10.4 During the year 2021, the Company has rescheduled the loan till 17th April 2021 under Monshaat program. Total accrued profit and principal balance as of 31 Dec 2021 was received.

10.5 During the year 2021, the Company has rescheduled the loan till 17th April 2021 under Monshaat program. Total accrued profit and principal balance as of 31 Dec 2021 was received.

10.6 During the year 2021, the Company rescheduled the loan for an additional period of 6 months under SAMA program till 30 June 2021. The Company has further rescheduled the loan from 30 June 2021 without receiving the principal amount and therefore upon rescheduling the Company downgraded the Customer to Stage 3.

10.7 During the year 2021, the Company has rescheduled the loan for an additional period of 12 months. Accrued profit was not received at the time of rescheduling and therefore upon rescheduling the Company downgraded the Customer to Stage 3.

10.8 During the year 2021, the Company has rescheduled the loan for an additional period of 12 months. Accrued profit was not received at the time of rescheduling and therefore upon rescheduling the Company downgraded the Customer to Stage 3.

(All amounts in Saudi Riyals unless otherwise stated)

11. NET INVESTMENT IN ISLAMIC FINANCING

	As at 31 December	
	2021	**2020**
Financial asset carried at amortized cost		
Murabaha	**44,969,576**	40,944,019
Investment classified as a finance lease		
Ijara	**109,785,663**	147,182,981
	154,755,239	188,127,000

11.1 Details of net investment in Islamic financing:

		Ijara		Murabaha		Total	
	Note	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Gross investment in Islamic financing	**11.2**	**142,264,019**	182,225,264	**69,317,124**	47,589,449	**211,581,143**	229,814,713
Unearned / Deferred Islamic financing income		**(20,606,282)**	(30,696,325)	**(9,195,965)**	(6,252,930)	**(29,802,247)**	(36,949,255)
		121,657,737	151,528,939	**60,121,159**	41,336,519	**181,778,896**	192,865,458
Unearned origination fees		**(267,857)**	(762,180)	**(185,226)**	(203,381)	**(453,083)**	(965,561)
		121,389,880	150,766,759	**59,935,933**	41,133,138	**181,325,813**	191,899,897
Impairment on Islamic financing		**(11,604,217)**	(3,583,778)	**(14,966,357)**	(189,119)	**(26,570,574)**	(3,772,897)
Net investment in Islamic financing		**109,785,663**	147,182,981	**44,969,576**	40,944,019	**154,755,239**	188,127,000
Current portion		**45,202,285**	62,507,869	**16,502,868**	23,166,524	**61,705,153**	85,674,393
Non-current portion		**64,583,378**	84,675,112	**28,466,708**	17,777,495	**93,050,086**	102,452,607

11.2 This includes balances due from related parties (Refer Note 10).

11.3 The maturity of the investment in Ijara is as follows:

	As at 31 December	
	2021	**2020**
Year 1	**68,133,887**	81,591,974
Year 2	**38,505,293**	43,615,730
Year 3	**24,243,658**	35,329,391
Year 4	**10,905,962**	18,471,540
Year 5 onwards	**475,219**	3,216,629
Gross investment in Ijara	**142,264,019**	182,225,264
Less: Unearned income	**(20,606,282)**	(30,696,325)
Net investment in Ijara	**121,657,737**	151,528,939

(All amounts in Saudi Riyals unless otherwise stated)

11. NET INVESTMENT IN ISLAMIC FINANCING (CONTINUED)

11.4. The Company in the ordinary course of its business holds collateral in respect of Islamic financing (being the title of assets leased out) including real-estate collaterals in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.

11.5. The Company has assigned Islamic financing receivables amounting to SR 40.3 million (31 December 2020: SR 2.96 million) to local commercial banks for obtaining financial facilities. These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk.

11.6. The title of the assets sold under finance lease agreements is held in the name of the Company. Further, all investments in Islamic financing are secured through personal guarantees.

11.7. In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA. As part of the Deferred Payment Program ("DPP"), the Company deferred payments for 6 months to contracts that qualify as MSME with extending the tenure of the facility.

11.8. During April till December 2021, SAMA extended for 9 months for qualifying MSME. The accounting impact of these changes in terms of the net investment in Islamic Financing has been assessed and account for as per the requirements of IFRS 9 as a modification in terms of the arrangements (see Note 27). Modification loss has been recognized under other income / (expenses) in the statement of profit or loss

11.9. During the year 2021, the Company has provided financing amounting to SR 21.7 million (31 December 2020: SR 20.5 million) to Small and Medium-Sized Entities (SME) that qualify for the facility under SAMA funding for lending program on profit rates below-market. These facilities are 95% secured under the Kafala program and these facilities are repayable in 30 monthly installments with the first installment is due after 6 months' grace period from the date of the contract, which is discounted using average market prevailing profit rates for similar financing facilities to determine the fair value. The difference between financing provided and its fair value is recorded in the statement of profit or loss as per the requirements of IFRS 9 (see Note 27).

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

	Note	**2021**	**2020**
Balance at the beginning of the year		**3,772,897**	2,885,578
Provided during the year		**23,581,512**	912,369
Written off during the year	**11.11**	**(783,835)**	(25,050)
Balance at the end of the year		**26,570,574**	3,772,897

11.11. During the year, the Board of Directors and management of the Company approved a write-off of net investment in Islamic financing receivable. These amounts are subject to enforcement activities.

(All amounts in Saudi Riyals unless otherwise stated)

12. RESTRICTED CASH DEPOSITS

The Company has placed these funds as margin deposits for certain financial facilities granted to the Company by counterparty finance providers.

	Note	As at 31 December 2021	As at 31 December 2020
Restricted cash deposit	21	2,267,000	355,720
		2,267,000	355,720

13. INVESTMENT CARRIED AT FVOCI

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

The investment in equity instrument is not held for trading. Instead, held for the medium to long-term purposes. Accordingly, the Company has elected to designate this investment in equity instruments as at FVOCI.

Due to the unavailability of the recent information to determine the fair value of the Company, the cost of the investment is considered to be the best estimate of fair value.

14. PROPERTY AND EQUIPMENT

	2021			
	Computers and office equipment	**Furniture and fixture**	**Motor Vehicle**	**Total**
Cost				
Opening balance	**739,967**	**437,595**	**45,750**	**1,223,312**
Additions	**6,903**	**-**	**-**	**6,903**
As of 31 December 2021	**746,870**	**437,595**	**45,750**	**1,230,215**
Accumulated depreciation				
Opening balance	**733,097**	**340,091**	**45,750**	**1,118,938**
Charge for the year	**4,178**	**31,135**	**-**	**35,313**
As of 31 December 2021	**737,275**	**371,226**	**45,750**	**1,154,251**
Net book value:				
As of 31 December 2021	**9,595**	**66,369**	**-**	**75,964**

(All amounts in Saudi Riyals unless otherwise stated)

14. PROPERTY AND EQUIPMENT (CONTINUED)

	2020			
	Computers and office equipment	**Furniture and fixture**	**Motor Vehicle**	**Total**
Cost				
Opening balance	733,097	437,595	45,750	1,216,442
Additions	6,870	-	-	6,870
As of 31 December 2020	739,967	437,595	45,750	1,223,312
Accumulated depreciation				
Opening balance	724,600	308,164	45,750	1,078,514
Charge for the year	8,497	31,927	-	40,424
As of 31 December 2020	733,097	340,091	45,750	1,118,938
Net book value:				
As of 31 December 2020	6,870	97,504	-	104,374

15. INTANGIBLE ASSETS

	2021	**2020**
	Computer Software	
Cost		
Opening balance	**4,682,700**	4,582,700
Additions	**32,692**	100,000
As of 31 December	**4,715,392**	4,682,700
Accumulated amortization		
Opening balance	**4,602,700**	3,799,095
Charge for the year	**22,724**	803,605
As of 31 December	**4,625,424**	4,602,700
Net book value:		
As of 31 December	**89,968**	80,000

(All amounts in Saudi Riyals unless otherwise stated)

16. LEASES

16.1. Amounts recognized in the statement of financial position

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

	Note	2021	2020
Right-of-use assets- Building			
Balance as at 1 January		**197,481**	197,481
Additions during the period		**-**	-
Balance as at 31 December		**197,481**	197,481
Accumulated Depreciation			
Balance as at 1 January		**(98,740)**	(32,913)
Depreciation charge for the period	26	**(65,827)**	(65,827)
Balance as at 31 December		**(164,567)**	(98,740)
Net Book Value as at 31 December		**32,914**	98,741
Lease Liabilities			
Balance as at 1 January		**102,009**	166,585
Additions during the period		**-**	-
Charge for the period	25	**2,991**	5,424
Less: Lease payments during the period		**(70,000)**	(70,000)
Balance as at 31 December		**35,000**	102,009

16.2. Maturity profile of lease liabilities:

	As at 31 December 2021	As at 31 December 2020
Year 1	**35,000**	70,000
Year 2	**-**	35,000
Year 3 onwards	**-**	-
Total undiscounted lease liabilities	**35,000**	105,000
Less: Finance cost	**-**	(2,991)
	35,000	102,009

	As at 31 December 2021	As at 31 December 2020
Current portion		
Lease liabilities	**35,000**	67,154
Non-current portion		
Lease liabilities	**-**	34,855
	35,000	102,009

16.3. Amounts recognized in the statement of profit or loss

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

	2021	2020
Lease financial cost (included in finance cost)	**2,991**	5,423
Expense relating to short-term leases (included in General and administrative expenses)	**506,944**	510,610
Expense relating to leases of low-value assets that are not short-term leases	**-**	-
Expense relating to variable lease payments not included in lease liabilities	**-**	-

The total cash outflow for leases in 2021 was SR 70,000 (31 December 2020: SR70,000).

(All amounts in Saudi Riyals unless otherwise stated)

17. SHARE CAPITAL

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

	As at 31 December 2021			As at 31 December 2020
Shareholders	**Holding %**	**No. of Shares**	**Amount**	**Amount**
Shuaa Capital PSC, UAE	**92%**	9,200,000	92,000,000	92,000,000
Gulf Finance Company PJSC, UAE	**5%**	500,000	5,000,000	5,000,000
Shuaa 1 for Commercial Brokerage LLC, UAE	**1%**	100,000	1,000,000	1,000,000
Shuaa 2 for Commercial Brokerage LLC, UAE	**1%**	100,000	1,000,000	1,000,000
Shuaa 3 for Commercial Brokerage LLC, UAE	**1%**	100,000	1,000,000	1,000,000
	100%	**10,000,000**	**100,000,000**	**100,000,000**

18. STATUTORY RESERVE

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

19. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	**2020**
Charity Payables	**914,181**	424,480
Accrued expenses	**654,008**	839,413
Unclaimed deposits	**350,469**	1,008,878
Payable to suppliers	**271,387**	1,170,598
Others	**203**	9,430
	2,190,248	3,452,799

20. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	2021	**2020**
Balance at the beginning of the year	**476,502**	1,045,050
Provided during the year	**213,452**	351,884
Payment during the year	**(480,790)**	(920,432)
Balance at the end of the year	**209,164**	476,502

STATUS OF ASSESSMENTS

The Zakat returns for the years ended 31 December 2014 till 2017 had been filed and were under review by ZATCA. Upon finalization of the assessment, demand has been raised by ZATCA of SR 259,618 for the years 2014 till 2017. The first payment of SR 51,923 was made immediately upon receipt of the notice. The remaining amount is payable in equal installments of SR 41,539 from 2019 to 2023 with the first amount paid on 16 December 2019.

The Zakat return for the year ended 31 December 2020 has been filed and are under review with ZATCA. The Company has obtained a certificate from the ZATCA valid until 18 Ramadan 1442H corresponding to 30 April 2022.

(All amounts in Saudi Riyals unless otherwise stated)

21. FINANCIAL FACILITIES

	Note	As at 31 December 2021	2020
Long-term financial facilities	**21.1, 21.3**	**191,845,530**	142,243,255
Finance Cost payable		**3,844,495**	1,423,844
		195,690,025	143,667,099

21.1. Maturity profile

	As at 31 December 2021	2020
Current portion		
Long-term financial facilities	**133,311,104**	73,939,450
Non-current portion		
Long-term financial facilities	**58,534,426**	68,303,805
	191,845,530	142,243,255

21.2. Unsecured financial facilities at amortized cost

	As at 31 December 2021	2020
Zero-interest loan	**170,309,030**	139,974,862

Secured financial facilities at amortized cost

	As at 31 December 2021	2020
Murabaha	**21,536,500**	2,268,393

21.3. The Company obtained bank financial facilities from a local bank for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates and also have restricted cash deposits. The Company has collateralized certain Islamic financing receivables in order to obtain these financial facilities (Refer Note 11.5)

21.4. During the year, the Company has obtained government financing amounting to SR 21.7 million from SAMA at a zero-profit rate to finance the Small and Medium-Sized Entities (SME) under SAMA funding for lending program. These financings are repayable in 30 monthly installments with the first installment is due after 6 months' grace period from the date of the contract, which is discounted using average market prevailing profit rates for similar financing facilities. The present value of these amounts to SR 19.8 million. The difference between financing received and its present value is recorded as a government grant and has been accounted for as per the requirements of IFRS (see Note 27).

21.5. During the year, the Company has obtained government financing amounting to SR 65.14 million from SAMA at a zero-profit rate under SAMA liquidity support program. These financings are repayable in 18 months which is discounted using average market prevailing profit rates for similar financing facilities. The present value of these amounts to SR 59.13 million. The difference between financing received and its present value is recorded as a government grant and has been accounted for as per the requirements of IFRS (see Note 27).

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

(All amounts in Saudi Riyals unless otherwise stated)

22. END OF SERVICE INDEMNITIES

	As at 31 December	
	2021	**2020**
The present value of the defined benefit obligation	**1,243,271**	1,661,098

22.1. PRINCIPAL ACTUARIAL ASSUMPTIONS

	2021	**2020**
Discount rate (% per annum)	**3.16%**	3.07%
Rate of change in salary (% per annum)	**3.5%**	7%
Mortality rates SLIC (2001-2005)	**AM92 Ultimate**	AM92 Ultimate
Employee turnover (withdrawal) rates	**2.03%**	2.03%

22.2. AMOUNT CHARGEABLE TO PROFIT OR LOSS

	2021	**2020**
Service cost	**488,544**	409,232
Finance cost on net defined benefit liability	**54,922**	45,254
The total amount charged to statement of profit and loss	**543,466**	454,486

22.3. AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME

	2021	**2020**
Actuarial (Gains) / Losses due to change in financial assumptions	**(448,675)**	77,425
Actuarial Gains due to experience adjustments	**(416,079)**	(2,906)
Amount charged to other comprehensive loss or income	**(864,754)**	74,519

22.4. RECONCILIATION OF THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATION

	2021	**2020**
Balance at the beginning of the year	**1,661,098**	1,149,593
Charge for the year	**543,466**	454,486
Actuarial (gain) / loss	**(864,754)**	74,519
Paid during the year	**(96,539)**	(17,500)
Balance at the end of the year	**1,243,271**	1,661,098

(All amounts in Saudi Riyals unless otherwise stated)

22. END OF SERVICE INDEMNITIES (CONTINUED)

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

	Change in assumption	Increase / (decrease) in present value of employees' end-of-service indemnities liability	
		Amount	%
Discount rate	+1%	1,153,354	(7.23)%
	-1%	1,345,415	8.22%
Long term salary	+1%	1,350,477	8.62%
	-1%	1,147,230	(7.72)%
Mortality	120%	1,242,844	(0.03)%
	80%	1,243,700	0.03%
Employee turnover rate	+1%	1,227,574	(1.26)%
	-1%	1,260,032	1.35%

22.6. **Maturity profile:**

	As at 31 December 2021	2020
Year 1	**102,981**	100,106
Year 2	**128,530**	118,210
Year 3	**138,311**	154,402
Year 4	**146,591**	175,602
Year 5 onwards	**5,330,132**	9,420,978
Total undiscounted defined benefit obligation	**5,846,545**	9,969,298
Less: Finance cost	**(4,603,274)**	(8,308,200)
	1,243,271	1,661,098

The weighted average duration of the defined benefit obligation is 9 years.

	As at 31 December 2021	2020
Current portion		
End of service indemnities	**97,681**	96,646
Non-current portion		
End of service indemnities	**1,145,590**	1,564,452
	1,243,271	1,661,098

23. CONTINGENCIES AND COMMITMENTS

During 2019, the Company has offered a loan to its shareholder Shuaa Capital PSC UAE amounting to SR 8 million as disclosed in Note 10. The Loan was provided in contravention of certain of provisions of SAMA as a result the penalties section of the regulation includes possible penalties amounting to SR 250k - SR500K. During the year 2021, SAMA inspection has been carried out but the same has not been concluded until the date of these financial statements. Due to the inability to measure the amount of obligation with sufficient reliability, no provision for the penalties is recognized in the financial statements as at 31 December 2021.

(All amounts in Saudi Riyals unless otherwise stated)

24. INCOME FROM ISLAMIC FINANCING, NET

	Note	2021	2020
Revenue from main operation			
Income from Ijara		**12,395,482**	16,635,596
Income from Murabaha		**5,152,734**	3,152,494
		17,548,216	19,788,090

24.1. During the year the Company has recognized income from Islamic financing amounting to SR 3,768,238 (2020: SR 3,253,358) from the related parties (also refer note 10).

24.2. Directly allocated transaction cost of Islamic financing is amounting to SR 0.04 million (2020: SR 0.01 million).

24.3. Insurance expenses for Ijara financing are amounting to SR 0.43 million (2020: SR 1.01 million).

25. FINANCE COST

	Note	2021	2020
Financial facilities;			
-Zero interest rate	**21.4**	**6,565,299**	2,356,691
-Murabaha	**21.3**	**469,816**	121,231
Finance cost on End-of-service indemnities		**54,922**	45,254
Bank charges		**16,977**	34,770
Lease liabilities	**16.1**	**2,991**	5,424
		7,110,005	2,563,370

26. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2021	2020
Salaries and allowances		**7,495,679**	7,209,662
IT expense		**1,046,653**	608,817
Professional and consultancy fees		**774,032**	819,746
Rent expense	**16.3**	**506,944**	510,610
Value added tax		**500,081**	275,884
Legal fees		**469,878**	48,337
Communication		**162,274**	178,566
Depreciation on right-of-use assets	**16.1**	**65,827**	65,827
Travelling expense		**61,672**	83,659
Depreciation on property and equipment	**14**	**35,313**	40,424
Printing and stationary		**30,970**	7,832
Amortization of intangible assets	**15**	**22,724**	803,605
Repairs and maintenance		**8,479**	-
Provision for operational loss		**-**	266,910
Other		**523,329**	366,170
		11,703,855	11,286,049

27. OTHER INCOME / (EXPENSES), NET

	Note	2021	2020
Modification gain on financial liabilities	**21.6**	**-**	1,177,583
Government grant on SAMA funding for lending	**21.4**	**1,929,290**	1,819,795
Government grant on SAMA liquidity support	**21.5**	**6,840,014**	2,753,920
Origination fee		**602,478**	941,167
Finance income on loan to shareholder	**10**	**760,000**	763,155
Fees and Commission	**10**	**531,560**	473,398
Profit on Term deposit	**8**	**425,427**	419,943
Commission on collection	**10**	**-**	87,538
Loss on the fair valuation of initial recognition of financial assets	**11.10**	**(1,702,571)**	(1,548,290)
Modification loss on financial assets	**11.7**	**(4,413,023)**	(16,244,645)
		4,973,175	(9,356,436)

28. FINANCIAL RISK MANAGEMENT

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial statements. The Company uses derivatives financial instruments to reduce certain risk exposures. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

28.1. Risk management structure

Board of Directors

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

Credit and risk management committee

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

Audit committee -

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

28.2. Market risk

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

Market risk comprises of three types of risk: foreign exchange risk, profit rate risk and price risk.

28.2.1. Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. All the Company's transactions and Islamic financing arrangements are made in Saudi Riyals except for payments to shareholders and other transactions with shareholders which are in UAE Dirhams. Accordingly, the Company is not exposed to currency risk as both Saudi Riyals and UAE Dirhams are pegged against US Dollars and are exposed to similar fluctuations.

28.2.2. Profit rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is limited as all the Company's financial assets and significant financial liabilities have fixed interest rates.

28.2.3. Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. As of 31 December 2021 and 2020, the Company has no investments that are exposed to price risk.

28.3. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon if any. The Company has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. The Company also manages risk through a credit department that evaluates customers' creditworthiness and obtains adequate securities where applicable.

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Credit risk (Continued)

All investing transactions are settled/paid for upon delivery. The Company's policy is to enter into a financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

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28.3.1 Credit quality analysis

The Company monitors the credit quality of the Islamic financing receivables through diversification of activities to avoid undue concentration of risks with individuals or groups. For such purpose, the Company has established exposure limits for single lessees and business sectors. The Company has an effective rental monitoring system which allows it to evaluate customers' creditworthiness and identify potential problem accounts.

An allowance for potential lease losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on lease installment that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history. However, the rating for the quality of the Company's investments cannot be determined due to the fact that the customer base of the Company consist of small business for which such data is not readily available. The concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. Ten largest customers account for 41.0% of the outstanding balance of investment in Islamic financing as of 31 December 2021 and 2020.

The maximum exposure to credit risk at the reporting date is:

	Note	Classification	As at 31 December 2021	2020
Net Investment in Islamic Financing	**11**	**Amortized cost**	**154,755,239**	188,127,000
Cash at bank	**7**	**Amortized cost**	**19,312,686**	10,756,206
Term deposits	**8**	**Amortized cost**	**86,583,380**	33,039,331
Due from a related party	**10**	**Amortized cost**	**-**	8,348,882
Restricted cash deposit	**12**	**Amortized cost**	**2,267,000**	355,720
Other receivables	**9**	**Amortized cost**	**48,002**	65,964
			262,966,307	240,693,103

28.3.2. Impairment

Cash at banks and restricted deposits are placed with banks with sound credit ratings which are given in Note 28.3.5. Cash at bank, advances to employees, restricted deposits with bank and other receivables are considered to have low credit risk; therefore, 12 months ECL model was used for impairment assessment. Based on management impairment assessment, there is no provision required in respect of these balances. The Company applies the general impairment ECL model to measure the credit allowances against net investment in Islamic financing which is explained below.

The key inputs into the measurement of ECL are the term structure of the following variables:
(I) probability of default (PD);
(ii) loss given default (LGD);
(iii) exposure at default (EAD).

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

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3 Credit risk (continued)

28.3.2 Impairment (continued)

28.3.2.1. Measurement of ECL

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

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the legal standing against the defaulting counterparties. The LGD models also consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the lease receivable.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current lease receivables to the customer and potential changes to the current amount allowed under the lease contract including amortization. The EAD of a lease receivable is its carrying amount before allowance for impairment.

As described above, and subject to using a maximum of a 12-month PD for lease receivables for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require installment.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are banked on the basis of shared risk characteristics that include:

- business sector of the customers;
- collateral type;
- date of initial recognition;
- remaining term to maturity;

28.3.2.2 Categorization

The Company categorizes its investment in Islamic financing into Stage 1, Stage 2, Stage 3, as described below:

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

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

Stage 3: Receivable considered credit-impaired. The Company records an allowance for the Lifetime ECL.

POCI: Purchased or originated credit-impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Credit risk (continued)

28.3.2. Impairment (continued)

28.3.2.3 Amounts arising from ECL – Significant increase in credit risk

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

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

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

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modeling, the remaining lifetime PD is determined to have increased significantly.

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

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

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

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

28.3.2.4 Generating the term structure of PD

There are many different models to estimate probability of default for portfolios with varying default rates. These models consider several factors such as past default rates, macroeconomic factors etc. to estimate future PDs associated with the financial instruments of an entity.

Flow Rate methodology was used for the estimation of PD for the company. Under this method, historical data has been analyzed for different Days Past Due (DPD) buckets for each quarter. The company's portfolio has been divided into different delinquency buckets e.g. 0-30, 31-60, 61-90, 90 plus. The transition of number of loans from one bucket to another was analyzed on quarterly basis. Based on advice from the company credit and risk committee and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of macro-economic variable as well as a representative range of other possible forecast scenarios. The Company then uses these forecasts to adjust its estimates of PDs.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Credit risk (continued)

28.3.2. Impairment (continued)

28.3.2.5 Definition of Default

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

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

In assessing whether a customer is in default, the Company also considers indicators that are:

- qualitative - e.g., the borrower is unlikely to pay its credit obligation to the company in full, without recourse by the company to actions such as liquidating collateral (if secured) including:
    - Company allocates the credit exposure to stage 3B status;
    - Company makes a charge-off or account specific provision resulting from credit impairment;
    - Company sells the credit exposure at a material credit-related economic loss;
    - Company consents to granting concessionary terms under a modified exposure agreement
    - that would likely result in a diminished financial obligation caused by material
    - forgiveness, or postponement, of principal, commission or fees;
    - Bankruptcy protection has been filed for the borrower in respect of credit obligation;
    - Company has taken borrower to the court;
    - The borrower has sought or placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation to the company.
    - Classification of the borrower by other Banks/DFIs/MFBs on the overdue exposure reported by banks/ DFIs/ MFBs.
    - Unavailable/inadequate financial information/financial statements;
    - Expectation of forbearance (restructuring/rescheduling) occurring;
    - Qualified report by external auditors;
    - Significant contingent liabilities;
    - Pending litigation resulting in a detrimental impact;
    - Loss of key staff to the organization;
    - Increase in operational risk and higher occurrence of fraudulent activities;
    - Continued delay and non-cooperation by the borrower in providing relevant; and
    - Deferment/delay in the date for commencement of commercial operations by more than one year.

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

28.3.2.6 Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of a receivable has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Company's credit risk committee and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by global monetary authorities and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The management has used Crude Oil Petroleum, GDP Constant Prices, Government Expenditure and Credit growth as the key macro-economic variable as of 31 December 2021 to develop the base case

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Credit risk (continued)

28.3.2. Impairment (continued)

28.3.2.6 Incorporation of forward-looking information (continued)

scenario which the management estimates are the best estimate of the forecasted macro-economic variable for determination of the PD. Predicted relationships between the key indicators and default and loss rates on various business sectors of the lease receivable have been developed based on analyzing historical data over the past 10 to 15 years.

28.3.3. Modified financial assets

The contractual terms of a lease receivable are mainly modified at the request of the customer. An existing lease receivable whose terms have been modified may be derecognized and the renegotiated lease receivable recognized as a new investment in Islamic financing at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the receivable's credit risk has increased significantly reflects the comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

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

The revised terms usually include extending the maturity and changing the timing of interest payments. The Company's credit and risk committee regularly review reports on forbearance activities.

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

	2021	2020
Financial assets modified since initial recognition		
Gross carrying amount at 31 December of financial assets for which lease receivable has changed to 12-month measurement during the year	-	40,678,416

For financial assets modified as part of the Company's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience of similar forbearance action. As part of this process, the Company evaluates the customer's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Credit risk (continued)

28.3.4 Net investment in Islamic financing

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

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

The aging of net investment in Islamic financings contracts net-off unearned origination fee is as under:

	Note	As at 31 December	
		2021	**2020**
Neither past nor due		**101,693,139**	174,197,526
Past due 1-30 days		**3,400,122**	-
Past due 31-90 days		**22,762,915**	5,643,925
Past due 91-180 days		**9,277,103**	173,224
Past due 181-365 days		**10,644,821**	256,149
Past due over 1 year		**33,547,713**	11,629,073
Net Investment in Islamic financing before provision		**181,325,813**	191,899,897
Less: Impairment for Islamic financing	10, 11.10	**(26,570,574)**	(3,772,897)
Net of Impairment loss		**154,755,239**	188,127,000
Total portfolio coverage ratio		**14.65%**	1.97%

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Credit risk (continued)

28.3.2. Impairment (continued)

28.3.4. Net Investment in Islamic Financing (continued)

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

	As at 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount before ECL	**105,093,261**	**22,762,915**	**53,469,637**	**181,325,813**
ECL	**66,220**	**534,688**	**25,969,666**	**26,570,574**

	As at 31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Carrying amount before ECL	174,197,526	5,643,925	12,058,446	191,899,897
ECL	701,171	5,397	3,066,329	3,772,897

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

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

	As at 31 December	
	2021	**2020**
Performing	**127,856,176**	179,841,451
Non-performing	**53,469,637**	12,058,446
	181,325,813	191,899,897

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

	Stage 1	**Stage 2**	**Stage 3**	**Total**
1 January 2021	**701,171**	**5,397**	**3,066,329**	**3,772,897**
Transfer from stage 1	**(280,334)**	**150,148**	**130,186**	**-**
Transfer from stage 2	**-**	**(5,397)**	**5,397**	**-**
Transfer from stage 3	**-**	**-**	**-**	**-**
Financial assets – settled during the year	**(117,913)**	**-**	**(772,626)**	**(890,539)**
Financial assets – originated during the year	**17,135**	**-**	**-**	**17,135**
Net re-measurement of loss allowance	**(242,836)**	**384,540**	**24,313,212**	**24,454,916**
	(623,948)	**529,291**	**23,676,169**	**23,581,512**
Write-off during the year	**(11,003)**	**-**	**(772,832)**	**(783,835)**
31 December 2021	**66,220**	**534,688**	**25,969,666**	**26,570,574**

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Credit risk (continued)

28.3.2. Impairment (continued)

28.3.4. Net Investment in Islamic Financing (continued)

	Stage 1	Stage 2	Stage 3	Total
1 January 2020	403,931	230,727	2,250,920	2,885,578
Transfer from stage 1	(6,887)	6,887	-	-
Transfer from stage 2	225,045	(230,641)	5,596	-
Transfer from stage 3	569,892	-	(569,892)	-
Financial assets – settled during the year	(5,651)	(85)	(100,096)	(105,832)
Financial assets – originated during the year	157,113	-	-	157,113
Net re-measurement of loss allowance	(642,272)	(1,491)	1,504,851	861,088
	297,240	(225,330)	840,459	912,369
Write-off during the year			(25,050)	(25,050)
31 December 2020	701,171	5,397	3,066,329	3,772,897

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

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

The concentration of the Company's customer into business sectors on the basis of percentage of the outstanding balance of investment in Islamic financing as at 31 December is as follows:

	As of 31 December	
	2021	2020
Construction	**22.52%**	23.25%
Manufacturing	**22.77%**	17.15%
Commerce	**7.74%**	6.86%
Services	**46.97%**	52.74%
	100.00%	100.00%

Collateral held as security and other credit enhancements
The credit risks on gross amounts due in relation to the investment in Islamic financing is mitigated by holding collaterals which are leased assets and real-estate. Further, the carrying amount of investment in Islamic Financing amounts against which collateral has been obtained amounts to SR 123.25 million (31 December 2020: 175.50 million) and the fair value of collateral amounting to SR 162.55 million as at 31 December 2021 (31 December 2020: 255.27 million). The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

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

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.3. Credit risk (continued)

28.3.2. Impairment (continued)

28.3.5. Bank Credit Ratings (continued)

	As at 31 December	
	2021	**2020**
Cash at bank:		
A-	**-**	8,348,140
BBB+	**19,312,686**	2,408,066
Term Deposits:		
BBB+	**86,583,380**	-
A-	**-**	33,039,331
Restricted cash deposit:		
BBB+	**2,267,000**	-
A-	**-**	355,720
	108,163,066	44,151,257

28.4. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's financial liabilities primarily consist of trade payables, due to related parties, financial facilities and other payables and accruals. The Company expects to have adequate liquid funds to settle its current liabilities through close monitoring due to both current assets and current liabilities.

Following are the contractual maturities of undiscounted cash flows of financial liabilities as at 31 December 2021 and 2021:

	As at 31 December 2021				
Contractual maturities of financial liabilities	**Carrying amount**	**Contractual cash flows**	**Up to three months**	**More than three months and up to one year**	**More than one year**
Non-derivative					
Other payables and accruals	**2,190,248**	**2,190,248**	**2,165,248**	**25,000**	**-**
Financial facilities	**195,690,025**	**202,681,157**	**14,797,376**	**127,673,853**	**60,209,928**
Due to a related party	**412,094**	**412,094**	**412,094**	**-**	**-**
	198,292,367	**205,283,499**	**17,374,718**	**127,698,853**	**60,209,928**

	As at 31 December 2020				
Contractual maturities of financial liabilities	**Carrying amount**	**Contractual cash flows**	**Up to three months**	**More than three months and up to one year**	**More than one year**
Non-derivative					
Other payables and accruals	3,452,799	3,452,799	3,452,799	-	-
Financial facilities	143,667,099	148,565,632	6,115,207	58,228,972	84,221,453
Due to a related party	92,340	92,340	92,340	-	-
	147,212,238	152,110,771	9,660,346	58,228,972	84,221,453

(All amounts in Saudi Riyals unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.4. Credit risk (continued)

Analysis of financial assets and liabilities based on maturities

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

	As at 31 December 2021			
	Carrying amounts	**Up to three months**	**More than three months and up to one year**	**More than one year**
Cash and cash equivalents	**19,315,686**	**19,315,686**	**-**	**-**
Term deposits	**86,583,380**	**-**	**80,461,380**	**6,122,000**
Prepayments and other receivables	**919,638**	**428,648**	**490,990**	**-**
Net investment in Islamic financing	**154,755,239**	**1,606,315**	**60,098,838**	**93,050,086**
Restricted cash deposit	**2,267,000**	**-**	**-**	**2,267,000**
Investment carried at FVOCI	**892,850**	**-**	**-**	**892,850**
Financial assets	**264,733,793**	**21,350,649**	**141,051,208**	**102,331,936**
Other payables and accruals	**2,190,248**	**2,165,248**	**25,000**	**-**
Due to a related party	**421,470**	**421,470**	**-**	**-**
Financial facilities	**195,690,025**	**17,652,318**	**119,503,281**	**58,534,426**
Financial liabilities	**198,301,743**	**20,239,036**	**119,528,281**	**58,534,426**
Maturity gap	**66,432,050**	**1,111,613**	**21,522,927**	**43,797,510**
Cumulative maturity gap		**1,111,613**	**22,634,540**	**66,432,050**

	As at 31 December 2020			
	Carrying amounts	**Up to three months**	**More than three months and up to one year**	**More than one year**
Cash and cash equivalents	10,759,206	10,759,206	-	-
Term deposits	33,039,331	12,014,000	21,025,331	-
Prepayments and other receivables	1,164,382	497,719	666,663	-
Due from a related party	8,348,882	8,348,882	-	-
Net investment in Islamic financing	188,127,000	46,783,405	38,890,987	102,452,608
Restricted cash deposit	355,720	-	-	355,720
Investment carried at FVOCI	892,850	-	-	892,850
Financial assets	242,687,371	78,403,212	60,582,981	103,701,178
Other payables and accruals	3,452,799	3,452,799	-	-
Due to a related party	92,340	92,340	-	-
Financial facilities	143,667,099	5,564,342	54,333,546	83,769,211
Financial liabilities	147,212,238	9,109,481	54,333,546	83,769,211
Maturity gap	95,475,133	69,293,731	6,249,435	19,931,967
Cumulative maturity gap		69,293,731	75,543,166	95,475,133

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.5. Capital risk management

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

The Company's capital structure consists of net debt (financial facilities as detailed in Note 21 off-set by cash and bank balances) and equity of the Company. The Company's policy is to maintain a strong capital base well above the minimum requirements to maintain investor, creditor and market confidence and to sustain future development of the business.

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

	As at 31 December	
	2021	**2020**
Leverage Ratio (Net investment in Islamic financing and loan to shareholder before provision divided by total equity)	**2.92 times**	2.14 times

29. FAIR VALUES OF FINANCIAL INSTRUMENT

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

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

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

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

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

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

29. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

As at 31 December 2021	**Fair value Level**			
	1	**2**	**3**	**Total**
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	**-**	**-**	**892,850**	**892,850**

As at 31 December 2020	**Fair value Level**			
	1	**2**	**3**	**Total**
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850

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

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

(All amounts in Saudi Riyals unless otherwise stated)

30. ISLAMIC FINANCING RECEIVABLES – SERVICING AND SECURITY AGENCY AGREEMENTS

In accordance with the terms of servicing and security agency agreement, the Company has transferred certain Islamic financing receivables to the Parent Company. The Company does not retain the risk and reward associated with such receivables.

The Company continues to manage these derecognized Islamic financing receivables as a servicer and security agent in accordance with the agency agreements entered into with the Parent Company. The Company is continuing to manage these sold receivables for an agreed fee which is netted-off with the related cost of servicing these Islamic financing receivables sold to Parent Company.

The outstanding position of such off statement of financial position Islamic financing receivables is as follows:

	As at 31 December	
	2021	**2020**
Islamic financing receivables transferred to the parent company	**21,971,090**	22,260,688

31. RECLASSIFICATION OF PRIOR YEAR FIGURES

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

32. SUBSEQUENT EVENTS

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

33. DATE OF AUTHORISATION FOR ISSUE

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