ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

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Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
License #323/11/96/1
Date 24/4/1419
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INDEPENDENT AUDITOR'S REPORT

To the shareholders
Abdul Latif Jameel United Finance Company
Jeddah, Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Abdul Latif Jameel United Finance Company (a Saudi closed joint stock company) (the "Company"), which comprise the statement of financial position as of December 31, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *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 Company's financial statements and we have fulfilled our 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.

Other Matter

The financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on February 24, 2020.

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

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

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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

To the shareholders
Abdul Latif Jameel United Finance Company
Jeddah, Kingdom of Saudi Arabia

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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Deloitte and Touche & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT - CONTINUED

To the shareholders
Abdul Latif Jameel United Finance Company
Jeddah, Kingdom of Saudi Arabia

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.

Deloitte and Touche & Co.
Chartered Accountants

Mohammed Abdulrazzaq Morya
Certified Public Accountant
License No. 494

16 Rajab, 1442
February 28, 2021

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Notes	2020	2019 (Restated)
ASSETS			
Non-current assets			
Property and equipment	6	**70,532**	81,621
Intangible assets	7	**4,309**	7,436
Investment classified as fair value through other comprehensive Income	8	**893**	893
Net investment in finance lease	9	**650,085**	956,026
Notes receivable carried at amortized cost	10	**5,448**	8,020
Notes receivable carried at fair value through other comprehensive income	10	**129,769**	210,409
Other non-current assets	11	**168,652**	202,404
Total non-current assets		**1,029,688**	1,466,809
Current assets			
Net investment in finance lease	9	**200,411**	368,053
Notes receivable carried at amortized cost	10	**13,273**	24,201
Notes receivables carried at fair value through other comprehensive income	10	**6,515**	24,139
Inventories		**14,089**	18,783
Prepayments and other receivables	12	**56,559**	35,821
Deferred consideration receivable	30	**119,391**	193,946
Due from related parties	13	**3,159**	3,128
Cash and bank balances	14	**3,261,705**	3,329,582
Total current assets		**3,675,102**	3,997,653
TOTAL ASSETS		**4,704,790**	5,464,462
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1	**1,000,000**	1,700,000
Statutory reserve	15	**300,000**	291,375
Retained earnings		**1,418,098**	1,430,836
Fair value reserve, net		**27,002**	44,850
Actuarial gains, net		**32,868**	41,625
Total shareholders' equity		**2,777,968**	3,508,686
Non-current liabilities			
Employee benefits liabilities	16	**113,131**	117,923
Lease liabilities	17	**9,073**	14,551
Payable to SAMA	32	**305,752**	-
Other non-current liabilities	18	**174,912**	176,568
Total non-current liabilities		**602,868**	309,042
Current liabilities			
Accounts payable, accrued and other liabilities	19	**986,117**	1,524,538
Payable to SAMA	32	**260,452**	-
Due to related parties	13	**77,385**	122,196
Total current liabilities		**1,323,954**	1,646,734
TOTAL LIABILITIES		**1,926,822**	1,955,776
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,704,790**	5,464,462

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

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	2020	2019 (Restated)
Revenues	20	**407,996**	662,487
Direct costs	21	**(82,417)**	(231,612)
GROSS MARGIN		**325,579**	430,875
Net gain on derecognition of receivables	30	**276,309**	347,376
Net change in present value of assets and liabilities relating to derecognized receivables		**(19,653)**	(14,798)
TOTAL OPERATING INCOME		**582,235**	763,453
Selling and marketing expenses	22	**(212,578)**	(222,459)
General and administrative expenses	23	**(185,888)**	(217,311)
Net reversal of impairment for lease and notes receivables	9 & 10	**82,122**	41,247
Total operating expenses		**(316,344)**	(398,523)
INCOME FROM OPERATIONS, net		**265,891**	364,930
Finance charges		**(18,941)**	(13,194)
Finance income	14 (a)	**44,222**	99,770
Other income	24	**51,015**	22,403
Income before zakat		**342,187**	473,909
Zakat	25	**(62,000)**	(69,110)
NET INCOME FOR THE YEAR		**280,187**	404,799
Other comprehensive income			
Items that may be reclassified to income:			
Movement in fair value reserve	10.1	**(17,848)**	(12,455)
Items that cannot be reclassified to income in subsequent periods:			
Actuarial losses relating to employee benefits liabilities	16	**(8,757)**	(5,239)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**253,582**	387,105
Basic and diluted earnings per share (expressed in Saudi Riyal per share)	26	**1.97**	2.38

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

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained Earnings	Fair value reserve, net	Actuarial gains, net	Total
January 1, 2020		**1,700,000**	**291,375**	**1,430,836**	**44,850**	**41,625**	**3,508,686**
Net income for the year		-	-	280,187	-	-	280,187
Net change in actuarial gains on employee benefits liabilities	16	-	-	-	-	(8,757)	(8,757)
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income		-	-	-	(17,848)	-	(17,848)
Total comprehensive income for the year		-	-	280,187	(17,848)	(8,757)	253,582
Transfer to statutory reserve during the year	15	-	8,625	(8,625)	-	-	-
Reduction in share capital	1	(700,000)	-	-	-	-	(700,000)
Dividend	27	-	-	(284,300)	-	-	(284,300)
December 31, 2020		**1,000,000**	**300,000**	**1,418,098**	**27,002**	**32,868**	**2,777,968**
January 1, 2019		1,700,000	250,108	1,867,304	57,305	46,864	3,921,581
Net income for the year (as restated)	33	-	-	404,799	-	-	404,799
Net change in actuarial gains on employee benefits liabilities	16	-	-	-	-	(5,239)	(5,239)
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	10	-	-	-	(12,455)	-	(12,455)
Total comprehensive income for the year (as restated)		-	-	404,799	(12,455)	(5,239)	387,105
Transfer to statutory reserve during the year	15	-	41,267	(41,267)	-	-	-
Dividend		-	-	(800,000)	-	-	(800,000)
December 31, 2019 (as restated)		1,700,000	291,375	1,430,836	44,850	41,625	3,508,686

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

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	2020	2019 (Restated)
OPERATING ACTIVITIES		
Income before zakat	**342,187**	473,909
Adjustments for:		
Depreciation	**12,813**	14,304
Depreciation of right of use assets	**6,642**	7,601
Amortization of intangible assets	**7,500**	9,145
Property and equipment written off	**-**	4,489
Reversal of impairment for lease and notes receivables	**(82,122)**	(41,247)
Loss/(gain) on disposal of property and equipment	**858**	68
Finance charges	**18,941**	13,194
Finance income	**(44,222)**	(99,770)
Grant income	**(33,298)**	-
Modification loss	**5,244**	-
Net gain on derecognition of receivables	**(276,309)**	(347,376)
Net change in present value of assets and liabilities relating to derecognition of receivables	**19,653**	14,798
Allowance for inventory	**3,582**	-
Provision for employee benefits liabilities	**13,112**	25,107
Provision for onerous contracts	**7,822**	1,103
	2,403	75,325
Changes in operating assets and liabilities:		
Net investment in finance lease	**806,325**	298,995
Notes receivable	**94,709**	227,139
Prepayments, other receivables and other non-current assets	**87,568**	56,710
Inventories	**1,111**	235
Due from related parties	**(31)**	8,243
Accounts payable, accrued and other liabilities and other non- current liabilities	**(540,250)**	(233,097)
Due to related parties	**(44,811)**	(13,719)
Cash from operations	**407,024**	419,831
Employees benefits liabilities paid	**(26,661)**	(9,001)
Finance charges paid	**(8,315)**	(13,194)
Zakat paid	**(69,848)**	(64,648)
Net cash from operating activities	**302,200**	332,988
INVESTING ACTIVITIES		
Purchase of property and equipment and intangibles, net	**(15,915)**	(10,478)
Proceeds from the disposal of PPE	**2,317**	-
Finance income received	**44,222**	99,770
Other deposits	**529,381**	(955,765)
Net cash from/(used in) investing activities	**560,005**	(866,473)
FINANCING ACTIVITIES		
Dividends paid	**(284,300)**	(1,024,285)
Finance cost paid	**(1,077)**	(1,626)
Repayment of lease liabilities	**(5,278)**	(8,908)
Repayment of Saudi Arabian Monetary Agency loan	**(19,822)**	-
Proceeds from Saudi Arabian Monetary Agency	**609,776**	-
Reduction in share capital	**(700,000)**	-
Cash used in financing activity	**(400,701)**	(1,034,819)
Net increase/(decrease) in cash and cash equivalents	**461,504**	(1,568,304)
Cash and cash equivalents at the beginning of the year	**497,060**	2,065,364
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (note 14)	**958,564**	497,060

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

1. GENERAL INFORMATION

Abdul Latif Jameel United Finance Company (the "Company") is a Saudi Closed Joint Stock Company, initially registered in the Kingdom of Saudi Arabia as a Limited Liability Company under Commercial Registration number 4030206631, (Unified number 7001715155), issued on 28 Dhul-Hijjah 1431H (corresponding to December 4, 2010).

The Company's head office is in Jeddah. The activities of the Company include finance leasing, financing of productive assets and consumer financing in the Kingdom of Saudi Arabia.

On 16 Safar 1436H (corresponding to December 8, 2014), the Company received a license from Saudi Central Bank (previously Saudi Arabian Monetary Authority (SAMA)) to undertake activities of finance leasing, financing of productive assets and consumer financing in the Kingdom of Saudi Arabia under license number 28/AU/201412. During 2019, the Company renewed its license for another five years until 14 Safar 1446H (corresponding to August 18, 2024).

a) Share capital of the Company

The share capital of the Company was divided into 170,000,000 shares of SR 10 each and was owned as follows:

	No. of shares of SR 10 each	Amount SR'000
Abdul Latif Jameel Modern Trading Company Limited (formerly Al Mumaizah United Commerce Company Limited)	150,450,000	1,504,500
Altawfiq United Company	17,000,000	170,000
Taif First United Company Limited	850,000	8,500
Bader First United Company Limited	850,000	8,500
Najid Al Raeda United Company Limited	850,000	8,500
	170,000,000	1,700,000

On 1 Muharram 1441H (corresponding to August 31, 2019), the Board of Directors of the Company resolved to decrease the share capital of the Company by SR 700 million (70,000,000 shares of SR 10 each) in proportion to the existing shareholding pattern. The Company received a No Objection Letter from SAMA dated October 13, 2019 (corresponding to 14 Safar 1441H) to decrease the Company's share capital. The legal formalities in respect of decrease in share capital were completed during the period on August 9, 2020 and the amount of reduction in share capital was returned to shareholders on August 24, 2020.

After the decrease, the share capital of the Company, divided into 100,000,000 shares of SR 10 each is owned as follows:

	No. of shares of SR 10 each	**Amount**
Abdul Latif Jameel Modern Trading Company Limited (formerly Al Mumaizah United Commerce Company Limited)	**88,500,000**	**885,000**
ltawfiq United Company	**10,000,000**	**100,000**
Taif First United Company Limited	**500,000**	**5,000**
Bader First United Company Limited	**500,000**	**5,000**
Najid Al Raeda United Company Limited	**500,000**	**5,000**
	100,000,000	**1,000,000**

The Ultimate Parent of the Company is United Instalment Sales Company Limited ("UIS" or "Ultimate Parent"). The Company, the Parent, the Ultimate Parent and other shareholders are wholly owned by Saudi shareholders.

b) Insurance arrangement

With effect from 1 January 2017, the Company entered into arrangements with Insurers for an initial period of six months, (renewed every six months) for three years. Upon each renewal, the premium rate, insurance charges and profit share was subject to be reviewed for any subsequent renewal period. As a result of this arrangement, the Company does not retain any insurance risk. During 2019, the said agreement has been renewed for another three years (renewable every six months) with effect from 1 January 2020. As per the terms of the previous insurance agreement, the Company has agreed with the insurers an amount of SR 13.8 million for the performance incentive.

During the year, SAMA has issued the Rules for Comprehensive Insurance of Motor vehicles financially leased to individuals to regulate the relationship between the financing entities and their individual customers with regard to the insurance coverage on the financially leased vehicles as per the rules at the end of the finance contract between the lessee and the lessor, the lessor shall pay back the lessee the extra amount of premiums paid by the lessee, or shall ask the lessee to pay the extra amount paid by the lessor to the insurer for the insurance policy.

c) Branches of the Company

As of December 31, 2020, the Company operates through 130 branches (December 31, 2019: 190 branches). The accompanying financial statements include the assets, liabilities and results of these branches as the beneficial owner of these branches is the Company.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Amended and revised International Financial Reporting Standards ("IFRS") that are effective for the current period

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2020, have been adopted in these financial statements.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2020.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS	Summary
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

New and revised IFRS	Summary
Amendments to IAS 1 and IAS 8: Definition of Material	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.
Amendments to References to the Conceptual Framework in IFRS Standards – amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and - add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2020 and relevant to the Company's operations.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.	January 1, 2021
Amendments to IFRS 3 - Reference to the Conceptual Framework update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	January 1, 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1, 2022
IFRS 17 Insurance Contracts requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at January 1, 2023.	January 1, 2023
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The management is in the process of assessing the potential financial impact of application and do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2021 and increased lease payments that extend beyond June 30, 2021); and
c) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Company has not early applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from January 1, 2021 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase (2) - The second phase relates to the replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. Now that the Phase 2 Amendments have been finalized, the Company will complete its assessment of the accounting implications of the scenarios it expects to encounter as the transition from IBORs to RFRs in order to accelerate its programmes to implement the new requirements. The Phase 2 Amendments introduce new areas of judgement, the Company needs to ensure it has appropriate accounting policies and governance in place. For the additional disclosures, the Company will have to assess and implement required updates in the financial reporting systems and processes to gather and present the information required.

The management is in the process to assess the impact of above on the Company's exposure if any due to transition from IBOR to RFRs.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ('SOCPA') (collectively referred to as 'IFRS').

Basis of measurement

These financial statements are prepared under the historical cost convention using accrual basis of accounting, except for the following: 'Investment classified as fair value through other comprehensive income' (FVOCI) and a segment of notes receivable portfolio which have been measured at their fair values and employee benefit liabilities which have been measured at net present values.

Items	Measurement bases
Employee benefits liabilities	Present value of the defined benefit obligation, using actuarial present value calculations based on projected unit credit method as explained in note 16.
Investment classified as fair value through other comprehensive income' (FVOCI) and a segment of notes receivable portfolio	Fair value

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

Functional and presentational currency

These financial statements have been presented in Saudi Riyals, which is the functional and presentational currency of the Company and have been rounded off to the nearest thousand Saudi Riyals, except as otherwise indicated.

The significant accounting policies adopted for the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Property and equipment

Recognition and measurement
Land is measured and recorded at cost. Items of property and equipment other than land are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, where applicable.

Subsequent costs
The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

Depreciation
Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in the profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	8% - 20%
Furniture, fixtures and equipment	20% - 25%
Computer equipment	33.33%
Motor vehicles	33.33%

Depreciation methods, estimated useful lives and residual values are reviewed at each reporting date and adjusted with the effect of any changes in estimate accounted for on a prospective basis.

Derecognition
An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in statement of profit or loss and other comprehensive income.

Capital work-in-progress

Capital work-in-progress ("CWIP") represents all costs relating directly to the ongoing projects in progress and are capitalized as property and equipment or intangible asset, when the project is completed. CWIP is carried at cost less accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of these assets, on the same basis as other same class of assets, commences when the assets are available for their intended use.

Right-of-use assets - Building

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Currently, right-of-use assets are depreciated using an average rate of 33%. Right-of-use assets are subject to impairment.

Intangible assets - Computer Software

The intangible assets that the Company holds consists of computer software which have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses, if any. Capital work in progress represents cost incurred in relation to enhancements to an existing software.

Subsequent costs
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognize in profit or loss as incurred.

Amortization
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 lives and is generally recognized in profit or loss.

The estimated useful lives for the current and previous year of intangible asset is 3 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted with the effect of any changes in estimate accounted for on a prospective basis.

Derecognition
An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Financial instruments

Initial recognition

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

The Company's financial assets comprise of cash and bank balances, net investment in finance lease, notes receivables at amortized cost and notes receivables at FVTOCI, investment at FVTOCI, due from related parties, employees receivables and other receivables.

Classification and measurement

On initial recognition, financial assets are classified and measured under the following categories:

- Amortized cost;
- Fair value through other comprehensive income ("FVTOCI") - debt instruments;
- FVTOCI - equity instruments; or
- Fair value through profit or loss ("FVTPL")

Subsequent measurement

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

A financial asset is measured at amortized cost if it meets both of the following conditions:

- 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 interest ("SPPI") on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

A debt instrument is measured at FVTOCI if it meets both of the following:

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

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVTOCI – equity instrument). This election is made on an instrument by instrument basis.

By default, all other financial assets that are not classified 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 amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

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

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net fair value gains and losses other than those that are part of a hedging relationship, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised Cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Debt instruments at FVTOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity instruments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss.

Net investment in finance lease
Net investment in finance lease are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are measured at amortized cost applying the effective interest method. Other financial assets include advances to employees, due from related parties, cash and bank balances and other receivables and are also measured on the same basis as net investment in finance lease.

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 assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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.

Financial liabilities and equity

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial Liabilities

Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if:
1) it is contingent consideration of an acquirer in a business combination
2) classified as held for trading, or
3) it is a derivative or it is designated as at FVTPL on initial recognition.

Financial liabilities at amortized are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss and other comprehensive income.
Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

Significant financial liabilities of the Company include payable under purchase and agency agreements accounts payable, payable to SAMA, due to related parties and lease liabilities. These financial liabilities are initially measured at fair value and subsequently at amortized cost using the effective interest method.

Modifications of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value.

The difference between the carrying amount of the financial liability extinguished and the new financial liability recognized with modified terms is recognized in statement of comprehensive income.

De-recognition

Financial assets
The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial assets and substantially all of the risks and rewards of ownership of the financial asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of Net investment in finance lease and Notes receivable sold to banks under various purchase and agency agreements. A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognised when:

- the contractual right to receive cash flows from the asset has expired; or
- the contractual right to receive cash flows from the asset has expired, but the Company has assumed an obligation to pay them in full without material delay to counter party under a "pass through" arrangement; or
- the Company has transferred its contractual right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any resulting gains or losses on derecognition of financial assets are recognised at the time of derecognition of financial assets.

When the Company has transferred its contractual right to receive cash flows from an asset or has entered into a "pass through" arrangement, whereby it has assumed an obligation to pay cash flows from an asset in full without material delay to a counterparty, but has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset in accordance with IFRS 9.

Where the Company is appointed to service the derecognised financial asset for a fee (agency fee), the Company recognises either a net servicing asset or a net servicing liability for that servicing contract. If the fee to be received is not expected to compensate the Company adequately for performing the service, a net servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the services to be provided, a servicing asset is recognised for the servicing right at an amount determined on a basis in accordance with IFRS 9. Following initial recognition, net servicing assets, being intangible assets, are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

Net servicing liabilities are recorded as provision under IAS 37 and are required to be reviewed at the end of each reporting period and adjusted to reflect current best estimates.

Financial liabilities
The Company derecognizes financial liabilities when and only when its contractual obligations are discharged or cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

The Company also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss and other comprehensive income.

Impairment

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

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

No impairment loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD)
- Loss given default (LGD)
- Exposure at default (EAD)

The Company categorizes its financial assets into following three stages in accordance with the IFRS-9 methodology:

- Stage 1 - Financial assets that are not significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on 12 months Probability of Default (PD).
- Stage 2 - Financial assets that has significantly deteriorated in credit quality since origination. The impairment allowance is recorded based on lifetime ECL and life time PD.
- Stage 3 - For financial assets that are impaired, the Company recognizes the impairment allowance based on life time PD.

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

The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., oil prices, loan growth, manufacturing purchasing manager's index and consumer spending) and economic forecasts obtained through internal and external sources.

Measurement of ECL

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

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

Restructured financial assets

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

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

Credit-impaired financial assets

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

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

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

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as personal guarantees and other non-financial assets. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of collateral does not affect the calculation of ECLs. The value of the collateral is determined at inception.

Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to inventories at the repossession date in line with the Company's policy and measured at lower of cost and NRV.

Dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the Regulations for Companies, a distribution is authorized when it is approved by the shareholders of the Company. A corresponding amount is recognized directly in statement of changes in shareholders' equity.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories include the value of the purchased vehicles for leasing where contract procedures with lessees were not completed until the date of the financial statements, vehicles repossessed on termination of lease contracts and the purchase value of vehicles held in stock for leasing. Net realizable value represents the estimated selling price for inventories less the costs necessary to make the sale. Any impairment loss arising as a result of carrying these assets at their net realizable values is recognized in the statement of profit or loss and other comprehensive income.

Provisions

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

If the effect of the time value of money is material, provisions are discounted using a discount 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 recognized as a finance cost.

Onerous contracts

An onerous contract is one where the unavoidable costs of meeting the Company's contractual obligations exceed the expected economic benefits. If the Company has a contract that is onerous, it recognizes the present obligation under the contract as a provision. Provisions are discounted using a current pre-zakat rate that reflects, where appropriate, current market assessments of the time value of money and the risks specific to the provision. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss and other comprehensive income.

Employee benefits liabilities

These represent end-of-service and ex-gratia benefits ("employee benefits") under defined unfunded benefit plans. End-of-service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service. Ex-gratia benefits represent additional post-employment benefits payable to those employees who leave the Company after completing a minimum of ten years of service.

The Company's net obligations in respect of defined unfunded benefit plans ("the obligations") is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs.

The discount rate used is the market yield on government bonds at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with actuarial valuations to be carried out every third year and updated annually for the following two years for material changes, if any.

Defined benefits liability comprises of the following:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense/income; and
- Remeasurement gains/(losses).

The Company recognizes and presents the first two components of the defined benefit costs in profit or loss. Gains/(losses) due to re-measurement of employee benefits liabilities are recognized in other comprehensive income immediately. Curtailment gains/(losses) and plan amendments are accounted for as past service cost in the profit or loss in the period of plan amendment.

The Company is also required to contribute towards a state-owned benefit plan where the Company's obligation under the plan is to make specified monthly contribution based on specified percentage of payroll cost as stipulated under the regulation. These contributions are recognized as an expense when employees have rendered the service entitling them to the contributions. Any unpaid amounts are classified as accruals.

A liability is also recognized for benefits accruing to the employees in respect of wages and salaries, annual leaves and other related benefits in the period the related services are rendered at the undiscounted amount of the benefits expected to be paid and are classified as accruals.

Government grant

The Company recognizes a government grant related to income, if there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant related to income. The below-market rate loan is recognized 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 carrying value of the loan determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognized in the statement of profit or loss and other comprehensive income on a systematic basis over the period in which the Company recognizes as expenses the related costs for which the grant is intended to compensate. Government grants that are received as compensation for losses already incurred by the Company with no future related costs are recognized in profit or loss in the same period.

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.
The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.
Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company does not have any such arrangements as of reporting date therefore the Company has not used this practical expedient.

The Company as a lessor

The Company enters into lease agreements as a lessor, the activities of the Company include finance leasing, financing of productive assets and consumer financing.

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

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

Zakat

The Company is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The zakat charge is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved at which time the provision is cleared

Claims

The amounts paid or payable in respect of the Company's obligation in respect of the insurance cover and the risks insured by the Insurers are claimed from the Insurers, net of salvage and subrogation recoveries and deductibles. Salvage recoveries represent the value of the damaged vehicles recorded at their net realizable values based on management's best estimate, with a corresponding payable being recorded to the Insurer. The Company also has the right to pursue third parties for payment of some or all costs of claims. (i.e. subrogation). Subrogation receivables, net of allowance for potential irrecoverable amounts are recognized in other assets, with a corresponding payable being recorded to the Insurer.

Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date together with related claims handling costs, with a corresponding receivable being recorded from the Insurers.

Provisions for claims incurred but not reported as of the reporting date are made on the basis of actuarial valuation, with a corresponding receivable being recorded from the Insurers.

Value Added Tax ("VAT")

Revenue, expenses and assets are recognized net of the amount of Value Added Tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the GAZT is included as part of receivables or payables in the statement of financial position.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short-term Murabaha deposits with original maturity of three months or less.

Revenue recognition

Leasing
Gross investment in finance lease represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments discounted at interest rate implicit in the lease. The difference between the gross investment and the net investment is recognized as unearned finance income. Finance lease income is recognized over the period of the lease on a systematic basis, which results in a constant periodic rate of return on the net investment outstanding.

As part of the periodic installments due from customers, the Company charges customers for insurance cover on the vehicles under lease contracts. Insurance charges represent cost of insurance (premium). Consequently, premiums are paid to the Insurers for the insurance cover for the vehicles under lease, pursuant to the agreement mentioned in note 1(b).

Installment sales
Income from installment sales is recognized over the contract term using the effective yield method.

Contract fee income
Contract fee income less any directly attributable expenses is deferred and recognized over the period of the contract, as an adjustment to the effective interest rate.

Income from purchase and agency agreements
Income from purchase and agency arrangements represents management fees due under the purchase and agency agreements with certain banks and is recognized on an accrual basis.

Finance income
Finance income is recognized on an accrual basis using the effective yield basis.

Expenses

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

General and administrative expenses include direct and indirect costs not specifically part of the operating activities of the Company. Allocations between general and administrative expenses and direct costs, when required, are made on a consistent basis.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the management is required to make judgements and estimates that have a significant impact on the amounts recognized and to use certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be relevant under the circumstances. Actual results may differ from these estimates.

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

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis. In making the going concern assessment, the Company has considered a wide range of information relating to present and future projections of profitability, cashflows and other capital resources etc.

Determination of servicing asset/liability

As explained in note 30, under the purchase and agency agreements, the Company has been appointed by the banks to service the receivables purchased by the banks. Assumptions used to calculate the servicing asset/liability are based on estimates of collection costs to be incurred by the Company over the life of the purchase and agency agreements.

Determination of expected defaults and discounts

As explained in note 30, in order to calculate the expected default liability under the purchase and agency agreements, the Company uses assumptions to calculate the allowance for delinquent receivables and discounts for premature terminations of contracts based on historical trends which are updated periodically (at least once in a year or more frequently when needed) based on a change in circumstances which indicate that the historical rates may not be appropriate.

Determination of discount rate for present value calculations

Discount rates represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

Actuarial valuation of employee benefits liabilities

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

Useful lives and residual values of property and equipment and intangibles

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

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as prepayment risk, liquidity risk, credit risk and volatility.

Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Impairment of finance lease and notes receivable

Impairment of finance lease and notes receivable requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Models and assumptions used:

The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The Company's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:
- The Company's model for determination of defaults, which assigns Probabilities of Default (PDs) to the individual pool of receivables
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for finance leases and notes receivable should be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment
- The segmentation of finance leases and notes receivable when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, and the effect on PDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

At the reporting date, the allowance for impairment loss relating to finance lease and notes receivable amounts to SR 125,858 thousand (December 31, 2019: SR 203,757 thousand) and SR 26,824 thousand (December 31, 2019: SR 26,284 thousand) respectively (note 9 and note 10).

Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of comprehensive income of those periods.

Significant increase in credit risk:
ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Provision for onerous arrangements

The Company enters into certain insurance arrangements with the Insurers for the insurance against physical damages arising from accidents to all leased vehicles (note 1(b)). For such lease contracts, the insurance related inflows, being the collections from the customers, are fixed whereas the outflows, being the premiums paid to the insurers are renewed annually.

At each statement of financial position date, the Company's management determines the best estimate of the future inflows and the related expected outflows over the period of the lease contract. In case the contracts are onerous, the provision for the onerous contracts is recognized. The actual results may differ from management's estimates resulting in future changes in estimated provision.

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

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

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

Leases - Estimating the incremental borrowing rate

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

5. SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Company carries out its activities entirely in the Kingdom of Saudi Arabia and is mainly engaged in providing vehicles to customers on finance lease and instalment basis.

6. PROPERTY AND EQUIPMENT

	Freehold Lands	*Leasehold improvements*	*Furniture, fixture and equipment*	*Computer equipment*	*Motor vehicles*	*Capital work in progress (note a)*	*Right of-use assets*	*Total*
Cost:								
January 1, 2020	24,037	29,971	25,002	28,862	-	6,955	28,853	143,680
Additions during the year	-	1,011	1,413	2,500	-	7,625	2,755	15,304
Transfers during the year	-	76	799	7,572	-	(12,209)	-	(3,762)
Disposals	-	(1,724)	(2,897)	(1,785)	-	-	(2,060)	(8,466)
Impact of lease modifications	-	-	-	-	-	-	(1,782)	(1,782)
December 31, 2020	24,037	29,334	24,317	37,149	-	2,371	27,766	144,974
Accumulated depreciation:								
January 1, 2020	-	11,158	20,931	23,241	-	-	6,729	62,059
Charge for the year	-	4,361	2,721	5,731	-	-	6,642	19,455
Disposals	-	(1,132)	(2,762)	(1,688)	-	-	-	(5,582)
Impact of lease modifications	-	-	-	-	-	-	(1,490)	(1,490)
December 31, 2020	-	14,387	20,890	27,284	-	-	11,881	74,442
Net book value as of								
December 31, 2020	24,037	14,947	3,427	9,865	-	2,371	15,885	70,532

6. PROPERTY AND EQUIPMENT - Continued

	Freehold lands	*Leasehold improvements*	*Furniture, fixture and equipment*	*Computer equipment*	*Motor vehicles*	*Capital work in progress*	*Right of-use assets*	*Total*
Cost:								
January 1, 2019	24,037	38,017	45,645	57,608	166	2,728	-	168,201
Impact of adoption of IFRS 16	-	-	-	-	-	-	34,387	34,387
Additions during the year	-	1,145	1,427	2,221	-	4,227	-	9,020
Write-off	-	(9,191)	(21,970)	(10,164)	(166)	-	-	(41,491)
Disposals	-	-	(100)	(20,803)	-	-	-	(20,903)
Impact of lease modifications	-	-	-	-	-	-	(5,534)	(5,534)
December 31, 2019	24,037	29,971	25,002	28,862	-	6,955	28,853	143,680
Accumulated depreciation:								
January 1, 2019	-	13,211	37,310	48,176	166	-	-	98,863
Charge for the year	-	4,126	4,285	5,893	-	-	7,601	21,905
Disposals	-	-	(32)	(20,803)	-	-	-	(20,835)
Write-off	-	(6,179)	(20,632)	(10,025)	(166)	-	-	(37,002)
Impact of lease modifications	-	-	-	-	-	-	(872)	(872)
December 31, 2019	-	11,158	20,931	23,241	-	-	6,729	62,059
Net book value as of								
December 31, 2019	24,037	18,813	4,071	5,621	-	6,955	22,124	81,621

a) Capital work in progress represents expenditure in respect of IT related projects which are expected to be completed by December 31, 2021. An amount of SR 3.76 million (2019: Nil) has been transferred from capital work-in-progress under property and equipment to intangible assets.

b) The allocation of the depreciation charge for the year ended December 31, 2020 and December 31, 2019 is as follows:

	2020	2019
Selling and marketing expenses (note 22)	**10,151**	13,350
General and administrative expenses (note 23)	**9,304**	8,555
	19,455	21,905

Amounts recognized in statement of profit or loss are as follows:

	2020	2019
Depreciation expense on right-of-use-asset (note 22)	**6,642**	7,601
Interest expense on lease liabilities	**1,077**	1,626
	7,719	9,227

The Company leases several buildings for its office and branches, the average lease term is 3 years.

During the year, the total cash outflow for leases amounted to SR 6.4 million.

7. INTANGIBLE ASSETS

	2020 Computer Software	2019 Computer Software
Cost:		
January 1	**37,728**	37,021
Additions	**611**	1,458
Transfers from capital work in progress (note 6a)	**3,762**	-
Write-offs	**(83)**	(751)
December 31	**42,018**	37,728
Accumulated amortization:		
January 1	**30,292**	21,898
Charge for the year (note 23)	**7,500**	9,145
Write-offs	**(83)**	(751)
December 31	**37,709**	30,292
Net book value as of December 31	**4,309**	7,436

8. INVESTMENT CLASSIFIED AS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On December 12, 2017, the Company subscribed 2.38% shareholding in Saudi Company for Registration of Financial Leasing Contracts ("Registration Company"), registered in the Kingdom of Saudi Arabia. The Registration Company has been formed with other finance and leasing companies registered in the Kingdom of Saudi Arabia for registration of contracts relating to financial leases and amendments and registration and transfer of title deeds of the assets under the finance leases arrangements. The fair value of the investment as of December 31, 2020 is not materially different than the carrying amount.

9. NET INVESTMENT IN FINANCE LEASE

	2020	2019
Gross investment in finance lease	**1,201,754**	1,920,976
Less: unearned finance income	**(225,400)**	(393,140)
Present value of lease payments receivables	**976,354**	1,527,836
Less: Allowance for impairment loss (note a)	**(125,858)**	(203,757)
Net investment in finance lease	**850,496**	1,324,079

	December 31 2020				
	Years	**Gross investment**	**Unearned finance income**	**Allowance for impairment loss**	**Net investment**
Current portion	2021	**420,723**	**(94,454)**	**(125,858)**	**200,411**
Non-current portion	2022	**272,061**	**(60,462)**	**-**	**211,599**
	2023	**226,708**	**(36,134)**	**-**	**190,574**
	2024	**282,262**	**(34,350)**	**-**	**247,912**
Total non-current portion		**781,031**	**(130,946)**	**-**	**650,085**
Total		**1,201,754**	**(225,400)**	**(125,858)**	**850,496**

	December 31 2019				
	Years	Gross investment	Unearned finance income	Allowance for impairment loss	Net Investment
Current portion	2020	738,996	(167,186)	(203,757)	368,053
Non-current portion	2021	435,364	(105,272)	-	330,092
	2022	333,602	(62,653)	-	270,949
	2023	413,014	(58,029)	-	354,985
Total non-current portion		1,181,980	(225,954)	-	956,026
Total		1,920,976	(393,140)	(203,757)	1,324,079

a) The movement in allowance for impairment loss is given below:

	2020	2019
January 1	**203,757**	191,786
Reversal during the year	**(83,889)**	(31,140)
Provision transferred on closure of 'purchase and agency agreements'	**138,535**	112,388
Amount written off during the year	**(132,545)**	(69,277)
December 31	**125,858**	203,757

b) The ageing of gross finance lease receivables which are past due and considered impaired by the management is as follows:

	2020	2019
1 - 3 months	**11,399**	29,719
4 - 6 months	**15,044**	18,970
7 - 12 months	**11,578**	42,066
More than 12 months	**30,882**	37,292
	68,903	128,047

The not yet due portion of above overdue finance lease receivables as of December 31, 2020 amounts to SR 214,038 thousand (December 31, 2019: SR 359,900 thousand).

10. NOTES RECEIVABLE

Notes receivable comprise of receivables arising from instalment sales of equipment and vehicles. For the purposes of these financial statements, the notes receivable pertaining to instalment sale of vehicles have been carried at fair value through other comprehensive income (note 10.1) and notes receivable pertaining to instalment sales of equipment have been carried at amortized cost, as detailed below:

	2020	2019
Notes receivable carried at fair value through other comprehensive income (note 10.1) – net	**136,284**	234,548
Notes receivable carried at amortized cost (note 10.2) – net	**18,721**	32,221

10.1 Notes receivable carried at fair value through other comprehensive income

	2020	2019
Notes receivables carried at fair value through other comprehensive income	**136,284**	234,548
Less: current portion	**(6,515)**	(24,139)
Non-current portion	**129,769**	210,409

As of December 31, 2020, the amortized cost of notes receivable measured at fair value through other comprehensive income was SR 109.3 million (December 31 2019: SR 189.6 million), whereas the fair value of this portfolio was determined to be SR 136.3 million (December 31 2019: SR 234.5 million) resulting in fair value gain of SR 27 million (December 31, 2019: SR 44.9 million). The changes in the fair value during the year ended December 31, 2020 of SR 17.8 million (December 31, 2019: SR 12.5 million) is recognized in the 'statement of other comprehensive income'.

During the year ended December 31, 2020, the Company has sold portion of these notes receivables to local banks. On derecognition, the difference between the carrying amount of the notes receivables derecognized and the sum of (i) the consideration received; and (ii) any cumulative gain or loss that had been previously recognized in 'other comprehensive income' is recognized to the 'statement of income'.

The movement in allowance for impairment loss against notes receivable carried at fair value through other comprehensive income is as follows:

	2020	2019
January 1	**22,967**	32,695
Charge/(reversal) during the year	**2,381**	(9,533)
Amount transferred on closure of 'purchase and agency agreements'	**-**	211
Amount written off during the year	**(1,227)**	(406)
December 31	**24,121**	22,967

	December 31 2020			
	Gross notes receivable	**Unearned finance income**	**Allowance for Impairment loss**	**Net notes receivable**
Current portion	**17,455**	**(1,479)**	**(2,703)**	**13,273**
Non-current portion	**5,899**	**(451)**	**-**	**5,448**
Total	**23,354**	**(1,930)**	**(2,703)**	**18,721**

	December 31 2019			
	Gross notes receivable	Unearned finance income	Allowance for Impairment loss	Net notes receivable
Current portion	30,164	(2,646)	(3,317)	24,201
Non-current portion	8,671	(651)	-	8,020
Total	38,835	(3,297)	(3,317)	32,221

a) The movement in allowance for impairment loss is as follows:

	2020	2019
January 1	**3,317**	3,891
Reversal during the year	**(614)**	(574)
December 31	**2,703**	3,317

a) The ageing of notes receivables which are past due and considered impaired by the management is as follows:

	2020	2019
1 - 3 months	**871**	4,870
4 - 6 months	**881**	3,121
7 - 12 months	**3,180**	3,950
More than 12 months	**14,520**	4,343
	19,452	16,284

The not yet due portion of above overdue notes receivables as of December 31, 2020 amounts to SR 31,346 thousand (December 31, 2019: SR 52,215 thousand).

11. OTHER NON-CURRENT ASSETS

	2020	2019
Employees' receivables - non-current portion	**8,217**	9,699
Present value of net servicing asset (note 30)	**5,638**	20,477
Deferred consideration receivable – non-current Portion (note 30)*	**154,797**	172,228
	168,652	202,404

- Current portion of deferred consideration receivables amounts to SR 119,391 (2019: SR 193,946)

12. PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019 (restated)
Prepaid expenses	**9,970**	1,856
Employees' receivables - current portion	**8,429**	8,150
Amount due from the Insurer	**34,411**	22,322
Other receivables	**3,749**	3,493
	56,559	35,821

Amounts due from the insurer's, employees' and other receivables are unsecured and interest free. The management estimate the allowance on amount due form the insurer, advances to employees (both current and non-current) and other receivables at the reporting date at an amount equal to lifetime ECL. Taking into account the historical default experience and the future prospects, the management considers that these receivable balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for these receivables.

13. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent affiliates, shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and agreed between the concerned parties.

i) Following are the details of related party transactions during the year:

Related party	**Nature of transaction**	**2020**	2019
Ultimate Parent	Collections from Company's customers	**331**	223
Affiliates	Purchases, net	**877,548**	1,578,341
	Advertisement expenses	**1,590**	2,114
	Expenses charged by affiliates, net	**29,644**	34,873
	Supports received (rebates)	**17,164**	51,984
	Charges for customer evaluations prior to lease	**5,888**	7,463
	Amounts collected on behalf of an affiliate	**11,714**	7,638
	Accrued expenses	**11,850**	-

ii) Due from related parties comprised of the following:

	2020	2019
Abdul Latif Jameel Import and Distribution Company	**1,692**	2,708
Bab Rizq Jameel Micro Finance Company	**467**	301
Abdul Latif Jameel Automotive Wholesale Company Limited	**-**	31
Al Mumaizah United Commerce Company Limited (AMUCC)	**100**	13
United Instalment Sales Company Limited ("Ultimate Parent")	**400**	75
Abdul Latif Jameel United Real Estate Finance Company	**78**	-
Mutalba Debt Collection Company	**422**	-
	3,159	3,128

The above balances are unsecured, interest free and have no fixed repayment. The management estimate the allowance on due from related party balance at the reporting date at an amount equal to lifetime ECL. Receivable from a related party at the reporting date is past due. Taking into account the historical default experience and the future prospects of the industry in which the related party operates, the management considers that the related party balance is not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowance for balance due from related party.

iii) Due to related parties comprised the following:

	2020	2019
Abdul Latif Jameel Retail Company Limited	**67,345**	96,892
Salim Saleh Saeed Babqui Trading Company Limited	**5,925**	19,822
Abdul Latif Jameel Bodywork and Paint Company Limited	**60**	7
Abdul Latif Jameel Company Limited	**1,340**	1,146
Abdul Latif Jameel Technology Products Company Limited	**698**	2,605
Abdul Latif Jameel Company for Information and Services Limited	**907**	997
Abdul Latif Jameel Lands Company Limited	**486**	461
Abdul Latif Jameel Industrial Equipment Company Limited	**540**	205
Abdul Latif Jameel for Advertising Services Company Limited	**81**	58
Abdul Latif Jameel Summit Company Limited	**3**	3
	77,385	122,196

iv) The total amount of compensation paid to key management personnel during the year is as follows:

	2020	2019
Directors' remuneration	**5,733**	4,031
Short-term employee benefits	**12,000**	12,000
Employee benefits liabilities	**366**	790
	18,099	16,821

The Company's Board of Directors includes the Board and other Board related committees (Credit and Risk Management Committee and Audit Committee). Compensation to Company's key management personnel includes salaries, non-cash benefits allowances (excluding bonuses) and post-employment defined benefits plans.

14. CASH AND BANK BALANCES

	2020	2019
Cash in hand	**3,089**	6,109
Bank balances	**955,475**	490,951
Cash and cash equivalents	**958,564**	497,060
Other deposits (having maturity of more than 3 months) (note 'b')	**2,303,141**	2,832,522
Cash and bank balances	**3,261,705**	3,329,582

a) During the year, the Company earned SR 44.2 million (December 31, 2019: SR 99.8 million) on the Murabaha deposits at the rate of return ranging from 0.25% to 2.7% (December 31, 2019: 1.85% to 3.55%).

b) As of December 31, 2020, this includes Murabaha deposits of SR 121.4 million (December 31, 2019: SR 121.1 million) representing amounts set aside in respect of employee benefits liabilities.

c) Details of foreign currency time deposits included in cash and bank balances is follows:

	2020	2019
Cash and cash equivalents	**55**	386
Other deposits	**1,731,016**	1,205,412
Cash and bank balances	**1,731,071**	1,205,798

d) At each reporting date, all bank balances including short-term Murabaha and other deposits are assessed to have low credit risk as they are held with reputable and high credit rating institutions and there has been no history of default with any of the Company's bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

15. STATUTORY RESERVE

As per the requirements of the Regulations for Companies in the Kingdom of Saudi Arabia, the Company has established a statutory reserve by the appropriation of at least 10% of net income until the reserve equals to 30% of the share capital. This reserve is not available for dividend distribution.

16. EMPLOYEE BENEFITS LIABILITIES

The Company operates an unfunded employees' end of service benefits and ex-gratia benefits scheme for its permanent employees.

The present value of total employee benefits liabilities recognized in the statement of financial position is as follows:

	2020	2019
End-of-service benefits (note 16.1)	**59,089**	61,623
Ex-gratia benefits (note 16.2)	**54,042**	56,300
	113,131	117,923

The amounts recognized in the statement of comprehensive income in respect of these benefits are as follows:

	2020	2019
Current service cost (notes 16.1 and 16.2)	**8,925**	9,459
Past service cost	**-**	11,434
Interest cost (notes 16.1 and 16.2)	**4,187**	4,214
	13,112	25,107

The amount recognized in the other comprehensive income in respect of these benefits are as follows:

	2020	2019
Net change in actuarial losses (notes 16.1 and 16.2)	**8,757**	5,239

16.1 The movement in the present value of the end-of-service benefits is as follows:

	2020	2019
January 1	**61,623**	50,561
Current service cost	**4,860**	5,199
Past service cost	**-**	6,035
Interest cost	**2,188**	2,196
Remeasurement (gain)/loss arising from:		
- financial assumptions	**4,740**	5,574
- experience adjustments	**1,706**	(2,337)
Net change in actuarial losses	**6,447**	3,236
Benefits paid	**(16,029)**	(5,610)
Transferred in during the year	**-**	6
December 31	**59,089**	61,623

16.2 The movement in the present value of the ex-gratia benefits is as follows:

	2020	2019
January 1	**56,300**	46,005
Current service cost	**4,065**	4,260
Past service cost	-	5,399
Interest cost	**1,999**	2,018
Remeasurement (gain)/loss arising from:		
- financial assumptions	**4,598**	5,406
- experience adjustments	**(2,288)**	(3,403)
Benefits paid	**(10,632)**	(3,391)
Transferred in during the year	-	6
December 31	**54,042**	56,300

Actuarial assumptions

The main financial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows:

	2020	2019
Discount rate	**2.75%**	3.55%
Expected rate of salary increase	**2.50%**	2.50%

Sensitivity analysis

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

End of service benefits	**December 31 2020**		December 31 2019	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	(5,827)	6,943	(5,814)	6,820
Future salary growth	6,864	(5,873)	6,800	(5,901)

Ex-gratia benefits	**December 31 2020**		December 31 2019	
	1% increase	1% decrease	1% increase	1% decrease
Discount rate	(5,651)	6,755	(5,641)	6,630
Future salary growth	6,680	(5,698)	6,612	(5,727)

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented may not be representative of the actual change in the employee benefits liabilities as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the sensitivity analysis, the present value of the employee benefits liabilities has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the employee benefits liabilities recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

As of December 31, 2020, an independent actuarial exercise has been conducted to ensure the adequacy of provision for employees' end of service benefits and ex-gratia benefits in accordance with the rules stated under the Saudi Arabian Labor Law and those set by the Company's management respectively by using the Projected Unit Credit Method as required under IAS 19 Employee Benefits.

17. LEASE LIABILITIES

	2020	2019
January 1	**20,615**	32,559
Additions	**2,350**	-
Accretion of interest	**1,077**	1,626
Payments	**(6,355)**	(8,908)
Disposals	**(2,060)**	-
Modifications	**(292)**	(4,662)
December 31	**15,335**	20,615
Analysis of:		
Non-current	**9,073**	14,551
Current	**6,262**	6,064
	15,335	20,615

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function and are denominated in Saudi Riyal.

18. OTHER NON-CURRENT LIABILITIES

	2020	2019
Present value of net servicing liability - non-current portion	**20,115**	4,340
Provision against expected defaults and discounts in respect of sold finance lease and notes receivable - non-current portion (note 30)	**154,797**	172,228
	174,912	176,568

19. ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

	2020	2019
Accounts payable – trade	**59,461**	60,422
Accrued expenses*	**70,955**	60,921
Zakat payable (note 25)	**77,566**	85,414
Payable under purchase and agency agreements (note 30)	**622,074**	1,114,431
Present value of net servicing liability - current portion (note 30)	**6,289**	27,458
Amount due to the insurer	**25,493**	19,097
Current portion of lease liabilities (note 17)	**6,262**	6,064
Provision for onerous arrangement (note 21 and note 'a' below)	**1,889**	9,711
Advance collections and other payables	**116,128**	141,020
	986,117	1,524,538

*Accrued expenses include amounts due to related parties amounting to SR 11.85 million.

a) The movement in the provision for onerous insurance arrangements is as follows:

	2020	2019
January 1	9,711	8,608
(Reversal)/charge for the year (note 22)	(7,822)	1,103
December 31	1,889	9,711

20. REVENUES

	2020	2019
Income from finance lease	121,800	181,017
Income from instalment sales	73,625	214,002
Contract fee income	18,102	27,180
Income from purchase and agency agreements (note 30)	147,377	213,392
Others	47,092	26,896
	407,996	662,487

21. DIRECT COSTS

	2020	2019
Direct cost on instalment sales contracts	50,143	180,896
Direct costs on finance leases and instalment sales	40,096	49,613
(Reversal)/Provision for onerous insurance arrangements (note 19)	(7,822)	1,103
	82,417	231,612

22. SELLING AND MARKETING EXPENSES

	2020	2019 (Restated)
Salaries and related costs	138,442	155,115
Depreciation (note 6)	3,509	5,749
Depreciation on right-of-use assets	6,642	7,601
Property and equipment written off (note 6)	-	4,489
Advertisement	4,968	9,819
Communication	12,771	14,013
Expenses charged by affiliates, net (note 13)	6,380	8,810
Others	39,866	16,863
	212,578	222,459

23. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Salaries and related costs	113,556	138,786
Depreciation (note 6)	9,304	8,555
Amortization (note 7)	7,500	9,145
Donations	8,708	12,362
Expenses charged by affiliates, net (note 13)	23,264	26,063
Others	23,556	22,400
	185,888	217,311

24. OTHER INCOME

	2020	2019
Recoveries of amounts previously written off	**20,285**	9,351
Others	**30,730**	13,052
	51,015	22,403

25. ZAKAT

The principal elements of the zakat base are as follows:

	2020	2019
Non-current assets	**1,029,688**	1,466,809
Non-current liabilities	**602,868**	309,042
Opening shareholders' equity	**3,508,686**	3,921,581
Income before zakat	**342,187**	473,909

Some of these amounts have been adjusted in arriving at the zakat charge for the year.
The movement in zakat provision is as follows:

	2020	2019
January 1	**85,414**	80,952
Provision for the year	**62,000**	69,110
Payments during the year	**(69,848)**	(64,648)
December 31	**77,566**	85,414

Status of zakat assessments

For the year 2012, the GAZT issued an assessment claiming additional zakat of SR 27.6 million against which the Company filed an objection, which was not accepted by the GAZT, therefore, the Company requested that the objection be forwarded to the Preliminary Objection Committee. However, the Company has retracted the objection and settled the above amount. The zakat declaration for the year 2013 is currently under review by the GAZT and the declarations for the years 2014 to 2018 have been finalized, while the declaration for 2019 is also under review. Further, the Company has a zakat certificate valid up to 30 April 2021.

26. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net income for the year by the weighted average number of ordinary shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Company. The basic and diluted earnings per share are calculated as follows:

	2020	2019 (Restated)
Net income for the year *(in SR'000)*	**280,187**	404,799
Weighted average number of ordinary shares (in'000) (note 1)	**142,459**	170,000
Basic and diluted earnings per share (expressed in SR per share)	**1.97**	2.38

27. DIVIDEND

On 27 Rajab 1441H (corresponding to March 22, 2020), the shareholders of the Company in their annual meeting approved to distribute dividend amounting to SR 284.3 million (SR 1.67 per share). The dividend was paid to the shareholders on 29 Shawwal 1441H (corresponding to June 21, 2020).

On 13 Rajab 1440H (corresponding to March 19, 2019), the shareholders of the Company in their annual meeting approved to distribute dividend amounting to SR 800 million (SR 4.7 per share). The dividend was paid to the shareholders on 10 Sha'ban 1440H (corresponding to April 15, 2019).

28. NON-CASH TRANSACTIONS

	2020	2019
Employee benefits liabilities transferred, net	-	12
Movement in fair value reserve	**(17,847)**	(12,455)
Right-of-use assets	-	34,387
Lease modifications	**292**	4,662

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. Risk management is carried out by senior management under policies approved by those charged with governance ("TCWG"). Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Company's Treasury function advises on the financial risks and the appropriate financial risk governance framework based on approved policies for managing each of these risks, which are summarized below.

TCWG has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to TCWG.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.
Financial instruments carried on the statement of financial position include loans and advances to customers, cash and cash equivalents, advances to employees, borrowing, payable to SAMA, due to related parties and lease liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Before entering into purchase and agency arrangements with banks, the Company is exposed to interest rate fair value risk on its financial assets to be sold. The Company monitors the market interest rate movements and negotiates the terms of the agreements with various banks and the majority of the receivables are sold to the banks.

The Company has realized gains on sale of these financial assets.

The Company is also exposed to interest rate cash flow risk mainly on its short-term deposits. The effective interest rate on short-term deposits is 1.45% (December 31, 2019: 2.80 %).

The following table demonstrates the change in the value of short-term deposits due to fluctuation of 10 basis points in interest rate. With all other variables held constant, the Company's annual profit is affected through the impact on floating rate short-term deposits, as follows:

	Effect on profit
December 31 2020	
-0.1%	**(3,259)**
+0.1%	**3,259**
December 31 2019	
-0.1%	(3,233)
+0.1%	3,233

Interest rate sensitivity of assets and liabilities

The Company manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarizes the Company's exposure to interest rate risks. Included are the Company's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

Interest rate sensitivity of assets and liabilities is as follows:

	Interest bearing			Non-interest	
December 31, 2020	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**bearing**	**Total**
Assets					
Property and equipment	-	-	-	70,532	70,532
Intangible assets	-	-	-	4,309	4,309
Investment classified as FVOCI	-	-	-	893	893
Net investment in finance lease	200,411	650,085	-	-	850,496
Notes receivable carried at amortized cost	13,273	5,448	-	-	18,721
Notes receivables carried at fair value through other comprehensive income	6,515	129,769	-	-	136,284
Other non-current assets	-	-	-	168,652	168,652
Inventories	-	-	-	14,089	14,089
Prepayments and other receivables	-	-	-	56,559	56,559
Deferred consideration receivable	-	-	-	119,391	119,391
Due from related parties	-	-	-	3,159	3,159
Cash and bank balances	3,222,121	-	-	39,584	3,261,705
Total Assets	3,442,320	785,302	-	477,168	4,704,790
Liabilities					
Employee benefits liabilities	-	-	-	113,131	113,131
Other non-current liabilities	-	-	-	174,912	174,912
Lease liabilities	-	9,073	-	-	9,073
Payable to SAMA	260,452	305,752	-	-	566,204
Accounts payable, accrued and other liabilities	-	-	-	986,117	986,117
Due to related parties	-	-	-	77,385	77,385
Total liabilities	260,452	314,825	-	1,351,545	1,926,822
Cumulative interest rate sensitivity gap	3,181,868	470,477	-	(874,377)	2,777,968

	Interest bearing			Non-interest	
December 31, 2019	Within 1 year	1 to 5 years	Over 5 years	bearing	Total
Assets					
Property and equipment	-	-	-	81,621	81,621
Intangible assets	-	-	-	7,436	7,436
Investment classified as FVOCI	-	-	-	893	893
Net investment in finance lease	368,053	956,026	-	-	1,324,079
Notes receivable carried at amortized cost	24,201	8,020	-	-	32,221
Notes receivables carried at fair value through other comprehensive income	24,139	210,409	-	-	234,548
Other non-current assets	-	-	-	202,404	202,404
Inventories	-	-	-	18,783	18,783
Prepayments and other receivables	-	-	-	35,821	35,821
Deferred consideration receivable	-	-	-	193,946	193,946
Due from related parties	-	-	-	3,128	3,128
Cash and bank balances	3,233,100	-	-	96,482	3,329,582
Total Assets	3,649,493	1,174,455	-	640,514	5,464,462
Liabilities					
Employee benefits liabilities	-	-	-	117,923	117,923
Other non-current liabilities	-	-	-	176,568	176,568
Lease liabilities	-	14,551	-	-	14,551
Accounts payable, accrued and other liabilities	-	-	-	1,524,538	1,524,538
Due to related parties	-	-	-	122,196	122,196
Total liabilities	-	14,551	-	1,941,225	1,955,776
Cumulative interest rate sensitivity gap	3,649,493	1,159,904	-	(1,300,711)	3,508,686

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. All of the purchases and sales of the Company are made in Saudi Riyals. As the Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year, and the historical empirical data shows that US Dollar and Saudi Riyal are pegged, hence, the Company was not exposed to any significant currency risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by the company through its treasury department by monitoring the maturity profile of the Company's financial instruments to ensure that adequate liquidity is maintained or made available, as necessary to the Company.

This risk is managed through sale of receivables to different banks as disclosed in note 30. The average credit period on purchases of vehicles from an affiliate and third parties is up to one month. No interest is charged on the accounts payable. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The Company's financial liabilities primarily consist of due to related parties, accounts payable and other liabilities, payable under purchase and agency agreements and amount due to Insurer. A portion of these financial liabilities are expected to be settled within 12 months from the reporting date and the Company expects to have adequate liquid funds to do so.

Maturity analysis of assets and liabilities as per management estimation

The table below shows an analysis of assets and liabilities, analyzed according to when they are expected to be recovered or settled.

December 31 2020	Fixed maturity			No fixed	
	Within 1 year	1 to 5 years	Over 5 years	maturity	Total
Assets					
Investment classified as FVTOCI	-	-	-	893	893
Net investment in finance lease	200,411	650,085	-	-	850,496
Notes receivable carried at amortized cost	13,273	5,448	-	-	18,721
Notes receivables carried at fair value through other comprehensive income	6,515	129,769	-	-	136,284
Employee receivables	8,429	8,217	-	-	16,646
Other receivables	38,160	-	-	-	38,160
Deferred consideration receivable	119,391	154,797	-	-	274,188
Due from related parties	3,159	-	-	-	3,159
Cash and bank balances	3,261,705	-	-	-	3,261,705
Total assets	3,651,043	948,316	-	893	4,600,252
Liabilities					
Lease liabilities	-	9,073	-	-	9,073
Payable to SAMA	260,452	305,752	-	-	566,204
Accounts payable and other liabilities	193,215	-	-	-	193,215
Due to related parties	77,385	-	-	-	77,385
Total liabilities	531,052	314,825	-	-	845,877
Liquidity gap arising from financial instruments	3,119,991	633,491	-	893	3,754,375

	Fixed maturity				
December 31 2019	*Within 1 year*	*1 to 5 years*	*Over 5 years*	*No fixed maturity*	*Total*
Assets					
Investment classified as FVTOCI	-	-	-	893	893
Net investment in finance lease	368,053	956,026	-	-	1,324,079
Notes receivable carried at amortized cost	24,201	8,020	-	-	32,221
Notes receivables carried at fair value through other comprehensive income	24,139	210,409	-	-	234,548
Employee receivables	8,150	9,698			17,848
Other receivables	25,815	-	-	-	25,815
Deferred consideration receivable	193,946	172,228	-	-	366,174
Due from related parties	3,128	-	-	-	3,128
Cash and bank balances	3,329,582	-	-	-	3,329,582
Total assets	3,977,014	1,356,381	-	893	5,334,288
Liabilities					
Lease liabilities	-	14,551	-	-	14,551
Accounts payable and other liabilities	411,681	-	-	-	411,681
Due to related parties	122,196	-	-	-	122,196
Total liabilities	533,877	14,551	-	-	548,428
Liquidity gap arising from financial instruments	**3,443,137**	**1,341,830**	-	**893**	**4,785,860**

Credit risk and concentration of credit risk

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

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

The Company manages concentration of credit risk exposure through diversification of activities and sale of eligible notes receivable and future net investment in finance lease receivables to different banks through purchase and agency agreements. However, the Company mitigates its credit risk through evaluation of credit worthiness through one of its affiliates (note 13) and regulator and by obtaining promissory notes and by retaining the title of the vehicle leased out. For certain types of customers, the maximum credit limits are defined. An allowance for doubtful finance lease and notes receivable is maintained at a level which, in the judgment of management, is adequate to provide for impairment losses on delinquent receivables.

All finance lease and notes receivable are secured mainly through promissory notes and by retaining the title of the vehicle leased out and yield a fixed rate of commission for each contract. The title of the vehicles sold under finance lease agreements is held in the name of the Company as collateral to be repossessed, in case of default by the customer.

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

Credit quality analysis

i) Financial assets carried at fair value through other comprehensive income (FVOCI)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income as of December 31, 2020 and December 31, 2019. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

a) Gross carrying amounts/ Exposure at default

	December 31, 2020			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Notes receivable carried at fair value through other comprehensive income	**107,205**	**4,279**	**24,802**	**136,284**

	December 31, 2019			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	198,533	9,329	26,686	234,548

b) Allowance for ECL

	December 31, 2020			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Notes receivable carried at fair value through other comprehensive income	**5,060**	**1,831**	**17,230**	**24,121**

	December 31, 2019			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	5,507	1,036	16,424	22,967

ii) Financial assets, carried at amortized cost

The following tables set out information about the credit quality of financial assets measured at amortized cost as of December 31, 2020 and December 31, 2019. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

a) Gross carrying amounts

	December 31, 2020			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease	**1,111,644**	**14,572**	**75,538**	**1,201,754**
Notes receivable carried at amortized cost	**20,002**	**605**	**2,747**	**23,354**
Carrying amount	**1,131,646**	**15,177**	**78,285**	**1,225,108**

	December 31, 2019			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease	1,755,227	32,542	133,207	1,920,976
Notes receivable carried at amortized cost	34,629	928	3,278	38,835
Carrying amount	1,789,856	33,470	136,485	1,959,811

b) Allowance for ECL

	December 31, 2020			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease	**50,913**	**10,756**	**64,189**	**125,858**
Notes receivable carried at amortized cost	**756**	**92**	**1,855**	**2,703**
	51,669	**10,848**	**66,044**	**128,561**

	December 31, 2019			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease	67,331	11,362	125,064	203,757
Notes receivable carried at amortized cost	809	105	2,403	3,317
	68,140	11,467	127,467	207,074

The allowance for ECL for net investment in finance lease also includes the Expected Credit Losses on insurance, which the Company arranges on behalf of the customers (note 9).

Amounts arising from ECL - Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

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

The Company groups its receivables into Stage 1, Stage 2, Stage 3 as described below:

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

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

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

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

a) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors as well as in depth analysis of the input of certain other factors (e.g. forbearance experience) on the risk of default include oil prices, inflation, manufacturing purchasing manager's index, money supply, GDP etc. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

b) Determining whether credit risk has increased significantly

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

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Company's staging criteria.

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

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

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

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

In addition to the above SICR criteria, the Company has created a detailed risk profiling, by incorporating new components for the determination of SICR in order to address COVID-19 effects; such as industry risk, pool PDs and prior delinquency behavior.

Consideration due to the Covid-19:

In response to the impacts of COVID-19, various support programmes have been offered to the customers by the Company on account of SAMA initiatives, such as customers eligible under Deferred Payments Program (refer note 32 for further details). The exercise of the deferment option by a customer, in its own, is not consider by the Company as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Company's credit evaluation process especially given the current economic situation due to after effects of lock down, the Company analyzed the financial position of the customers and ability to repay the amounts and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

No change has been made in the backstop criteria for all types of exposures.

c) Modified financial assets

The contractual terms of finance lease and notes receivables may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing and advances whose terms have been modified may be derecognized and the renegotiated financing and advances recognized as a new financing and advances at fair value in accordance with the accounting policy.

When the terms of finance lease and notes receivables are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

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

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of leasing and instalments covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

Any repayment holidays should not automatically trigger forbearance and migration to Stage 2. For all the exposures available to use repayment holidays due to COVID-19 the following are applied:

- *Micro, Small and Medium Enterprises ("MSMEs") portfolio:*
  Exposures with more than 30 days past due at least once in the last 6 months or exposures which are classified into PD Pool 3 and belong to high risk industries with respect to Covid-19 impact are considered as High risk exposures and thus, after SICR is identified, are allocated into Stage 2.

- *Other than MSME portfolio:*
  Exposures with more than 30 days past due at least once in the last 6 months or exposures which are classified into PD Pools 1, 2 or 4 and belong to high risk industries with respect to Covid-19 impact are considered as High risk exposures and thus, after SICR is identified, are allocated into Stage 2.

d) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the Company including principal instalments, interest payments and fees.
- The Company considers that the obligor 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).

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

e) Incorporation of forward-looking information

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

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

There have been no changes to the types of forward looking variables (key economic drivers) used as model inputs in the current year.

f) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

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

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

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization.

The Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a finance lease and notes receivables arrangement.

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of finance lease and instalment sales in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

Consideration due to COVID-19:

The PD, EAD and LGD models are subject to the Company's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality.

During the period, the Company has made following material changes in its ECL methodology:

- The Through The Cycle (TTC) PD estimates were updated using new additional vintages / quarterly cohorts starting March 2019 through December 2019 with a one-year performance window for each of them. Hence, the TTC PD estimates are based on the period September 2012 through October 2020.
- The TTC LGD estimates were updated using new additional vintages / quarterly cohorts including defaults and recovery data. Hence, the TTC LGD estimates are based on the period September 2012 through October 2020.
- Updated macroeconomic forecasts were used to update PIT PD and LGD estimates used to generate ECL for December 2020.

g) Governance and controls

In addition to the existing risk management framework, the Company has established a Steering Committee for oversight of IFRS 9 impairment process that includes representation from Finance, Risk and Information Technology (IT), as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors. The Framework and related controls have been approved by the board of directors.

h) Capital management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Share capital has been reduced by SR 700 million during the year (note 1).

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

	2020	2019
Aggregate financing to capital ratio (Total financing (net investment in finance lease and notes receivable) divided by total shareholders' equity)	**0.36 times**	0.45 times

30. PURCHASE AND AGENCY AGREEMENTS

The Company has entered into purchase and agency agreements (the "agreements") with certain local banks in respect of certain finance lease and notes receivable (collectively referred as "receivables").

Under the terms of the purchase and agency agreements, the Company first sells the eligible receivables to the banks and then manages them on behalf of the banks as an agent for a monthly fee as per the terms of the purchase and agency agreements.

During the year ended December 31, 2020, the Company sold SR 1,922.9 million of its net receivables (December 31 2019: SR 2,587.3 million) and the total amount received from the bank in respect of such sale was SR 2,152.8 million (December 31 2019: SR 2,819.5 million). Upon sale, the Company derecognizes the receivables from its books and recognizes the difference as either gain or loss on derecognition of receivables (note c).

The following are the significant terms of the agreement:

a) The Company continues to manage the sold receivables on behalf of the banks for a fee (agency fee). The total settlement of net receivables to be made to the banks as an agent (as per the agreed cash flows) under purchase and agency arrangements amount to SR 5,550 million as of December 31, 2020 (December 31, 2019: SR 7,447 million).

The maturity analysis of derecognized receivables is as follows:

Under purchase and agency agreements	**Upto 1 year**	**2 – 3 years**	**After 3 years**	**Total**
December 31 2020	**2,264,083**	**2,629,505**	**657,135**	**5,550,723**
December 31 2019	3,745,543	2,911,264	790,566	7,447,373

b) Each agreement is supported by a "cash flow statement" which stipulates the principal amount and the monthly receivables falling due. Under the terms of the agreements, the Company, in the capacity of an agent, settles to the banks monthly amount based on the cash flow statement. Any excess collections over and above the stipulated amounts and after retaining the amount for the next month's repayment are transferred monthly by the Company to the banks. The amount of the next month's repayment is recognized as a liability and included in payable under purchase and agency agreements (note 19).

c) A reserve is to be maintained out of the monthly receipts, which is to be distributed at the end of the term of the agreements after deducting the actual defaults and discounts on premature terminations. The balance in the reserve account after deducting the actual defaults and discounts shall be retained by the Company as deferred consideration on sale of receivables. Any shortfall in the reserve account is to be borne by the banks.

During the year ended December 31, 2020, the Company made gain amounting to SR 240.1 million (December 31, 2019: SR 251.2 million) on derecognition of receivables sold to the banks under the agreements, which is calculated as follows:

	2020	2019
Gross amount of receivables	**2,503,517**	3,327,462
Less: deferred finance income	**(580,606)**	(740,171)
Less: present value of deferred consideration receivable (note i)	**-**	-
Less: present value of net servicing liability (note ii)	**(10,207)**	(18,956)
Less: amounts received from the banks	**(2,152,800)**	(2,819,500)
Net gain on derecognition of receivables	**240,096**	251,165

During the year, certain purchase and agency agreements (lease and notes receivables), previously entered into by the Company, matured and the Company has recorded a net gain amounting to SR 36.2 million (December 31 2019: 96.2 million) after deducting the actual customer defaults and discounts on premature terminations and has obtained the final settlement and discharge letters from the banks with respect to these agreements. The total gain on derecognized receivables for the year is as follows:

	2020	2019
Gain on derecognition of receivables	**240,096**	251,165
Gain on closure of derecognized pools upon maturity	**36,213**	96,211
	276,309	347,376

i. The Deferred consideration receivable represents the continuing involvement in the transferred asset. Provision against expected defaults in respect of sold finance lease and notes receivable represents a guarantee provided by the Company under purchase and agency agreements to pay for default losses on a transferred asset. These have been disclosed as deferred consideration receivable (note 11) and Provision against expected defaults and discounts in respect of sold finance lease and notes receivable (note 18 and 19)

ii. The Company's net servicing assets and related liabilities is calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreement, and by estimating the present value of servicing liability and related provisions. The net amount is classified as a net servicing asset or a net servicing liability on the statement of financial position. This has been presented as follows:

	2020	2019
Net servicing assets (note 11)	**5,638**	20,477
Net servicing liability	**26,404**	31,798
Less: current portion (note 19)	**(6,289)**	(27,458)
Non-current portion (note 18)	**20,115**	4,340

The present value of deferred consideration receivable, the provision against default and the present value of net servicing asset and net servicing liability is calculated by using the appropriate discount rate (note 4).

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, net investment in finance lease, notes receivable, due from related parties, net deferred consideration receivable, employees' receivables, amount due from insurer and other receivables. Its financial liabilities consist of due to related parties, accounts payable, payable under purchase and agency agreements, lease liabilities and amount due to Insurer.

The fair values of the financial instruments are not materially different from their carrying values except for the net investment in finance lease and notes receivable portfolio measured at amortized cost and the employee benefit liabilities which are measured at present values.

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

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

The following table provides the fair value measurement hierarchy of the Company's financial assets as at December 31, 2020 and December 31, 2019.

December 31, 2020

		Fair value measurement using		
	Total	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets measured at fair value				
Notes receivable classified as fair value through other comprehensive income	**136,284**	-	-	**136,284**
Investment classified as fair value through other comprehensive income	**893**	-	-	**893**

December 31, 2019

		Fair value measurement using		
	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value				
Notes receivable classified as fair value through other comprehensive income	234,548	-	-	234,548
Investment classified as fair value through other comprehensive income	893	-	-	893

There were no transfers between Level 1 and Level 2 during 2020 and 2019.

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

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the unprecedented yet effective measures taken by the Government, following which the Government has ended the lockdowns and has taken phased measures towards normalization.

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

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

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

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

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

Deferred payments program
During the year, SAMA announced deferred payment program on March 14, 2020 and provided further extensions as follows:

Deferred payment program - period from March 14, 2020 to September 14, 2020
1st extension - deferral period extended from September 15, 2020 to December 14, 2020
2nd extension - deferral period extended from December 15, 2020 to March 31, 2021.

As part of the deferred payments program and its subsequent extensions, the Company is required to defer payments for the relevant deferral period on lending facilities to eligible MSMEs. The Company effected the payment reliefs by deferring the instalments falling due within the period from the start of the relevant deferral period till the end of the deferral period without changing the total lease dues to be paid by the customers.

The accounting impact of these deferrals in terms of the credit facilities has been assessed and is treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Company recognizing a total day 1 modification loss at the time of each deferral amounting to SR 47.8 million on net investment in finance lease and notes receivables till March 31, 2021 and was deducted from the revenues for the year ended December 31, 2020. Further, the Company also deferred MSME customers classified as stage 2 which have met the definition of MSME.

During the year, SR 42.6 million has been charged to the statement of income relating to unwinding of modification losses.

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

In order to compensate the related cost that the Company is expected to incur under the SAMA programs, the Company in aggregate received SR 578.8 million of profit free deposit from SAMA during the year with varying maturities. Details of the amounts received from SAMA are as follows:

- an amount of SR 108.8 million, repayable to SAMA over the period of 3.5 years in equal monthly instalments, with a grace period of 6 months, received against net investment in finance lease/notes receivables on April 5, 2020;

- an amount of SR 71.5 million, repayable to SAMA over the period of 1.5 years with a grace period of 4 months, received against net investment in finance lease/notes receivables on October 5, 2020;

- an amount of SR 36.5 million, repayable to SAMA over the period of 1.75 years in equal monthly instalments, with a grace period of 3 months, received against net investment in finance lease/notes receivables on December 23, 2020;

- an amount of SR 230 million, repayable to SAMA over the period of 3.5 years in equal monthly instalments, with a grace period of 6 months, received against sold receivables under purchase and agency agreements (note 30) on April 5, 2020. SAMA has provided clarification that the above mentioned amount is provided as support for the Company.

- an amount of SR 132 million, repayable to SAMA over the period of 1.5 years in equal monthly instalments, with a grace period of 4 months, received against sold receivables under purchase and agency agreements (note 30) on December 30, 2020.

The benefit of the above subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in recognition of government grant income of SR 33.3 million to offset the modification losses for which the grant has been provided (note 20) including the portion related to sold receivables. Management had determined based on the communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. For the recognition of this benefit of subsidized funding rate, the management has exercised certain judgements in the recognition and measurement of this grant income. During the year, SR 9.5 million has been charged to the statement of income relating to unwinding of profit free deposit from SAMA.

Funding for lending program

During the year, the Company has received additional profit free deposit from SAMA amounting to SR 10 million on April 16, 2020 with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment. The benefit of the interest free deposit has been accounted for on a systematic basis, in accordance with government grant accounting requirements.

Loan guarantee program

In a separate communication from SAMA, the above funding for lending program was superseded with loan guarantee program, whereby the Company would be required to provide finance to specific segment of the customers in accordance with the terms and conditions of the program and SAMA regulations. During the year, the Company received an additional amount of SR 20 million, out of which SR 10 million was received on July 16, 2020 and SR 10 million was received on September 30, 2020, with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment.

Based on clarification by SAMA, the Company has applied the above programs on MSME and individuals.

As of December 31, 2020, the Company has not participated in the Point of sale ("POS") and e-commerce service fee support program.

During May 2020, SAMA issued a guidance document entitled "Guidance on Accounting and Regulatory Treatment of COVID-19 - Extraordinary Support Measures". The Company has considered the guidance issued in the preparation of these financial statements.

33. PRIOR YEAR ADJUSTMENTS AND COMPARATIVE FIGURES

During the year, the management identified certain items which were required adjustment / reclassification in the prior year figures, these have been incorporated as per the requirements of IAS 8, as follows:

a) Certain expenses that were erroneously not recorded in 2019 due to which the profit of that year was overstated by SR 7,872 thousand. These expenses include traffic violation expense of SR 5,461 thousand and car repossession expense amounting to SR 2,411 thousand.

b) Deferred consideration receivable and provision against expected defaults in respect of sold finance lease and notes receivables under purchase and agency agreements (note 30), were previously recorded as net under present value of deferred consideration receivables, however, as per the requirements of IFRS 9, these have been separated and presented in the statement of financial position under assets and liabilities:

In accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors', the correction of the above has resulted in a retrospective restatement of the comparative amounts as given below. Further, certain prior year figures have also been reclassified to conform with current year presentation, in accordance with IAS 1 – 'Presentation of financial statements', as shown below:

	Balances as previously reported	Reclassification	Adjustments	Balance as restated
Statement of Profit or Loss and Other Comprehensive Income				
For the year ended December (31, 2019				
Direct costs	(229,201)	-	(2,411)	(231,612)
Selling and marketing expenses (a)	(215,572)	(1,426)	(5,461)	(222,459)
General and administrative expenses (a)	(218,737)	1,426	-	(217,311)
Net income for the year	**(663,510)**	-	**(7,872)**	**671,382**
Statement of financial position:				
As of December 31, 2019				
Current assets				
Prepayments and other receivables (a)	42,534	1,159	(7,872)	35,821
Deferred consideration Receivable (b)	-	-	193,946	193,946
Non-current assets				
Other non-current assets (b)	30,176		172,228	202,404
Notes receivable carried at fair value through other comprehensive income – non-current	234,548	(24,139)	-	210,409
Notes receivable carried at fair value through other comprehensive income – current	-	24,139	-	24,139
	307,258	**1,159**	**358,302**	**666,719**
Non-current liabilities				
Other non-current liabilities (b)	18,891	(14,551)	172,228	176,568
Lease liabilities	-	14,551	-	14,551
Current Liabilities				
Accounts payable, accrued and other liabilities (b)	1,329,433	1,159	193,946	1,524,538
	1,348,324	**1,159**	**366,174**	**1,715,657**
Shareholders' equity				
Retained earnings	**1,438,708**	-	**(7,872)**	**1,430,836**

There was no impact in the statement of cash flows for the year ended December 31, 2019.

The statement of financial position as of the beginning of year ended December 31, 2019 was not presented in these financial statements as there were no impact on the opening balances of 2019. The EPS of the Company decreased from 2.43 to 2.38 as a result of this restatement.

The above reclassifications had no effect on the profit reported in the statement of profit or loss and other comprehensive income for the year ended December 31, 2019. Therefore, the statement of financial position as of the beginning of year ended December 31, 2019 was not presented in these financial statements.

34. EVENTS AFTER THE REPORTING YEAR

Subsequent to the year end, the Company executed a purchase and agency agreement with a local commercial bank to sell SR 130.7 million of its finance lease and notes receivables. Under the terms of the purchase and agency agreement, the Company sold the eligible receivables to the bank net of insurance premiums and undertook to manage them on behalf of the bank as an agent for a monthly fee as per the terms of the purchase and agency agreement.

35. BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on February 25, 2021 (corresponding to 13 Rajab 1442H).