GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT
For the year ended
31 December 2021

KPMG Professional Services
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P.O. Box 4803
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Kingdom of Saudi Arabia
Commercial Registration No 2051062328

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
الطابق الأول، برج بالطيور
طريق الملك سعود ، الصفا
ص.ب ٤٨٠٣
الخبر ٣١٩٥٢
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي الرياض

Independent Auditor's Report

To the Shareholders of Gulf Lifting Financial Leasing Company (A Closed Joint Stock Company)

Opinion

We have audited the financial statements of Gulf Lifting Financial Leasing Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 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 issued 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

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.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماه سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدوده بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.

KPMG

Independent Auditor's Report

To the Shareholders of Gulf Lifting Financial Leasing Company (A Closed Joint Stock Company) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Gulf Lifting Financial Leasing Company** ("the Company").

KPMG Professional Services

كي بي إم جي للاستشارات المهنية
Lic No. 46
C.R. 2051062328
K : 1
ترخيص رقم ٤٦
س.ت: ٢٠٥١٠٦٢٣٢٨
KPMG
KPMG Professional Services

Abdulaziz Abdullah Alnaim

License No: 394

Al Khobar, 3 March 2022G
Corresponding to: 30 Rajab 1443H

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(Expressed in Saudi Riyals)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Net investment in finance leases	3	**62,367,112**	58,210,176
Investment	4	**892,850**	892,850
Intangible assets	5	**337,500**	687,962
Property and equipment	6	**309,276**	343,882
Total non-current assets		**63,906,738**	60,134,870
Current assets			
Current portion of net investment in finance leases	3	**49,370,168**	32,979,873
Prepayments and other current receivables	7	**3,039,088**	3,006,903
Cash and cash equivalents	8	**100,516,853**	122,684,153
Total current assets		**152,926,109**	158,670,929
TOTAL ASSETS		**216,832,847**	218,805,799
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	10	**165,800,000**	100,000,000
Additional equity contribution		-	90,644,283
Accumulated losses		**(58,630)**	(19,269,466)
TOTAL SHAREHOLDERS' EQUITY		**165,741,370**	171,374,817
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	11	**107,385**	229,065
Deposits from Saudi Central Bank (SAMA)	20.1	**23,761,416**	23,072,102
Total non-current liabilities		**23,868,801**	23,301,167
Current liabilities			
Trade payables		**25,285**	86,802
Accrued expenses and other current liabilities	12	**957,858**	502,858
Provision for Zakat	13	**1,176,429**	1,132,728
Due to related parties	9	**34,270**	194,680
Current portion of deposits from Saudi Central Bank (SAMA)	20.1	**24,421,409**	19,589,379
Advance from customers		**607,425**	2,623,368
Total current liabilities		**27,222,676**	24,129,815
TOTAL LIABILITIES		**51,091,477**	47,430,982
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**216,832,847**	218,805,799

Ali Abdullah Kanoo	Nair Alsulami	Yaser Mudhafar
Director	Chief Executive Officer	Chief Financial Officer

The accompanying notes from 1 to 23 appearing on pages 6 to 38 form an integral part of these financial statements.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Saudi Riyals)

	Note	2021	2020
INCOME			
Income from operations			
Finance lease income		**12,727,687**	9,520,635
Income from other activities			
Other income	14	**650,093**	1,707,172
Total income		**13,377,780**	11,227,807
EXPENSES			
Loss on account of participation to SAMA deferred payment program	20.2	**(4,607,517)**	(4,940,693)
Salaries and other employee related expenses		**(5,598,137)**	(5,301,141)
Legal and professional charges		**(1,723,619)**	(1,235,891)
Rent and related expenses	16	**(540,268)**	(409,665)
Depreciation charge	6	**(109,933)**	(180,857)
Amortization charge	5	**(687,962)**	(102,842)
Provision for investment in finance leases	3	**(2,819,465)**	(14,298,942)
Other general and administration expenses	17	**(1,510,007)**	(651,432)
Insurance expense		**(770,443)**	(1,009,719)
Total expenses		**(18,367,351)**	(28,131,182)
Loss before Zakat		**(4,989,571)**	(16,903,375)
Zakat expense for the year	13	**(275,869)**	(232,168)
Loss for the year		**(5,265,440)**	(17,135,543)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
- Re-measurement gain / (loss) on defined benefit plans-	11	**31,993**	(46,432)
Other comprehensive income / (loss) for the year		**31,993**	(46,432)
Total comprehensive loss for the year		**(5,233,447)**	(17,181,975)
Earnings per share – basic and diluted	15	**(0.52)**	(1.71)

Ali Abdullah Kanoo	Nair Alsulami	Yaser Mudhafar
Director	Chief Executive Officer	Chief Financial Officer

The accompanying notes from 1 to 23 appearing on pages 6 to 38 form an integral part of these financial statements.

(Expressed in Saudi Riyals)

	Share capital	**Additional equity contribution**	**Accumulated losses**	**Total**
Balance at 1 January 2020	100,000,000	90,644,283	(2,087,491)	188,556,792
Loss for the year	-	-	(17,135,543)	(17,135,543)
Other comprehensive loss for the year	-	-	(46,432)	(46,432)
Total comprehensive loss for the year	-	-	(17,181,975)	(17,181,975)
Balance at 31 December 2020	100,000,000	90,644,283	(19,269,466)	171,374,817
Balance at 1 January 2021	**100,000,000**	**90,644,283**	**(19,269,466)**	**171,374,817**
Loss for the year	**-**	**-**	**(5,265,440)**	(5,265,440)
Other comprehensive income for the year	**-**	**-**	**31,993**	31,993
Total comprehensive loss for the year	**-**	**-**	**(5,233,447)**	**(5,233,447)**
Penalty paid to SAMA relating to the year 2020 (note 17.1)	**-**	**-**	**(400,000)**	**(400,000)**
Transfers (note 10)	**65,800,000**	**(90,644,283)**	**24,844,283**	**-**
Balance at 31 December 2021	**165,800,000**	**-**	**(58,630)**	**165,741,370**

The accompanying notes from 1 to 23 appearing on pages 6 to 38 form an integral part of these financial statements.

GULF LIFTING FINANCIAL LEASING COMPANY
(CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Expressed in Saudi Riyals)

	Note	2021	2020
Cash flows from operating activities			
Loss before Zakat		**(4,989,571)**	(16,903,375)
Adjustments for:			
- Provision for investment in finance leases	3	**2,819,465**	14,298,942
- Loss on account modification of lease contracts payment terms	20.2	**4,842,863**	7,008,424
- Gain on account of fair value adjustments for interest free SAMA deposits, net	20.1	**(235,346)**	(2,067,731)
- Depreciation	6	**109,933**	180,857
- Amortization	5	**687,962**	102,842
- Employees' end of service benefits	11	**148,794**	118,645
- Loss on disposal of property and equipment		**13,421**	2,221
		3,397,521	2,740,825
Changes in:			
- Net investment in finance leases		**(28,209,559)**	(20,689,563)
- Prepayments and other current receivables		**(32,185)**	841,207
- Due to related parties		**(160,410)**	22,580
- Trade payables		**(61,517)**	(493,159)
- Advance from customers		**(2,015,943)**	1,507,359
- Accrued expenses and other current liabilities		**376,961**	128,970
Cash used in operating activities		**(26,705,132)**	(15,941,781)
Employees' end of service benefits paid	11	**(160,442)**	(102,860)
Zakat paid	13(b)	**(232,168)**	-
Penalty paid to SAMA	17.1	**(400,000)**	-
Net cash used in operating activities		**(27,497,742)**	(16,044,641)
Cash flows from investing activities			
Acquisition of property and equipment	6	**(88,748)**	(273,530)
Acquisition of intangible asset	5	**(337,500)**	-
Net cash used in investing activities		**(426,248)**	(273,530)
Cash flows from financing activities			
Deposits received from SAMA	20.1	**18,275,016**	54,925,001
Repayment of deposits to SAMA	20.1	**(12,518,326)**	(10,195,789)
Net cash flows from financing activities		**5,756,690**	44,729,212
Net changes in cash and cash equivalents		**(22,167,300)**	28,411,041
Cash and cash equivalents at beginning of the year		**122,684,153**	94,273,112
Cash and cash equivalent at end of the year	8	**100,516,853**	122,684,153

(Expressed in Saudi Riyals)

	Note	2021	2020
SUPPLIMENTORY INFORMATION			
Non-cash transactions:			
Gain on account of fair value adjustments for interest free SAMA deposits, net	20.1	**235,346**	2,067,731
Lease modification loss	20.2	**4,842,863**	7,008,424
Transfer of end of service benefits to accrued expenses and other current liabilities	11	**78,039**	-

The accompanying notes from 1 to 23 appearing on pages from 6 to 38 form an integral part of these financial statement.

1. CORPORATE INFORMATION

Gulf Lifting Financial Leasing Company ("the Company") previously known as "Gulf Lifting Rental Company" is a Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company is registered in Dammam under commercial registration number 2050030896 dated 19 Shaban, 1416H corresponding to 10 January 1996G and operating under company license number 47/A Sh/201708 dated 14 Dhul Qa'dah 1438H corresponding to 6 August 2017G issued by Saudi Central Bank (formerly Saudi Arabian Monetary Authority) ("SAMA").

The Company is engaged in the finance leasing business. The Company is effectively a wholly owned subsidiary of Yusuf Bin Ahmed Kanoo Company Limited.

In 2013, a new Finance Lease Law was enacted in the Kingdom of Saudi Arabia, whereby, only licensed companies are allowed to conduct finance lease business in the Kingdom of Saudi Arabia. Accordingly, the shareholders of the Company (i) filed application with relevant authorities to secure license to conduct finance lease business; (ii) increased the capital of the Company from SR 40 million to SR 100 million as required by the law; and (iii) resolved to transfer all the business activities and related assets and liabilities at carrying amount of operating lease business to a shareholder effective from 1 January 2013. During 2016, the Company received initial approval of the acceptance of application from the Saudi Central Bank (formerly Saudi Arabian Monetary Authority) (SAMA). During 2021, the Company has increased its capital from SR 100 million to 165.8 million (refer note 10.

During 2016, the shareholders of the Company resolved to change the name of the Company from Gulf Lifting Rental Company to Gulf Lifting Financial Leasing Company. Further, the Company was converted from Limited Liability Company into a Closed Joint Stock Company in accordance with Ministerial Resolution number 287/Q dated 27 Dhul Qa'dah 1437H, corresponding to 30 August 2016. The legal formalities associated with the change in name and legal status of the Company were completed during 2016.

In view of the change in legal status, the shareholders also resolved to (i) convert statutory reserve and retained earnings to additional equity contribution at 30 August 2016 amounting to SR 90.65 million and (ii) transfer the assets, liabilities and activities of the Company to Closed Joint Stock Company.

The Company has received license from SAMA for practice of finance lease business in Kingdom of Saudi Arabia on 14 Dhul Qa'dah 1438H corresponding 6 August 2017G.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements are prepared on a going concern basis under the historical cost convention on the accrual basis of accounting except for investment which is measured at fair value and employees' end of service benefits which is measured at projected unit credit method.

2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Riyal, unless otherwise stated.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.4 Significant accounting judgments, estimates and assumptions

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities for the year ended 31 December 2021 includes:

i. Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost. The Company measures loss allowances at an amount equal to lifetime ECL.

Loss allowances for lease receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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 informed credit assessment and including forward-looking information.

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

- the borrower 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 financial asset is 90 days or more past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ii. Employees' end of service benefits

The cost of end of service defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, yield and duration of Saudi government bonds obligation with at least an 'A' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

Age-wise "High" withdrawal rates are used in carrying out the valuation. These age-wise withdrawal rates are generally used in the MENA region to carry out the actuarial valuation of end of service benefit schemes of companies operating in leasing business.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.4 Significant accounting judgments, estimates and assumptions (Continued)

ii. Employees' end of service benefits (Continued)

The rates assumed are based on the WHO SA - 19 – 75% mortality tables. In the absence of any standard mortality tables in the region, these rates are generally used in Kingdom of Saudi Arabia in carrying out the actuarial valuation of EOSB Schemes. If any other mortality table is used it will not make any significant difference in the results.

iii. Useful lives of property and equipment and intangible assets

Management determines the estimated useful lives of property and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges and amortisation charges, if any, are adjusted in current and future periods.

iv. Measurement of fair values

Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised 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;
- 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).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

v. Zakat

The Company is subject to Zakat in accordance with the General Authority for Zakat, Tax, and Customs Authority ("ZATCA") regulations. Zakat computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by ZATCA is carried out until which the Company retains exposure to additional Zakat liability.

vi. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non- financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into smallest group of assets that generated cash inflows from continuing use that are largely independent of cash inflows of other assets.

The recoverable amount of an asset is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.5 Standards, new pronouncements and interpretations

New and revised standards with no material effect on the financial statements
The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

New and revised standards issued but not yet effective
The Company has not early adopted the following new and revised standards that have been issued but are not yet effective:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts and its amendments
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transactions – Amendments to IAS 12 Income Taxes)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The above-mentioned standards are not expected to have a significant impact on the Company's financial statements.

2.6 Significant accounting policies

Following accounting policies have been applied in preparation of these financial statements. These policies have been applied consistently for all period presented.

2.6.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Capital work in progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is brought into commercial operations and available for intended use.

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 entity and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalized and the asset so replaced is retired from use. All other repairs and maintenance expenditure are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred.

Depreciation is calculated using the straight line method over its estimated useful life of the assets as mentioned below, after taking into account their respective residual value.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (Continued)

2.6.1 Property and equipment (Continued)

	Number of years
Leasehold improvements	5
Office furniture and fixtures	5-7
Information technology equipment	4

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 disposal of property and equipment, if any, are taken to the statement of profit or loss and other comprehensive income in the period in which they arise.

The assets residual values, useful life and methods are reviewed and adjusted, if appropriate, at each reporting date.

2.6.2 Intangible assets

Intangible assets, including Enterprise Resources Planning ("ERP") software acquired by the Company and have finite useful life are measured at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful life, and is generally recognized in the statement of profit or loss and other comprehensive income.

During the year the Company booked accelerated amortization on intangible assets related to old ERP software, considering that the new ERP software will be implemented 2022. This change has resulted an increase in amortization by SR 0.59 million. Had there been no change in the amortization the profit for the current year would have been higher by SR 0.59 million and the carrying amount of intangibles assets would have been higher by same amount.

2.6.3 Leases

I. As a lessor

Net investment in finance leases

The Company leases out heavy machinery and automobile to corporate customers. Leases in which the Company transfers control incidental to the ownership of an asset to the lessee are classified as finance leases. Finance lease are recorded at the inception of the lease at the lower of fair value of the leased assets and the present value of the minimum lease payments. At the end of lease-term the Company transfers the title of underlying assets to the lessee.

Gross investment in finance leases include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross investment in finance leases. The Company takes down payments on leases with the right to set off against the residual value of leased assets and for presentation purposes, these down payments along with prepaid lease rentals are deducted from gross investment in finance leases. The Company has applied IFRS 15 "Revenue from Contracts with Customers" to allocate consideration in the contract to each lease and non-lease component.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (Continued)

2.6.3 Leases (Continued)

II. As a lessee

The Company leases office building. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation, impairment losses and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Short term lease and leases of low value assets

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

2.6.4 Provisions

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

Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

2.6.5 Zakat

The Company is subject to Zakat in accordance with the General Authority of Zakat and Tax (“ZATCA") regulations. Zakat computation involves relevant knowledge and judgment of the Zakat rules and regulations to assess the impact of Zakat liability at a particular period end. This liability is considered an estimate until the final assessment by GAZT is carried out until which the Company retains exposure to additional Zakat liability.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6.6 Expenses

All expenses are presented by their nature and presented in the statement of profit or loss and other comprehensive income

2.6.7 Financial instruments

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

i) Financial assets

Initial recognition and measurement
On initial recognition, a financial asset is classified and measured at amortized cost, FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

a) Financial assets 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.

The financial instruments not measured at fair value are short-term financial assets and financial liabilities whose carrying amounts are a reasonable approximation of fair value.

Cash and cash equivalents include cash in hand, deposits with banks and other short term investments in an active market with original maturities of three months or less.

The Company classify cash and cash equivalents, finance lease receivables and other receivables as financial assets at amortized cost.

b) Financial assets at fair value through other comprehensive income ("FVOCI")

A financial asset is measured at fair value through FVOCI only if it meets both of the following conditions and is not designated as at FVTPL.

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principle and profit on the principle amount outstanding.

On initial recognition of 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. The Company does not have any financial assets that are designated at fair value through other comprehensive income (FVOCI).

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (Continued)

2.6.7 Financial instruments (Continued)

i) Financial assets (Continued)

c) Financial assets at fair value through profit or loss ("FVTPL")

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported;
- 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 sales of financial assets in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales 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.

Transfer of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for the purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly 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.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (Continued)

2.6.7 Financial instruments (Continued)

i) Financial assets (Continued)

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. 'interest ' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, 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 this assessment, the Company considers;

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

ii) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss and other comprehensive income. Other financial liabilities (including loans and borrowings and accounts and other payables) are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange losses are recognized in statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is also recognized in the statement of profit or loss and other comprehensive income.

Effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (Continued)

2.6.7 Financial instruments (Continued)

ii) Financial assets (Continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction 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

When available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Company measures instruments quoted in an active market as per the official closing price in the related stock exchange where the instrument is traded.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flow from the 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 does not retain control of the financial asset.

On derecognition of the financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognized) and the consideration received (including any new asset obtained less any new liability assumed) is recognized in the statement of profit or loss and other comprehensive income. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial liability

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized on fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non- cash assets transferred or liabilities assumed) is recognized in the statement of profit or loss and other comprehensive income.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (Continued)

2.6.7 Financial instruments (Continued)

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gain and losses from financial instruments at FVTPL and foreign exchange gains and losses.

iii) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model with an 'expected credit loss' model (ECL). IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Under IFRS 9, credit losses are recognized earlier than under previous accounting standard.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for finance lease receivables.

To measure the expected credit losses, finance lease receivables have been grouped based on shared credit risk characteristics and the days past due.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the ECL's, 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 informed credit assessment and including forward- looking information.

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

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

Life time ECLs are the ECLs that result from default events over the expected life of a financial instrument.
The Maximum credit period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of Expected Credit Losses:
ECLs are a probability – weighted estimate of credit losses. Credit losses are measured 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 cash flows that the company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.6 Significant accounting policies (Continued)

2.6.7 Financial instruments (Continued)

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI (if any) 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:
- due to significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a finance lease receivable by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI (If any), the loss allowance is charged to the statement of profit or loss and other comprehensive income.

Write off:
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is sufficient evaluation that collection will not be possible, for example when counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in the statement of profit or loss and other comprehensive income.

2.6.8 Impairment of non-financial assets
At each reporting date, the company reviews the carrying amounts of its non- financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into smallest group of assets that generated cash inflows from continuing use that are largely independent of cash inflows of other assets.

The recoverable amount of an asset is greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre- tax discount rate based on the estimated future cash flows, discounted their present value using a pre-tax discount rate the reflects current market assessment of the time value of money and the risks specific to the assets.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognized in the statement of profit or loss and other comprehensive income. They are allocated first to reduce the carrying amount of any goodwill (If any), and then reduce the carrying amount of other assets on pro rata basis. An impairment loss in respect of goodwill is not reversed, for other assets, an impairment less is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.7 Significant accounting policies (Continued)

2.6.9 Cash and cash equivalents

Cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

2.6.10 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the statement of financial position date are considered as non-adjusting events and are recorded in the financial statements in the year in which they are approved and transfers are made.

2.6.11 Revenue recognition-Finance leases

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss and other comprehensive income.

Service fees charged in respect incidental services are recognized over the period of contract.

2.6.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of special commission expense and other costs that the Company incurs in connection with the borrowing of funds.

2.6.13 Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company’s By-laws, 10% of the income for the period should be transferred to the statutory reserve. This reserve is not available for distribution. As per the By-laws, the Company may resolve to discontinue such transfers when the reserve totals 30% of the paid up share capital.

2.7.14 Employee benefits

i) Short term employee benefits

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

ii) Employees' end-of-service benefits liabilities

The Company operates a non-funded employee end-of-service benefit plan, which is classified as defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the statement of profit or loss and other comprehensive income. Such actuarial gains and losses are not reclassified to profit or loss in subsequent periods.

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.7 Significant accounting policies (Continued)

2.7.14 Employee benefits (Continued)

ii) Employees' end-of-service benefits liabilities (Continued)

Past service costs are recognized in the statement of profit or loss and other comprehensive income on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under ‘salaries and related expenses’ and ‘finance cost’ in the statement of profit or loss and other comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The defined benefit liability comprises the present value of the defined benefit obligation, less past service costs.

2.7.15 Government grant

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 profit 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. The government grant is recognised in the statement of profit or loss and other comprehensive income on a systematic basis over the period in which the Company recognises as expenses the related costs for which the grant is intended to compensate.

2.7.16 Value Added Tax (VAT)

Assets and expenses are recognised net of amount of VAT, except that when VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. The VAT rate was 5% till 30 June 2020 and subsequent to that 15% from 1 July 2020 onwards

2.7.17 Provisions and contingencies

Provision

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the separate statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(Expressed in Saudi Riyals)

2. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (Continued)

2.7 Significant accounting policies (Continued)

2.7.17 Provisions and contingencies (Continued)

Contingencies
Contingent liabilities are not recognized in the separate financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, they are recorded in the separate statement of financial position under accounts payable and accruals. A contingent asset is not recognised in the separate financial statements but disclosed when an inflow of economic benefits is probable.

2.7.18 Trade payables, accruals and other liabilities

Liabilities are recognized for amounts to be paid for goods received and services rendered, whether or not billed to the Company.

2.7.19 Share capital

Ordinary shares are classified as equity. Incremental costs, if any, directly attributable to the issue of new shares are shown in equity as a deduction, from the proceeds.

3. NET INVESTMENT IN FINANCE LEASES

	2021	2020
Gross investment in finance lease	**135,853,575**	130,261,165
Less: Unearned finance lease income	**(20,214,094)**	(22,500,276)
Net investment in finance leases	**115,639,481**	107,760,889
Provision for lease losses	**(3,902,201)**	(16,570,840)
	111,737,280	91,190,049
Current maturity	**(49,370,168)**	(32,979,873)
Non-current maturity	**62,367,112**	58,210,176

During the year end 31 December 2021, the Company written off SR 15,488,104 (2020: Nil) in respect of receivable from three delinquent customers.

3.1 The movement in the provision for lease losses was as follows:

	2021	2020
Balance at the beginning of the year	**16,570,840**	2,271,898
Allowance for the year	**2,819,465**	14,298,942
Write-off	**(15,488,104)**	-
Balance at the end of the year	**3,902,201**	16,570,840

(Expressed in Saudi Riyals)

3. NET INVESTMENT IN FINANCE LEASES (Continued)

3.2 The maturity of the gross investment in finance leases as at 31 December 2021 is as follows:

	Gross investment in finance leases	**Unearned finance lease income**	**Net investment in finance leases**
Not later than one year	**60,391,939**	**11,021,771**	**49,370,168**
One to two years	**43,393,497**	**5,928,985**	**37,464,512**
Two to three years	**20,330,046**	**2,429,954**	**17,900,092**
Three to four years	**8,187,549**	**728,737**	**7,458,812**
Four to five years	**3,550,544**	**104,647**	**3,445,897**
	135,853,575	**20,214,094**	**115,639,481**

The maturity of the gross investment in finance leases as at 31 December 2020 is as follows:

	Gross investment in finance leases	Unearned finance lease income	Net investment in finance leases
Not later than one year	44,064,542	11,084,669	32,979,873
One to two years	44,125,718	6,947,358	37,178,360
Two to three years	24,855,664	3,242,556	21,613,108
Three to four years	10,826,637	1,059,573	9,767,064
Four to five years	6,388,604	166,120	6,222,484
	130,261,165	22,500,276	107,760,889

4. INVESTMENT

Based on the instructions of Saudi Central Bank (formerly Saudi Arabian Monetary Authority) (“SAMA”) in the month of December 2017 a new entity was incorporated to register the leasing contracts in the Kingdom of Saudi Arabia called “Saudi for leasing registration (“the Investee”). SAMA instructed all leasing companies and banks to contribute to the capital of the new investee. The Company contributed **SR 892,850** in December 2017. In 2018, the Company has received **89,285 shares (**2% of total shares) and classified the investment as fair value through other comprehensive income (FVOCI).

(Expressed in Saudi Riyals)

5. INTANGIBLE ASSETS

Intangible assets represent licenses for computer software and asset under development for ERP software implementation expenses.

	Software licenses	Asset under development	Total
Cost:			
1 January 2020	2,195,501	-	2,195,501
Additions	-	-	-
31 December 2020	2,195,501	-	2,195,501
Additions	**-**	**337,500**	**337,500**
31 December 2021	**2,195,501**	**337,500**	**2,533,001**
Accumulated amortization:			
1 January 2020	1,404,697	-	1,404,697
Charge for the year	102,842	-	102,842
31 December 2020	1,507,539	-	
Charge for the year	**687,962**	**-**	**687,962**
31 December 2021	**2,195,501**	**-**	**2,195,501**
Carrying amounts:			
31 December 2021	**-**	**337,500**	**337,500**
31 December 2020	687,962	-	687,962

(Expressed in Saudi Riyals)

6. PROPERTY AND EQUIPMENT

	Leasehold improvements	Office furniture and fixtures	Information technology equipment	Total
Cost:				
1 January 2020	228,797	162,495	325,760	717,052
Additions during the year	132,700	-	140,830	273,530
Disposals during the year	-	-	(2,856)	(2,856)
31 December 2020	361,497	162,495	463,734	987,726
1 January 2021	**361,497**	**162,495**	**463,734**	**987,726**
Additions during the year	**-**	**9,800**	**78,948**	**88,748**
Disposals during the year	**-**	**-**	**(17,357)**	**(17,357)**
31 December 2021	**361,497**	**172,295**	**525,325**	**1,059,117**
Accumulated depreciation:				
1 January 2020	170,073	66,781	226,768	463,622
Charge for the year	61,526	23,213	96,118	180,857
Related to disposals	-	-	(635)	(635)
31 December 2020	231,599	89,994	322,251	643,844
1 January 2021	**231,599**	**89,994**	**322,251**	**643,844**
Charge for the year	**35,472**	**24,259**	**50,202**	**109,933**
Related to disposals	**-**	**-**	**(3,936)**	**(3,936)**
31 December 2021	**267,071**	**114,253**	**368,517**	**749,841**
Carrying amounts:				
31 December 2021	**94,426**	**58,042**	**156,808**	**309,276**
1 January 2021	129,898	72,501	141,483	343,882

7. PREPAYMENTS AND OTHER CURRENT RECEIVABLES

	31 December 2021	31 December 2020
Prepaid expenses	**304,874**	539,302
Accrued interest on short term deposits	**95,268**	40,041
VAT receivable	**971,249**	1,113,071
Advance to suppliers	**1,004,000**	1,256,483
Others	**663,697**	58,006
	3,039,088	3,006,903

8. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash in hand	**-**	180
Cash at bank	**14,978,692**	18,962,725
Short term deposits	**85,538,161**	103,721,248
	100,516,853	122,684,153

Short term bank deposits are denominated in Saudi Riyals and United States Dollars with local banks and are made for varying periods from 1 month to 3 month and carry interest rates ranging from 0.07% to 0.7 % per annum (2020: 0.10% to 2.00%).

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represented shareholder, directors and key management personnel of the Company, and entity controlled or significantly influenced by such parties:

The Company is required to pay remuneration to the members of Board of Directors, under Bye-Laws, for participation in Board of Director's meeting held during the period, all the directors have waived their right to receive the remuneration.

Prices and terms of payment with related parties are approved by the management. Amount due to related parties are disclosed in the statement of financial position.

Significant transactions with related parties

	2021	2020
Yusuf Bin Ahmed Kanoo Company Limited – a shareholder		
Reimbursement of expenses	**34,037**	30,173
Purchase of equipment	**7,935,000**	-
Kanoo Travels – other related party		
Purchase of travel tickets	**5,431**	3,271

(Expressed in Saudi Riyals)

9. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

Key management personnel
Key management personnel of the Company comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company.

Key management personnel compensation comprised of the following transactions:

	2021	2020
Transactions:		
Compensation of key management personnel	**1,630,626**	1,568,208
Audit committee remuneration	**222,000**	205,844
	1,852,626	1,774,052

Employees' end of service benefits include an amount pertaining to key management personnel which cannot be separately identified.

The above mentioned significant transactions with related parties resulted in the following balances:

Due to related parties

	2021	2020
Yusuf Bin Ahmed Kanoo Company Limited	**34,270**	148,992
Kanoo Travels	**-**	45,688
	34,270	194,680

10. SHARE CAPITAL

During the year 2021, the Company has increased its share capital from SR 100 million to SR 165.8 million. The increase of SR 65.8 million were given effect by transferring additional equity contribution amounting to SR 90.6 million and absorption of accumulated losses amounting to SR 24.8 million. The Company obtained shareholders' approval for capital increase on 29 December 2021 in its extra ordinary general meeting. Subsequent to the year end, the Company obtained updated commercial register and bye laws effecting increase in share capital.

The shareholding pattern as of 31 December 2021 us as follows:

31 December 2021	**Percentage of ownership**	**Number of Shares**	**Amount SR**
Yusuf Bin Ahmed Kanoo Company Limited	**94**	**15,585,200**	**155,852,000**
Ali Abdulla Kanoo	**1**	**165,800**	**1,658,000**
Ali Abdulaziz Kanoo	**1**	**165,800**	**1,658,000**
Saud Abdulaziz Kanoo	**1**	**165,800**	**1,658,000**
Bader Abdulaziz Kanoo	**1**	**165,800**	**1,658,000**
Faisal Khalid Kanoo	**1**	**165,800**	**1,658,000**
Ahmed Fawzi Kanoo	**1**	**165,800**	**1,658,000**
	100	**16,580,000**	**165,800,000**

(Expressed in Saudi Riyals)

10. SHARE CAPITAL (Continued)

The shareholding pattern as of 31 December 2020 us as follows:

31 December 2020	Percentage of ownership	Number of Shares	Amount SR
Yusuf Bin Ahmed Kanoo Company Limited	94	9,400,000	94,000,000
Ali Abdulla Kanoo	1	100,000	1,000,000
Ali Abdulaziz Kanoo	1	100,000	1,000,000
Saud Abdulaziz Kanoo	1	100,000	1,000,000
Bader Abdulaziz Kanoo	1	100,000	1,000,000
Faisal Khalid Kanoo	1	100,000	1,000,000
Ahmed Fawzi Kanoo	1	100,000	1,000,000
	100	10,000,000	100,000,000

11. EMPLOYEES' END OF SERVICE BENEFITS

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its defined benefit obligations in respect of employees' end of service benefits payable under relevant local regulations and contractual arrangements.

The Company recognized the benefits in the statement of profit or loss and other comprehensive income. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the statement of profit or loss and other comprehensive income and amounts recognized in the statement of financial position.

Net benefit expense recognised in the profit or loss and other comprehensive income

	2021	2020
Included in profit or loss		
Current service cost	**143,538**	112,594
Interest cost on benefit obligation	**5,256**	6,051
	148,794	118,645
Included in other comprehensive income		
Re-measurement gains and losses on obligation		
(Gain) / loss due to change in experience adjustments	**(31,993)**	46,432

(Expressed in Saudi Riyals)

11. EMPLOYEES' END OF SERVICE BENEFITS (Continued)

Movement in the present value of defined benefit obligation:

	2021	2020
Balance at 1 January	**229,065**	166,848
Current service cost	**143,538**	112,594
Interest cost	**5,256**	6,051
Benefits paid	**(160,442)**	(102,860)
Transfers to other current liabilities	**(78,039)**	-
Actuarial (gain) / loss on the obligation	**(31,993)**	46,432
Balance at 31 December	**107,385**	229,065

Significant assumptions used in determining the post-employment defined benefit obligation includes the following:

	2021	2020
Discount rate	**2.35%**	1.80%
Salary increase rate short term	**2.35%**	1.80%
Mortality rates	**WHO SA19 - 75%**	WHO SA16 - 75%
Rates of employee turnover	**Heavy**	Heavy

The table below illustrates the approximate impact on the defined benefit obligation if the Company were to change one key assumption, while the other actuarial assumptions remain unchanged. The sensitivity analyses below has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

Sensitivity analysis	**2021**	2020
Increase		
Discount rate (+50 bps)	**103,575**	220,915
Salary increase rate (+50 bps)	**111,450**	237,703
Decrease		
Discount rate (-50 bps)	**111,470**	237,747
Salary increase rate (-50 bps)	**103,557**	220,876

The average duration of the defined benefit obligation at the end of the reporting period is 7.34 years (2020: 6.96 years).

(Expressed in Saudi Riyals)

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2021	2020
Accrued expenses	**394,721**	200,275
Employees related accruals	**563,137**	302,583
	957,858	502,858

13. ZAKAT

a) Charge for the year

The Company is subject to Zakat in accordance with the regulations of the General Authority for Zakat, Tax, and Customs Authority ("ZATCA") Formerly known as General Authority of Zakat and Tax (GAZT)). Zakat expense is charged to the statement of profit or loss and other comprehensive income.

i) Zakat charge for the year ended 31 December comprises of the following:

	2021	2020
Zakat charge for the year	**275,869**	232,168

ii) The significant components of Zakat base for the Company are as follows:

	2021	2020
Shareholders' equity	**-**	-
Other adjustments	**-**	-
	-	-
Adjusted profit for the year	**10,702,224**	8,982,246
Zakat base	**10,702,224**	8,982,246

On 7 Rajab 1440H corresponding to 14 March 2019G, ZATCA issued Zakat rules for financing activities. The rules are applicable for entities conducting financing activities for the fiscal years commenced on or after 1 January 2019. Consequently, the provision for Zakat for the year ended 31 December 2021 and 2020 has been calculated based on the new rules.

Significant components of Zakat base of the Company principally comprise of shareholders' equity at the beginning of the year, adjusted profit for the year. Some of these amounts have been adjusted in arriving at Zakat charge for the year.

b) Provision for Zakat

The movement in provision for Zakat during the year is as follows:

	2021	2020
Balance at beginning of the year	**1,132,728**	900,560
Add: Charge for the year	**275,869**	232,168
Less: Payments during the year	**(232,168)**	-
Balance at end of the year	**1,176,429**	1,132,728

Zakat for the year is payable at 2.5% of higher of the approximate Zakat base and adjusted net income attributable to the shareholders.

(Expressed in Saudi Riyals)

13. ZAKAT (Continued)

c) Status of assessments

The Company has submitted its Zakat declarations with ZATCA for the year up to 2020. The Company has obtained its Zakat certificate for the year ended 31 December 2020, which is valid up to 30 April 2022.

The ZATCA issued a Zakat assessment for the year 2016 through a letter dated 11 March 2019 (ref: 026000039227) with an additional liability of Zakat amounting to SR 1,607,005. The Company filed an objection letter against the ZATCA's assessment for the year 2016 on 6 May 2019 and received a rejection letter on 16 September 2019. Pursuant to the receipt of the rejection letter on 14 October 2019, the Company filed an appeal against the rejection to the General Secretariat of Tax Committees - Committee for Resolution of Tax Violations and Disputes and received a rejection ruling on 30 August 2020. Pursuant to the receipt of the rejection on 29 September 2020, the Company filed an appeal to the General Secretariat of Tax Committees - Appellate Committee for Tax Violations and Disputes Resolution (ACTVDR) who issued a ruling on 13 July 2021 rejecting the Company's appeal. The Company submitted a reconsideration request against the rejection to the ACTVDR on 10 August 2021. Subsequent to the year-end, the request for hearing was accepted and the hearing is scheduled in September 2022. The management of the Company has assessed its position and as per their assessment it is highly likely that the case will be settled in favor of the Company.

14. OTHER INCOME

	2021	2020
Interest income on short term deposits	**249,815**	762,493
Others*	**400,278**	944,679
	650,093	1,707,172

*Others include SR 295,770 received from Human Resources Development Fund for the year ended 2021 (2020: Nil) and for the year end 2020, other include SR 928,558 relating to VAT refunds for the year 2018-2019.

15. BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the income for the year attributable to the shareholders by weighted average number of shares at the end of the year.

Basic and diluted earnings per share:	**2021**	2020
Loss for the year	**(5,265,440)**	(17,135,543)
Weighted average number of outstanding shares		
Number of shares	**10,054,082**	10,000,000
Basic and diluted loss per share	**(0. 52)**	(1.71)

(Expressed in Saudi Riyals)

16. LEASES

Operating lease primarily contains rental expenses for office premises and vehicles, these rental contracts are for 1 year. Expenses relating to such rentals are recognized in the statement of statement of profit or loss and other comprehensive income. The commitments for minimum lease payments under non-cancelable operating leases are as follows:

	2021	2020
Expenses relating to short-term leases	**540,268**	409,665

17. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Software maintenance and IT consultancy	**740,553**	158,074
Withholding taxes and non-refundable VAT	**131,842**	64,755
Electricity and water	**39,529**	29,199
Communication	**141,450**	121,906
Government fees and penalties*	**226,682**	135,867
Travel	**40,473**	4,679
Subscription and periodicals	**54,185**	400
Miscellaneous	**135,293**	136,552
	1,510,007	651,432

*Government fees and penalties includes penalties paid to SAMA amounting to SR 60,000 (31 December 2020: SRE 50,000)

17.1 Penalty paid to SAMA

In 2020, SAMA performed inspection of the Company and noted certain observations pursuant to which it imposed a penalty of SR 400,000 during the year ended 31 December 2021. This penalty has been charged to accumulated losses as the inspection took place in 2020 and the observations were shared in the same year. The amount is not material to adjust the annual financial statements for the year ended 31 December 2020.

18. CONTINGENCIES AND COMMITMENT

The Company has no commitments and contingent liabilities as at 31 December 2021 (2020: Nil), except as disclosed elsewhere in the financial statements.

19. FINANCIAL RISK MANAGEMENT

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk.

Risk management structure

Board of Directors
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.

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 and risk management, the audit thereof and the soundness of the internal controls of the Company.

Internal Audit
All key operational, financial and risk management processes are audited by the Internal Audit. Internal audit examines the adequacy of the relevant policies and procedures, the Company's compliance with the internal policies and regulatory guidelines. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

Risk Committee
Board of Directors of the Company has established a risk committee. The primary responsibility of the risk committee is to oversee and approve the company-wide risk management practices to assist the board in overseeing risks, such as financial, credit, market, liquidity, security, legal, regulatory, reputational, and other risks.

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

19.1 Market risk

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

Market risk comprises of two types of risk: currency risk and other price risk.

a) Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial assets may fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyals. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not hedge its foreign currency exposure.

b) Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

(Expressed in Saudi Riyals)

19. FINANCIAL RISK MANAGEMENT (Continued)

19.1 Market risk

c) Special commission rate risk

The special commission rate risk is the risk that the value of the financial instrument may fluctuate due to changes in the market interest rates. As the Company's financial instruments are interest at fixed rates, the Company is not subject to special commission rate risk.

19.2 Credit risk

Credit risk is the risk that one party to a financial instrument may fail to discharge an obligation and cause the other party to incur a financial loss. The Company has established procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral such as down payments and personal guarantees. Individual lease contracts generally are for terms not exceeding sixty-months.

The credit risks on gross amounts due in relation to the investment in finance leases is mitigated by the retention of title on leased assets and down payments.

	2021	2020
Net investment in finance leases	**111,737,280**	91,190,049
Other receivables	**1,762,965**	1,354,530
Cash at bank and short-term deposits	**100,516,853**	122,684,153
	214,017,098	215,228,732

a) Net investment in finance leases

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

The Company follows a credit classification mechanism, primarily driven by day's delinquency as a tool to manage the quality of credit risk of the lease portfolio. Further, the company has categorized its lease receivables into four sub-categories on the basis of similar credit risk characteristics. Exposures within each credit risk category are segmented by industrial classification and an ECL rate is calculated for each segment based on the delinquency status and actual credit loss experience over the past years. These rates are multiplied by scaler factors to reflect differences between economic conditions, current conditions and management's view of economic conditions over the expected age of the receivables.

Expected credit loss assessment for the lease receivables are as follows:

31 December 2021	**Weighted average loss rate**	**Net investment in finance leases**	**Impairment loss allowance**	**Credit impaired**
Corporate	**2.78%**	**39,026,806**	**1,084,824**	**NO**
Medium enterprise	**3.01%**	**48,325,777**	**1,453,617**	**NO**
Small enterprises	**0.00%**	**28,286,898**	**1,363,760**	**NO**
		115,639,481	**3,902,201**	

(Expressed in Saudi Riyals)

19. FINANCIAL RISK MANAGEMENT (Continued)

19.2 Credit risk (Continued)

31 December 2020	Weighted average loss rate	Net investment in finance leases	Impairment loss allowance	Credit impaired
Corporate	1.57%	27,590,790	434,234	No
Medium enterprise	1.14%	39,297,514	449,326	No
Small enterprises	1.73%	25,628,829	443,524	No
Credit impaired balances	100%	15,243,756	15,243,756	Yes
		107,760,889	16,570,840	

The Company as at 31 December 2021 has impairment loss allowance of SR 3.90 million (2020: SR 16.57 million). In addition, finance lease receivables are secured against leased assets.

The credit quality of Company's bank balances are assessed with reference to external credit worthiness which all are above investment grade rating.

b) Geographical segment analysis
The Company's operations are restricted to Kingdom of Saudi Arabia only.

c) Collateral held as security and other credit enhancements
The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with the net investment in finance lease. The credit risks on net investment in finance leases are mitigated by retention of title of leased assets. Further, the Company has obtained promissory notes from lessee customers.

d) Bank balances and other receivables
Funds are placed with banks having good credit ratings and therefore are not subject to significant credit risk. Other receivables are neither significant nor exposed to significant credit risk.

e) Concentration risk
Concentrations of credit risk arises 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 leasing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

19.3 Liquidity risk
Liquidity risk is the risk that the Company may 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 stress conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

(Expressed in Saudi Riyals)

19. FINANCIAL RISK MANAGEMENT (Continued)

19.3 Liquidity risk (Continued)

The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Company's liabilities based on contractual undiscounted cash flows:

31 December 2021	**Within 3 months**	**3 to 12 Months**	**1 to 5 years**	**Total**
Liabilities				
Deposits from SAMA	**-**	**25,105,030**	**25,380,872**	**50,485,902**
Trade payables	**25,285**	**-**	**-**	**25,285**
Accrued expenses and other current liabilities	**-**	**957,858**	**-**	**957,858**
Due to related parties	**34,270**	**-**	**-**	**34,270**
	59,555	**26,062,888**	**25,380,872**	**51,503,315**

31 December 2020	Within 3 months	3 to 12 Months	1 to 5 years	Total
Liabilities				
Deposits from SAMA	2,871,172	18,117,278	23,740,763	44,729,213
Trade payables	86,802	-	-	86,802
Accrued expenses and other current liabilities	-	502,858	-	502,858
Due to related parties	194,680	-	-	194,680
	3,152,654	18,620,136	23,740,763	45,513,553

19.4 Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021.

19.5 Fair values of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The Company’s financial assets consist of cash and cash equivalents, short-term deposits, finance lease receivables, due from a related party, available-for-sale investments and its financial liabilities consist of accrued expenses and other liabilities and, due to a related party.

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

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets:
Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);
Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

(Expressed in Saudi Riyals)

19. FINANCIAL RISK MANAGEMENT (Continued)

19.5 Fair values of financial assets and financial liabilities (Continued)

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements

	Carrying Amount					**Fair Value**			
31 December 2021	**Financial assets at amortised cost**	**Mandatory at FVTPL**	**FVOCI –equity investments**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets									
Finance lease receivable	**111,737,280**	-	-	-	**111,737,280**	-	-	-	-
Other current assets	**1,762,965**	-	-	-	**1,762,965**	-	-	-	-
Cash and bank balances	**100,516,853**	-	-	-	**100,516,853**	-	-	-	-
Investment	-	-	**892,850**	-	**892,850**	-	-	**892,850**	**892,850**
Total financial assets	**214,017,098**	-	**892,850**	-	**214,909,948**	-	-	**892,850**	**892,850**
Financial liabilities									
Deposits from SAMA	**48,182,825**	-	-	-	**48,182,825**	-	-	-	-
Trade payables	-	-	-	**25,285**	**25,285**	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	**957,858**	**957,858**	-	-	-	-
Due to related parties	-	-	-	**34,270**	**34,270**	-	-	-	-
Total financial liabilities	**48,182,825**	-	-	**1,017,413**	**49,200,238**	-	-	-	-

	Carrying Amount					Fair Value			
31 December 2020	Financial assets at amortised cost	Mandatory at FVTPL	FVOCI –equity investments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Finance lease receivable	91,190,049	-	-	-	91,190,049	-	-	-	-
Other current assets	1,354,530	-	-	-	1,354,530	-	-	-	-
Cash and bank balances	122,684,153	-	-	-	122,684,153	-	-	-	-
Investment	-	-	892,850	-	892,850	-	-	892,850	892,850
Total financial assets	215,228,732	-	892,850	-	216,121,582	-	-	892,850	892,850
Financial liabilities									
Deposits from SAMA	42,661,481	-	-	-	42,661,481	-	-	-	-
Trade payables	-	-	-	86,802	86,802	-	-	-	-
Accrued expenses and other current liabilities	-	-	-	502,858	502,858	-	-	-	-
Due to related parties	-	-	-	194,680	194,680	-	-	-	-
Total financial liabilities	42,661,481	-	-	784,340	43,445,821	-	-	-	-

20. COVID-19 IMPACT AND RESPONSE

The global economy is recovering faster than it was expected at the beginning of the year, and the number of people vaccinated against COVID-19 is increasing. In addition, protective measures and contact restrictions are relaxed. However, uncertainties remain with the prospect of further COVID outbreaks as a result of new variants, for instance.
In response to the spread of the Covid-19 and its resulting potential disruptions to the social and economic activities in in Saudi Arabia, management had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity its services. Further, management has implemented active prevention programs and contingency plans in order to minimize the impact of risks related to COVID-19 and to safeguard the continuity of its business operations.

Based on this assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2021.

The COVID-19 pandemic remains an evolving situation, which may lead to increased risks concerning value creation and asset valuation, such as potential impairment of non-current assets and lease receivables. The uncertainties in the economy may adversely impact suppliers, customers, and other business partners, which may interrupt supply chain, limit the ability to collect receivables and require other changes to operations. Management will continue to closely monitor the effects of the pandemic, including the impact on non-current assets and lease receivables during 2022 and beyond.

SAMA programs
In response to COVID-19 SAMA launched the *Private Sector Financing Support Program* ("PSFSP") in March 2020 to provide the necessary support to the SME sector through empowering and facilitating the financing community. 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 on lease contracts to the customers that qualify as SMEs. SAMA introduced the program for an initial period of six months from 14 April 2020 and then later extended until 31 December 2021. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. Based on this program, the Company has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 31 December 2021. During December 2021, SAMA has further extended the program for a period up to 31 March 2022 for MSME customers who continued to financially affected with the COVID-19. The Company currently evaluating customers accounts in order to extend the program for eligible customers for a period up to 31 March 2022.

As per the requirements of IFRS 9, the Company has recorded the accounting impact for lease contract modification related to deferred payment program for period up to 31 March 2021 in its 2020 annual financial statements. During March 2021, the SAMA announced extension of the deferred payment program for a period up to 30 June 2021 and the program further extended until 31 December 2021 in the month of September 2021, accordingly, the impact of such extension has been incorporated in these financial statements.

(Expressed in Saudi Riyals)

20. COVID-19 IMPACT AND RESPONSE (Continued)

In order to compensate loss on account of lease payment deferral, in the year 2020, the Company received profit free deposit from SAMA. The Company received SR 10.4 million as refundable deposits from SAMA in April 2021, to compensate loss on account of lease payment deferral for extension of 3 months period ended on 30 June 2021. Further, the Company received SR 7.9 million as refundable deposits from SAMA in September 2021 for extension of the program up to 31 December 2021. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. The management has exercised certain judgements in the recognition and measurement of this grant income. The Company has refunded SR 12,518,326 to SAMA during the year 2021.

20.1 Deposits from Saudi Central Bank (SAMA)

	31 December 2021	31 December 2020
Deposits received, net of refunds and fair value adjustments	**48,182,825**	42,661,481
Current	**24,421,409**	19,589,379
Non-current	**23,761,416**	23,072,102
	48,182,825	42,661,481

As at 31 December 2021, the carrying amount for deposits from SAMA is net off with a notional net gain amounting to SR 235,346 (2020: SR 2,067,731) due to of the benefit of the subsidised funding rate.

Movements in deposits from SAMA for the year ended 31 December 2021 and 2021 are as follows:

	2021	2020
At beginning of the year	**42,661,481**	-
Deposits received during the year	**18,275,016**	54,925,001
Repayment of deposits during the year	**(12,518,326)**	(10,195,789)
Gain on account of fair value adjustments	**(2,016,439)**	(3,383,100)
Unwinding of initial gain accounted	**1,781,093**	1,315,369
Balance at end of the year	**48,182,825**	42,661,481

20.2 Loss on account of participation to SAMA deferred payment program

	2021	2020
Gain on account of fair value adjustments for interest free SAMA deposits, net	**(235,346)**	(2,067,731)
Loss on account modification of lease contracts payment terms	**4,842,863**	7,008,424
	4,607,517	4,940,693

21. RECLASSIFICATION

Certain comparative figures have been rearranged and reclassified to conform to current year's presentation, where necessary.

22. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the year ended 31 December 2021 that would have a material impact on the financial position of the Company as reflected in these financial statements.

23. BOARD OF DIRECTORS APPROVAL

The financial statements were approved by the Board of Directors on 29 Rajab 1443H corresponding to 2 March 2022G.