DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
AND INDEPENDENT AUDITOR'S REPORT

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Independent auditor's report to the shareholders of Dar Al Etiman Al Saudi Company

Report on the audit of the financial statements

Our opinion

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

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

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Independent auditor's report to the shareholders of Dar Al Etiman Al Saudi Company (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 scepticism throughout the audit. We also:

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

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/١
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C.R. 4030289002

March 4, 2021

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2020	2019
Assets			
Cash and cash equivalents	5	**66,151,886**	47,180,166
Net investment in finance leases	6	**69,340,402**	69,066,224
Deposits, prepayments and other receivables	7	**51,311,302**	64,619,186
Zakat refundable	14	**7,565,699**	7,799,150
Financial asset at fair value through other comprehensive income	8	**892,850**	892,850
Property and equipment	9	**367,053**	655,014
Total assets		**195,629,192**	190,212,590
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	10	**100,000,000**	100,000,000
Statutory reserve	11	**5,058,470**	5,058,470
Retained earnings		**7,953,719**	12,713,598
Total shareholders' equity		**113,012,189**	117,772,068
Liabilities			
Trade and other payables	12	**48,794,063**	34,256,128
Accrued and other liabilities	13	**9,651,413**	9,417,021
Net servicing liability under agency agreement	22	**21,302,359**	26,111,844
Employee benefit obligations	15	**2,869,168**	2,655,529
Total liabilities		**82,617,003**	72,440,522
Total shareholders' equity and liabilities		**195,629,192**	190,212,590

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

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2020	2019
Income			
Income from finance leases		**14,818,843**	24,025,806
Net income from finance lease receivable sold to financial institutions	6	**4,517,906**	16,593,131
Other income	17	**4,164,273**	4,872,889
Total income		**23,501,022**	45,491,826
Expenses			
General and administrative expenses	18	**(16,154,514)**	(20,395,159)
Allowance for impairment on investment in finance lease	6	**(3,826,031)**	(4,800,000)
Other operating costs	19	**(8,269,361)**	(11,877,522)
Finance charges		**(4,950)**	(1,158,416)
Finance income		**227,406**	259,907
Finance income / (charges), net		**222,456**	(898,509)
Total expenses		**(28,027,450)**	(37,971,190)
(Loss) / profit before zakat		**(4,526,428)**	7,520,636
Zakat	14	**(233,451)**	(1,481,993)
(Loss) / profit for the year		**(4,759,879)**	6,038,643
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		**(4,759,879)**	6,038,643

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

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
Balance as at January 1, 2019	100,000,000	4,454,606	7,278,819	111,733,425
Profit for the year	-	-	6,038,643	6,038,643
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	6,038,643	6,038,643
Transfer to statutory reserve	-	603,864	(603,864)	-
Balance as at December 31, 2019	**100,000,000**	**5,058,470**	**12,713,598**	**117,772,068**
Balance as at January 1, 2020	**100,000,000**	**5,058,470**	**12,713,598**	**117,772,068**
Loss for the year	-	-	**(4,759,879)**	**(4,759,879)**
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	**(4,759,879)**	**(4,759,879)**
Balance as at December 31, 2020	**100,000,000**	**5,058,470**	**7,953,719**	**113,012,189**

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

Chief Financial Officer

Chief Executive Officer

Chairman of Board of Directors

DAR AL ETIMAN AL SAUDI COMPANY
(A Saudi Closed Joint Stock Company)
Statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2020	2019
Cash flow from operating activities			
(Loss) / profit before zakat		**(4,526,428)**	7,520,636
Adjustments for:			
Depreciation on property and equipment	9	**387,716**	677,412
Impairment charge against investment in finance lease	6	**3,826,031**	4,800,000
Provision for employee benefit obligations	15	**522,525**	514,598
Finance (income) / charges, net		**(222,456)**	898,509
Changes in working capital:			
Prepayments and other receivables		**4,299,969**	7,942,736
Trade and other payables		**14,537,935**	(156,786,829)
Accrued and other liabilities		**234,392**	1,844,693
Net servicing liability under agency agreement		**(4,809,485)**	12,392,974
Cash generated from / (utilized in) operations		**14,250,199**	(120,195,271)
Employee benefit obligations paid	15	**(308,886)**	(507,042)
Net cash generated from / (utilized in) operating activities		**13,941,313**	(120,702,313)
Cash flow from investing activities			
Investment in finance lease		**(54,625,036)**	(75,648,899)
Cash received on sale of finance lease receivables		**50,524,827**	229,405,096
Release of restricted deposit		**14,860,000**	30,100,665
Addition to restricted deposit		**(5,629,629)**	(24,323,753)
Payments for purchases of property and equipment	9	**(99,755)**	(789,141)
Net cash generated from investing activities		**5,030,407**	158,743,968
Net increase in cash and cash equivalents		**18,971,720**	38,041,655
Cash and cash equivalents at the beginning of the year		**47,180,166**	9,138,511
Cash and cash equivalents at the end of the year	5	**66,151,886**	47,180,166

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

Chief Financial Officer | Chief Executive Officer | Chairman of Board of Directors

(All amounts in Saudi Riyals unless otherwise stated)

1. General information

Dar Al Etiman Al Saudi Company (the "Company") is principally engaged in providing lease financing for motor vehicles within the Kingdom of Saudi Arabia. The Company's head office is located at Prince Sultan Street, P.O. Box 55274, Jeddah 21534, Saudi Arabia.

The Company is registered as a Saudi Closed Joint Stock Company ("SCJSC") pursuant to Ministerial Resolution No. 486/Q dated Jumad-ul-Thani 11, 1436 (corresponding to March 31, 2015). Prior to its conversion to a Saudi Closed Joint Stock Company, the Company was operating as a Limited Liability Company ("LLC") registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030165101 issued in Jeddah on Dhul-Qada 5, 1427H (corresponding to December 5, 2006).

The Company has obtained license No. 33/AM/201605 from Saudi Central Bank (SAMA) to conduct finance lease activities on Rajab 16, 1436 (corresponding to May 5, 2015).

The accompanying financial statements include the accounts of the Company's head office and all its branches.

During the year, the Company was impacted and is continued to be impacted by the uncertainties due to outbreak of novel coronavirus pandemic. Refer to Note 23 for details and its impact.

2. Basis of preparation

2.1 Statement of compliance and basis of preparation

Compliance with IFRS

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

Historical cost convention

The financial statements have been prepared on a historical cost basis except as otherwise disclosed in the accounting policies and related notes.

2.2 New standards and amendments applicable from January 1, 2020

The following are relevant standards and interpretations applied for the first time to financial reporting periods commencing on or after January 1, 2020:

Key requirements	**Effective Date**	**Impact**
Definition of Material – Amendments to IAS 1 and IAS 8 - The IASB has made amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting	January 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39 - The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.	January 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation (continued)

2.2 New standards and amendments applicable from January 1, 2020 (continued)

Key requirements	Effective Date	Impact
Revised Conceptual Framework for Financial Reporting - The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.	January 1, 2020	Management has considered the revised conceptual framework and has concluded that the accounting policies are appropriate and does not expect any change in its accounting policies due to such revision.

2.3 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but are not yet effective are disclosed below.

Key requirements	Effective Date	Impact
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37 - the amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.	January 1, 2022	The Company does not expect any material impact on its financial statements due to the amendment.
Annual Improvements to IFRS Standards 2018–2020 - The following improvements were finalised in May 2020: -IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. -IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. -IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.	January 1, 2022	The Company does not expect any material impact on its financial statements due to the amendment.
Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.	January 1, 2021	The Company does not expect any material impact on its financial statements due to the amendment.

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

3. Summary of significant accounting policies

3.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with original maturities of three months or less from the purchase date, which are available to the Company without any restrictions.

3.2 Investment in finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

Gross investment in finance lease represents the gross lease payments receivable to the Company, and the net investment in finance lease represents the present value of these lease payments including any guaranteed residual value, discounted at interest rate implicit in the lease. The difference between the gross investment in finance lease and unearned finance income represents net investment in finance lease which is stated net of allowance for impairment.

3.3 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 statement of comprehensive income 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 life of the principal classes of assets are as follows:

	Number of years
• Leasehold improvements	10
• Furniture and fixtures	10
• Motor vehicles	4
• Office equipment	3 - 10

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

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 and losses on disposals are determined by comparing proceeds with carrying amount and are included in comprehensive income.

3.4 Accounts payable and accruals

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

3. Summary of significant accounting policies (continued)

3.5 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Saudi Riyals since it is the reporting and functional currency of the Company.

Transactions and balances

Transactions in foreign currencies are translated into Saudi Riyals at the exchange rates prevailing at transaction date. At the end of each reporting period, monetary assets and liabilities, denominated in foreign currencies, are retranslated into Saudi Riyals at the exchange rates prevailing at that date. Foreign exchange gains or losses on settlement and translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income in the period in which they arise.

3.6 Zakat

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat. Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income tax law.

3.7 Employee benefit obligations

The Company operates a single scheme of defined benefit plan driven by the labor laws and workman laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefit plan is not funded. The liability in respect of defined benefit plan is recognised in the statement of financial position at the present value of the defined benefit obligation at the reporting date. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit liability.

Actuarial gains and losses, if any, are charged or credited to other comprehensive income in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in statement of comprehensive income as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

3.8 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3 Summary of significant accounting policies (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are allocated between principal and finance cost. 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.

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.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.9 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.10 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 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.

3. Summary of significant accounting policies (continued)

3.11 Revenue recognition - Finance lease and other operating income

i) Lease income

Finance lease income is calculated by applying the effective interest rate to the minimum lease payments of financial assets, except for:

a. Purchased or originated financial assets that are credit-impaired on initial recognition ("POCI") financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised 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 amortised cost (i.e. net of the expected credit loss provision).

The difference between the aggregate lease contract receivable and the cost of the leased assets plus initial direct costs is recorded as unearned lease finance income. The initial direct costs, which include amounts such as commissions and legal fees that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable. Lease payments relating to the year are applied against lease receivables to reduce both the principal and the unearned finance income.

(ii) Net income from finance lease receivable sold to financial institutions

Income from finance lease receivables sold to the financial institution is recognized when the Company sells lease receivables to the financial institution and de-recognizes them from the financial statements. Income is reduced by the discount charged by the financial institution, accrued insurance cost in respect of assets leased under sold receivables and incidental cost of arrangement including those to be incurred as servicing agent.

(iii) Other operating income

It is recorded when earned and realized.

3.12 Financial instruments

Classification of financial assets

The Company classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

3. Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

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. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.
All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

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 recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

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.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in statement of comprehensive income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

3. Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

Subsequent measurement (continued)

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

De-recognition

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.
Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled 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 recognised as part of the gain or loss on the extinguishment.

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 recognise a modification gain or loss in statement of comprehensive income. 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 amortised over the remaining term of the modified financial asset.

For financial liabilities, if an exchange or change in the terms of a debt instrument do not qualify for de-recognition it is accounted for as 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 amortised over the remaining term of the modified liability.

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 finance leases, the Company applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

Stage 1 ("Performing") 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 recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are 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 ("Under-performing") 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 do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

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

4. Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

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.

Financial assets are written off only when:

(i) the lease or other receivable is at least one year past due, and

(ii) there is no reasonable expectation of recovery.

Where financial assets are written off, the Company continues to engage 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.

3.13 Government grants

The Company recognises a government grant related to income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 'Financial Instruments'. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in the statement of comprehensive income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants is intended to compensate.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

a) Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for the financial assets measured at amortised cost and FVTOCI is the area that requires the use of models and significant assumptions about future economic conditions and credit behavior (for e.g likelihood of customer defaulting and resulting losses). Explanation of inputs, assumptions, and estimation techniques used in measuring ECL is further detailed in Note 20.5.3 and Note 23, which also sets out the key sensitivities of the ECL to change these elements.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

A number of significant judgments are also required in applying accounting requirements for measuring the ECL, such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for measurement of ECL
- Establishing the number and relative weighting of forward-looking scenarios for each type of industrial sector and associated ECL
- Establishing group of similar financial assets for the purpose of measuring ECL.

Detailed information about the judgements and estimates made by the company in the above areas is set out in Note 20.4 and Note 23.

b) Going concern

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

5. Cash and cash equivalents

	2020	2019
Cash in hand	**83,826**	344,377
Cash at banks	**66,068,060**	11,835,789
Short-term deposit	**-**	35,000,000
	66,151,886	47,180,166

Short-term deposits in 2019 were placed with a local commercial bank with a term of up to one month and denominated in Saudi Riyals. These term deposits yield financial income at prevailing market rates.

6. Net investment in finance leases

	Note	2020	2019
Gross investment in finance lease		**120,266,847**	120,552,934
Less: Unearned finance income and other related credits		**(26,062,147)**	(30,212,244)
Present value of minimum lease payments receivable		**94,204,700**	90,340,690
Less: Allowance for impairment against investment in finance lease	6.2	**(24,864,298)**	(21,274,466)
Net investment in finance lease		**69,340,402**	69,066,224

6.1 Details of investment in finance lease

	2020		2019	
	Gross investments in finance lease	Unearned finance income and other related credits	Gross investments in finance lease	Unearned finance income and other related credits
Less than a year	**54,993,289**	**(10,763,479)**	47,914,379	(12,657,714)
One to five years	**65,273,558**	**(15,298,668)**	72,638,555	(17,554,530)
	120,266,847	**(26,062,147)**	120,552,934	(30,212,244)

(All amounts in Saudi Riyals unless otherwise stated)

6 Net investment in finance leases (continued)

6.1 Details of investment in finance lease (continued)

The title of the assets sold under finance lease agreements are held in the name of the Company. Finance lease relates to leasing of motor vehicles to corporate and retail customers.

The Company's implicit rate of return on leases ranges between 9% and 12% per annum (2019: between 9% and 11% per annum). These are secured by promissory notes from the customer and against leased assets.

Amounts due after one year represents minimum lease payments under finance lease contracts, which are due for payment by customers after one year from the statement of financial position date.

Following are the scheduled maturities of minimum lease payments receivable.

Years ending December 31:

2021	**54,993,289**
2022	**21,671,554**
2023	**16,196,860**
2024	**12,325,627**
2025	**14,292,653**
2026	**786,864**
	120,266,847

6.2 The movement in allowance for impairment against investment in finance lease is as follows:

	2020	**2019**
Opening	**21,274,466**	28,608,630
Charged during the year	**3,826,031**	4,800,000
Write-offs	**(236,199)**	(12,134,164)
Closing	**24,864,298**	21,274,466

6.3 During 2020, the Company sold its finance lease receivables under securitisation contracts amounting to Saudi Riyals 62.6 million (December 31, 2019: Saudi Riyals 269.5 million) to a financial institution and derecognized the same from its books and recorded a net gain of Saudi Riyals 4.5 million (December 31, 2019: Saudi Riyals 16.6 million) on such derecognition. Also, the Company had sold and derecognized finance lease receivables in prior years. Outstanding position of such sold receivables has been disclosed in Note 21. Further, the Company has entered into an arrangement for servicing such sold finance lease receivables on behalf of the financial institutions. In respect of these sold finance lease receivables, the Company acts in the capacity of a servicing agent for subsequent collection of lease instalments on behalf of the financial institutions. The Company has calculated and accounted for a net servicing liability under such agreement with these financial institutions, which is disclosed in Note 22.

(All amounts in Saudi Riyals unless otherwise stated)

6 Net investment in finance leases (continued)

6.4 An analysis of changes in allowance for impairment of investment in finance lease is as follows:

2020

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Allowance for impairment of investment as at January 1, 2020	**79,126**	**490,265**	**20,705,075**	**21,274,466**
Net charge for the year	**565,078**	**35,103**	**3,225,850**	**3,826,031**
Write-offs	**-**	**-**	**(236,199)**	**(236,199)**
Allowance for impairment of investment as at December 31, 2020	**644,204**	**525,368**	**23,694,726**	**24,864,298**

2019

	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Allowance for impairment of investment as at January 1, 2019	337,734	2,883,274	25,387,622	28,608,630
Net charge for the year	(258,608)	(2,393,009)	7,451,617	4,800,000
Write-offs	-	-	(12,134,164)	(12,134,164)
Allowance for impairment of investment as at December 31, 2019	**79,126**	**490,265**	**20,705,075**	**21,274,466**

7. Deposits, prepayments and other receivables

	Note	2020	2019
Restricted deposits	7.1	**42,890,247**	51,387,662
Prepaid insurance		**5,970,206**	7,195,236
Due from a related party	12	**-**	2,552,937
Receivable from employees		**1,436,575**	1,722,059
Other prepayments and receivables		**1,014,274**	1,761,292
		51,311,302	64,619,186

7.1 The Company has been appointed as a servicing agent for the sold lease receivables to the financial institutions which includes collection of lease instalments from the customers. Therefore, the financial institutions require the Company to keep certain balance as restricted deposit against such services. These deposits will be released at the end of the securitization contracts and are recorded at their amortised cost. The non-current portion of these restricted deposits is amounting to Saudi Riyals 42.9 million (2019: Saudi Riyals 51.4 million).

8. Financial asset at fair value through other comprehensive income

During 2017, the Company contributed an amount of Saudi Riyals 892,850 in the share capital of Saudi Company for Lease Contracts Registration, a Saudi closed joint stock company registered (the “investee Company”) in the Kingdom of Saudi Arabia. The Company holds 89,285 shares in the investee Company that represents 2% of total share capital of the investee Company. The investee Company is currently in development stage and has not yet started its operations. The management believes that the carrying value of the investment approximates to the fair value at December 31, 2020 and December 31, 2019.

(All amounts in Saudi Riyals unless otherwise stated)

9. Property and equipment

	January 1, 2020	Additions	December 31, 2020
Cost			
Leasehold improvements	3,803,063	-	**3,803,063**
Furniture and fixtures	3,780,809	7,808	**3,788,617**
Motor vehicles	489,614	-	**489,614**
Office equipment	1,814,003	91,947	**1,905,950**
	9,887,489	99,755	**9,987,244**
Accumulated depreciation			
Leasehold improvements	(3,724,764)	(74,167)	**(3,798,931)**
Furniture and fixtures	(3,727,999)	(37,688)	**(3,765,687)**
Motor vehicles	(480,768)	(8,845)	**(489,613)**
Office equipment	(1,298,944)	(267,016)	**(1,565,960)**
	(9,232,475)	(387,716)	**(9,620,191)**
	655,014		**367,053**

	January 1, 2019	Additions	December 31, 2019
Cost			
Leasehold improvements	3,803,063	-	3,803,063
Furniture and fixtures	3,773,945	6,864	3,780,809
Motor vehicles	451,014	38,600	489,614
Office equipment	1,070,326	743,677	1,814,003
	9,098,348	789,141	9,887,489
Accumulated depreciation			
Leasehold improvements	(3,378,829)	(345,935)	(3,724,764)
Furniture and fixtures	(3,673,675)	(54,324)	(3,727,999)
Motor vehicles	(451,014)	(29,754)	(480,768)
Office equipment	(1,051,545)	(247,399)	(1,298,944)
	(8,555,063)	(677,412)	(9,232,475)
	543,285		655,014

10. Share capital

The share capital of the Company as of December 31, 2020 and 2019 comprised 100,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

	Country of incorporation	Shareholding	
		2020	**2019**
Modern Ajwad for Commercial Investment Co. Ltd.	Saudi Arabia	**60%**	60%
Tawad Holding Company	Saudi Arabia	**40%**	40%
		100%	100%

11. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net profit each year to a statutory reserve, after any accumulated deficit is absorbed, until such reserve equals 30% of its share capital. This reserve is not currently available for distribution to the shareholders. During the year ended December 31, 2020, the Company has incurred losses, therefore, no amount has been transferred to statutory reserve.

(All amounts in Saudi Riyals unless otherwise stated)

12. Related party transactions

The Company is a member of an affiliated group of companies which are directly or indirectly controlled by Abduljawad family, which are the ultimate shareholders. Related parties include the ultimate shareholders, companies owned by the shareholders and key management personnel.

During 2020 and 2019, the Company has transactions with Universal Motors Agencies ("UMA"), an affiliate.

Significant transactions with UMA in the ordinary course of business included in the financial statements are summarized below:

	2020	**2019**
Purchase of motor vehicles	**78,973,239**	92,983,344
Finance cost charged by UMA	-	1,158,416

Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	2020	**2019**
Salaries and bonuses paid / accrued to key management personnel	**1,295,889**	1,204,719
Board of directors fee	**720,000**	660,000
End of service indemnities accrued during the year	**53,481**	51,736

Balances with a related party

Significant year-end balance arising from transactions with a related party is as follows:

	Relationship	**2020**	**2019**
Due from Universal Motors Agencies	Affiliate	-	2,552,937

	Relationship	**2020**	**2019**
Due to Universal Motors Agencies	Affiliate	**12,364,852**	-

Remaining balance of trade and other payables represents other payables and the temporary timing differences of amounts collected from customers and payable to financial institutions against securitization and agency agreement (Note 21). All these amounts are payable within next twelve months.

13. Accrued and other liabilities

	2020	**2019**
Employee related accruals	**4,998,589**	4,765,574
Accrued board of directors' fee	**720,000**	660,000
Advances from customers	**422,308**	387,366
Other liabilities	**3,510,516**	3,604,081
	9,651,413	9,417,021

Other liabilities include Saudi Riyals 189,227 (December 31, 2019: Nil) which represents the remaining balance from the amount received from SAMA under Private Sector Financing Support Program during the year, as explained in Note 23.

(All amounts in Saudi Riyals unless otherwise stated)

14. Zakat matters

14.1 Zakat base

Provision for zakat is calculated at 2.578% of the zakat base subject to minimum and maximum capping / threshold of 4 times or 8 times of net income before zakat. The Company has computed zakat charge for the year ended December 31, 2020 based on this formula which has been recognized in the statement of comprehensive income.

The principal elements of the approximate zakat base are as follows:

	2020	2019
Equity	**113,012,189**	117,707,135
Non-current liabilities	**12,271,980**	15,404,434
Total financing resources	**125,284,169**	133,111,569
Total assets	**195,629,192**	190,147,657
Assets subject to zakat ("zakat assets")	**101,504,155**	82,128,107
Zakat assets / Total assets	**51.89%**	43.19%
Approximate zakat base	**65,004,939**	57,493,221

14.2 Zakat refundable

	Note	2020	2019
January 1	14.3	**(7,799,150)**	(9,281,143)
Zakat charge		**233,451**	1,481,993
December 31		**(7,565,699)**	(7,799,150)

14.3 Status of zakat assessments

During the year ended December 31, 2019, the Company has received a settlement notice from the GAZT relating to the treatment of non-current portion of net investment in its finance lease for the purposes of determination of zakat base. The notice prescribes the method to calculate the Company's zakat liability for the year ended December 31, 2018 and stated that applying the same principles, the Company was entitled to a credit of Saudi Riyals 9.7 million for the year when the Company was provided a license from SAMA to be involved in the finance lease activities till 2017, whereas there would be a charge of Saudi Riyals 0.5 million for the year ended December 31, 2018. Management has agreed to the settlement notice and has accordingly recorded a net zakat refundable of Saudi Riyals 9.2 million during the year ended December 31, 2018. This amount has been subsequently adjusted for zakat charge for the years 2019 and 2020.

The Company has filed its zakat declarations with GAZT up to 2019 and there are no open assessments as of December 31, 2020.

15. Employee benefit obligations

	2020	2019
January 1	**2,655,529**	2,647,973
Charge	**522,525**	514,598
Payments	**(308,886)**	(507,042)
December 31	**2,869,168**	2,655,529

16. Short-term leases

	2020	2019
Short-term lease commitments	**431,870**	863,740

Short-term leases represent rentals payable by the Company for office premises. Leases are negotiated for an average renewable term of 1 year and rentals are fixed for the same period.

17. Other income

	2020	2019
Recovery against previously written-off investment in finance lease	**3,681,481**	3,822,722
Other	**482,792**	1,050,167
	4,164,273	4,872,889

18. General and administrative expenses

	Note	2020	2019
Salaries and allowances		**10,286,931**	13,163,320
Professional charges		**2,386,783**	2,601,453
Rent		**758,297**	1,086,648
Depreciation	9	**387,716**	677,412
Repair and maintenance		**366,458**	365,294
Other		**1,968,329**	2,501,032
		16,154,514	20,395,159

19. Other operating costs

These costs principally represent insurance and losses related to early settlement of finance lease contracts.

20. Financial risk management

The Company's activities are exposed to a variety of financial risks which mainly include market risk (including currency 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 Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors of the Company manages through its various committees.

20.1 Market risk

Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

20.2 Currency 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. As the Company's transactions are principally in Saudi Riyals, the Company is not exposed to currency risk.

(All amounts in Saudi Riyals unless otherwise stated)

21. Financial risk management

20.3 Cash flow and fair value interest 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 mainly finance lease receivables have fixed interest rates. Applicable interest rates for the same have been disclosed in their respective notes.

20.4 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 currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. As at December 31, 2020 and 2019, the Company has an investment in equity securities that are exposed to price risk, however, the impact has not been considered as the investee Company is yet to formalize and start operations and the cost of such investment is estimated to be its fair value.

20.5 Credit risk

20.5 .1 Risk management

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 which evaluates customers' credit worthiness and obtains adequate securities where applicable.

The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

20.5 .2 Credit quality analysis

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. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company provides leased assets to retail and fleet customers. Retail customers consist of individuals whereas the Company classifies small businesses as fleet customers. Concentration of the Company's customer base on the basis of percentage of the outstanding balance of gross investment in finance lease as at December 31 is as follows:

	2020	2019
Retail	**98.9%**	98.9%
Fleet	**1.1%**	1.1%
	100%	100%

(All amounts in Saudi Riyals unless otherwise stated)

20. Financial risk management (continued)

20.5 Credit risk (continued)

20.5 .2 Credit quality analysis (continued)

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 quality of Company's investments cannot be determined because the customer base of the Company consist of individual customers and small businesses for which such data is not readily available.

Out of the total assets of Saudi Riyals 195.6 million (2019: Saudi Riyals 190.2 million) the assets which were subject to credit risk amounted to Saudi Riyals 180.2 million (2019: Saudi Riyals 173.3 million).

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

	2020	2019
Net investment in finance lease	**69,340,402**	69,066,224
Restricted deposits	**42,890,247**	51,387,662
Other receivables (including employee and related party)	**1,891,832**	6,036,288
Cash at banks	**66,068,060**	46,835,789
	180,190,541	173,325,963

Following tables set out the information about the credit quality of net investment in finance lease on the basis of Company's customers:

	December 31, 2020				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
Fleet	**254,006**	**375,932**	**464,793**	**-**	**1,094,731**
Retail	**54,920,242**	**6,033,330**	**32,156,397**	**-**	**93,109,969**
	55,174,248	**6,409,262**	**32,621,190**	**-**	**94,204,700**

	December 31, 2019				
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Purchased credit impaired	Total
Fleet	500,635	220,977	266,484	-	988,096
Retail	54,560,961	8,233,197	26,558,436	-	89,352,594
	55,061,596	8,454,174	26,824,920	-	90,340,690

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. The bank balances along with credit ratings are tabulated below:

	2020	2019
A-	**49,317,147**	45,454,350
BBB+	**16,750,913**	1,381,439
	66,068,060	46,835,789

20. Financial risk management (continued)

20.5 Credit risk (continued)

20.5 .3 Impairment

Cash at banks and restricted deposits are placed with banks with sound credit ratings which is given above. 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 general impairment ECL model to measure the credit allowances against net investment in finance lease.

20.5 .3.1 Measurement of ECL

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); and
(iii) exposure at default (EAD).

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, 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. If a counterparty or exposure migrates between ratings 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, net value, 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.

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 instalment.

Applying a five percent increase to the PD, could result in an approximate additional ECL charge of Saudi Riyals 0.73 million as at December 31, 2020

20.5 .3.2 Categorization

The Company categorize its investment in finance lease into Stage 1, Stage 2, Stage 3, as described in Note 3.12 and 6.4.

(All amounts in Saudi Riyals unless otherwise stated)

20. Financial risk management (continued)

20.5 Credit risk (continued)

20.5 .3.3 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 an 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 modelling, 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 an 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 90 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.

20.5 3.4 Collateral

The Company in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the lease receivable. These collaterals are the underlying assets subject to such finance lease. For lease receivables that are credit impaired at the reporting period, the Company closely monitors collateral held as it becomes more likely that Company will take possession of collateral to mitigate potential credit losses. Lease receivables that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure	Impairment allowance	Carrying amount of lease receivables	Fair value of collateral held
Investment in finance lease	52,884,193	24,864,298	28,019,895	18,240,237

20.6 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. As at December 31, 2020 and 2019 the current liabilities of the Company did not exceed its current assets. The Company’s financial liabilities primarily consist of accounts payable, accrued and other liabilities. Even though significant portion of these liabilities are expected to be settled within 12 months from the reporting date, the Company expects to have adequate liquid funds to settle its current liabilities through close monitoring of its current assets and current liabilities.

(All amounts in Saudi Riyals unless otherwise stated)

20. Financial risk management (continued)

20.6 Liquidity risk (continued)

The Company's management has prepared its business plan and cash flow forecasts for the twelve months from the reporting date taking into consideration the nature and condition of business, the degree to which it is effected by external factors and other financial data available at the time of preparation of such forecasts.

Following is the contractual maturities of undiscounted cash flows of financial liabilities as at December 31, 2020 and 2019:

At December 31, 2020	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Trade and other payables	**48,794,063**	**-**	**-**	**-**	**48,794,063**
Accrued and other liabilities	**9,651,413**	**-**	**-**	**-**	**9,651,413**
Net servicing liability	**7,818,098**	**4,081,449**	**5,657,659**	**4,644,457**	**22,201,663**
	66,263,574	**4,081,449**	**5,657,659**	**4,644,457**	**80,647,139**

At December 31, 2019	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
Trade and other payables	34,256,128	-	-	-	34,256,128
Accrued and other liabilities	9,417,021	-	-	-	9,417,021
Net servicing liability	8,398,234	4,964,709	7,609,636	6,328,673	27,301,252
	52,071,383	4,964,709	7,609,636	6,328,673	70,974,401

The present value of the net servicing liability is Saudi Riyals 21.3 million (2019: 26.1 million).

20.7 Capital risk management

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or increase its share capital. Further, the Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA which requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

	2020	**2019**
Aggregate financing to capital ratio (Net investment in finance lease divided by total equity)	**0.61 times**	0.59 times

Equity includes all capital and reserves of the Company that are managed as capital.

(All amounts in Saudi Riyals unless otherwise stated)

20. Financial risk management (continued)

20.8 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The Company's financial assets consist of cash and cash equivalents, other receivables, investments in finance lease, available-for-sale investment and financial liabilities consisting of accounts payable, accrued expenses and other liabilities and net servicing liability.

The fair values of financial assets and liabilities are not materially different from their carrying values at the statement of financial position date.

Determination of fair value and fair value hierarchy.

The Company, if applicable, uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

At December 31, 2020	Carrying amount	Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets					
FVTOCI	**892,850**	**892,850**	**-**	**-**	**892,850**
Total assets	**892,850**	**892,850**	**-**	**-**	**892,850**

At December 31, 2019	Carrying amount	Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets					
FVTOCI	892,850	892,850	-	-	892,850
Total assets	892,850	892,850	-	-	892,850

(All amounts in Saudi Riyals unless otherwise stated)

20. Financial risk management (continued)

20.8 Fair value of financial instruments (continued)

The management assessed that cash and cash equivalents, other receivables, trade payables and other liabilities and accruals approximate their carrying amounts largely due to the short-term maturities of these instruments.

Level 3
The management believes that the carrying value of the investment approximates to the fair value at December 31, 2020 and December 31, 2019.

There were no transfers between levels during the years ended December 31, 2020 and 2019.

21. Finance lease receivables – securitization and agency agreements

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

The Company continues to manage these derecognized finance lease receivables as a servicer in accordance with the securitization and agency agreements entered into with the financial institution (see Note 6). The Company is continuing to manage these sold receivables for an agreed fee which is netted-off with related cost of servicing these finance lease receivables sold to financial institution. Also, see Note 22.

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

	2020	**2019**
Finance lease receivables sold under securitization agreements	**225,934,200**	295,493,064

Maturity profile of finance lease receivable sold under securitized deals are as follows:

	December 31, 2020		**December 31, 2019**	
	Less than one year	**One to five year**	**Less than one year**	**One to five year**
Securitization agreements	**95,343,078**	**130,591,122**	108,318,311	187,174,753

22. Net servicing liability under agency agreement

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

The fair value of net servicing asset/ liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset/ liability are discount rates, estimates of servicing costs and the fixed servicing fees. The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing liability.

23. Impact of COVID-19 on Expected Credit Losses ("ECL") and SAMA Programs

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

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic.

The prevailing economic conditions post lock down, required the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting macroeconomic factors used by the company in the estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Company in ECL estimation. The Company made certain adjustments to the macroeconomic factors and scenario weightages.

The Company's ECL model continues to be sensitive to macroeconomic variables and scenario weightages. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

As acknowledged by the International Accounting Standards Board ("IASB") and other regulators, it is likely to be difficult at this time to know the specific effects the health crisis and government and central bank support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it was too early for any potential credit impairment to be reflected through application of the staging criteria and focused on the economic model underpinning PD and LGD determinations. The Company will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any additional ECL amounts need to be recognized.

There has been a limited impact on collections and liquidity during the current phase and this is being monitored regularly by management. Overall, management does not see any significant changes presently.

SAMA programs and initiatives launched

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program, the Company was required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by those customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted the Company recognising a day 1 modification loss of Saudi Riyals 4,950 as at March 31, 2020 and this has been presented as part of finance income / (charges), net. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

23. Impact of COVID-19 on Expected Credit Losses ("ECL") and SAMA Programs (continued)

In order to compensate all the related cost that the Company expected to incur under the SAMA program, the Company received Saudi Riyals 1.07 million of profit free deposit from SAMA. The benefits of the subsidised funding rate and deferment of monthly instalments have been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in recognition of grant income of Saudi Riyals 4,950 recognised in the statement of comprehensive income within other income and the balancing amount has been recognized as a financial liability within, accrued and other liabilities. The management has exercised certain judgements in the recognition and measurement of this grant income. However, during the year ended December 31, 2020, on the request of SAMA the Company has refunded Saudi Riyals 0.88 million out of this balance.

24. Date of authorisation of issue

These financial statements have been authorised for issue on March 4, 2021.