BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021

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Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
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Date 24/4/1419
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To the shareholders
Bab Rizq Jameel Microfinance Company
(A Saudi Closed Joint Stock Company)
Jeddah, Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bab Rizq Jameel Microfinance Company (a Saudi Closed Joint Stock Company) ("the Company"), which comprise the statement of financial position as of December 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed 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.

Emphasis of matter

We draw attention to Note 1 of the financial statements, which describes the Company's plans to merge its operations with an affiliate. Our opinion is not modified in respect of this matter.

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. Board of Directors are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT - Continued

To the shareholders
Bab Rizq Jameel Microfinance Company
(A Saudi Closed Joint Stock Company)
Jeddah, 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.

INDEPENDENT AUDITOR'S REPORT - Continued

To the shareholders
Bab Rizq Jameel Microfinance Company
(A Saudi Closed Joint Stock Company)
Jeddah, 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

Waleed Bin Moha'd. Sobahi
Certified Public Accountant
License No. 378

28 Rajab, 1443
March 1, 2022

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Note	**2021**	2020
ASSETS			
Non-current assets			
Intangible assets	5	**778,462**	814,592
Property and equipment	6	**278,561**	226,108
Right-of-use assets	7	**536,458**	253,031
Loans and advances to customers, net	8	**120,354,007**	111,701,691
Advances to employees	9	**1,191,007**	1,177,744
Total non-current assets		**123,138,495**	114,173,166
Current assets			
Loans and advances to customers, net	8	**58,046,009**	50,160,701
Advances, prepayments and other assets	9	**2,311,123**	1,693,696
Cash and cash equivalents	10	**35,453,486**	44,569,462
Total current assets		**95,810,618**	96,423,859
TOTAL ASSETS		**218,949,113**	210,597,025
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**100,000,000**	100,000,000
Accumulated losses		**(9,332,785)**	(14,467,294)
Actuarial losses, net		**(2,340,006)**	(2,015,980)
Total equity		**88,327,209**	83,516,726
Non-current liabilities			
Borrowings	11	**49,443,667**	47,500,000
Payable to Saudi Central Bank	22	**30,560,141**	38,327,801
Employees benefits liabilities	12	**5,760,653**	4,756,212
Deferred income	22	**293,105**	196,559
Lease liabilities	13	**352,312**	138,414
Total non-current liabilities		**86,409,878**	90,918,986
Current liabilities			
Due to related parties	15	**1,001,891**	1,492,072
Zakat payable	16	**843,202**	210,676
Lease liabilities	13	**118,281**	44,132
Borrowings	11	**16,023,549**	2,500,000
Payable to Saudi Central Bank	22	**22,976,820**	27,290,161
Accrued and other liabilities	14	**2,700,935**	4,236,599
Deferred income	22	**547,348**	387,673
Total current liabilities		**44,212,026**	36,161,313
TOTAL LIABILITIES		**130,621,904**	127,080,299
TOTAL EQUITY AND LIABILITIES		**218,949,113**	210,597,025

The accompanying notes 1 to 23 form an integral part of these financial statements

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Note	**2021**	2020
Special commission income		**21,691,980**	9,132,303
Loan administration fee income		**766,731**	866,819
Revenue		**22,458,711**	9,999,122
Contract initiation costs		**(287,021)**	(185,040)
Selling and marketing expenses	17	**(6,103,922)**	(5,931,764)
General and administrative expenses	18	**(7,765,072)**	(6,329,194)
Reversal/(impairment) loss on financial assets	8	**91,389**	(2,703,436)
Finance income		**393,815**	369,480
Finance costs		**(3,205,602)**	(2,264,102)
Income from government grant	22	**387,673**	402,256
Profit/(loss) before zakat		**5,969,971**	(6,642,678)
Zakat	16	**(835,462)**	(230,465)
Net profit/(loss) for the year		**5,134,509**	(6,873,143)
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of employees' benefits liabilities	12	**(324,026)**	(971,466)
Total comprehensive profit/(loss) for the year		**4,810,483**	(7,844,609)
Basic and diluted profit/(loss) per share	19	**0.51**	(0.69)

The accompanying notes 1 to 23 form an integral part of these financial statements

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Share capital	Accumulated losses	Actuarial losses, net	Total equity
January 1, 2020	100,000,000	(7,594,151)	(1,044,514)	91,361,335
Loss for the year	-	(6,873,143)	-	(6,873,143)
Other comprehensive loss for the period	-	-	(971,466)	(971,466)
Total comprehensive loss for the year	-	(6,873,143)	(971,466)	(7,844,609)
December 31, 2020	**100,000,000**	**(14,467,294)**	**(2,015,980)**	**83,516,726**
Profit for the year	**-**	**5,134,509**	**-**	**5,134,509**
Other comprehensive profit for the period	**-**	**-**	**(324,026)**	**(324,026)**
Total comprehensive profit for the year	**-**	**5,134,509**	**(324,026)**	**4,810,483**
December 31, 2021	**100,000,000**	**(9,332,785)**	**(2,340,006)**	**88,327,209**

The accompanying notes from 1 to 23 form an integral part of these financial statements

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before zakat		**5,969,971**	(6,642,678)
Adjustments for:			
Depreciation on property and equipment	6	**183,524**	137,958
Amortization of intangible assets	5	**534,708**	414,657
Deprecation on right-of-use assets	7	**243,089**	198,031
(Gain)/loss on disposal of property and equipment	6	**(1,126)**	371
(Reversal)/impairment loss on financial assets	8	**(91,389)**	2,703,436
Loss on modification of financial assets - net	22	**775,178**	7,615,050
Income from government grant	22	**(387,673)**	(402,256)
Finance income		**(148,492)**	(369,480)
Finance cost		**3,205,602**	2,264,102
Concessional loan income		**(245,323)**	-
Employee benefits liabilities	12	**680,415**	625,244
		10,718,484	6,544,435
Changes in:			
Loans and advances to customers		**(18,459,201)**	(60,800,696)
Advances, prepayments and other assets		**(647,551)**	(619,102)
Accrued expenses and other liabilities		**(853,693)**	984,295
Due to related parties		**(490,181)**	425,553
Cash used in operations		**(9,732,142)**	(53,465,515)
Zakat paid	16	**(202,936)**	(211,198)
Net cash used in operating activities		**(9,935,078)**	(53,676,713)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition to property and equipment	6	**(235,979)**	(148,013)
Proceeds from property and equipment	6	**1,128**	-
Addition to intangible assets	5	**(498,578)**	(553,543)
Finance income received		**165,375**	336,188
Net cash used in investing activities		**(568,054)**	(365,368)
CASH FLOWS FROM FINANCING ACTIVITY			
Proceeds from long term loan	11	**20,000,000**	25,000,000
Repayment of loan	11	**(3,888,890)**	
Finance cost paid		**(1,894,755)**	(160,663)
Repayment of lease liabilities	13	**(260,541)**	(228,777)
Proceeds of loans from Saudi Central Bank	22	**5,362,845**	73,362,313
Repayment of loans to Saudi Central Bank	22	**(17,931,503)**	(5,149,240)
Net cash from financing activity		**1,387,156**	92,823,633
Net change in cash and cash equivalents		**(9,115,976)**	38,781,552
Cash and cash equivalents, January 1	10	**44,569,462**	5,787,910
CASH AND CASH EQUIVALENTS, DECEMEBR 31	10	**35,453,486**	44,569,462
NON-CASH TRANSACTIONS			
Adjustment of employee loans against employee benefits liabilities	12	**-**	1,300,000

The accompanying notes from 1 to 23 form an integral part of these financial statements

1. ORGANIZATION AND ACTIVITIES

Bab Rizq Jameel Microfinance Company (the "Company") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030294117 (unified number 7003768905), issued on 7 Rajab 1438H (corresponding to April 4, 2017).

The shareholding of the Company as of December 31, 2021 and 2020 was as follows:

	No. of shares of SR 10 each	Amount
Abdul Latif Jameel Modern Trading Company Limited (Formerly Al Mumaizah United Commerce Company Limited)	**9,600,000**	**96,000,000**
Abdul Latif Jameel Creative Business Services Company Limited (Formerly Al Mumaizah United Services Company Limited)	**100,000**	**1,000,000**
Najid Al Raeda United Company Limited	**100,000**	**1,000,000**
Bader First United Company Limited	**100,000**	**1,000,000**
Taif First United Company Limited	**100,000**	**1,000,000**
	10,000,000	**100,000,000**

All the above shareholders are Saudi Limited Liability companies and the ultimate parent of the Company is Al Mumaizah United Company Limited (formerly: United Instalment Sales Company Limited).

The Company is in the process of updating its article of association to reflect the change in the name of shareholders.

On 14 Muharram 1439H (corresponding to October 4, 2017), the Company received the license from Saudi Central Bank ("SAMA") to undertake Microfinance activities in the Kingdom of Saudi Arabia under license number 49/MU/201710 for five years from the date of issuance.

The principal activity of the Company is to engage in microfinance activities in the Kingdom of Saudi Arabia.

As of December 31, 2021 and 2020 the Company operated through head office and the following registered branches:

Branch	CR Number	Date
Riyadh	1010596136	17/01/1441
Dammam	2050241225	25/07/1439
Tabuk	3550126136	19/04/1440
Jeddah	4030365781	17/01/1441
Madinah	4650214096	17/01/1441

The accompanying financial statements include the assets, liabilities and results of these branches.

During the third quarter of the year 2020, the Company's accumulated losses and related reserves exceeded 15% of the share capital. In accordance with Article 70 of the Implementing Regulation of the Finance Companies Control law, the Company must immediately notify SAMA, if losses exceed 15% of paid up capital. During the fourth quarter of 2020, the Company communicated the same to SAMA and has since then responded to related queries regarding remedial measures.

During the year, a request was submitted to SAMA, seeking to merge the Company and Abdul Latif Jameel United Real Estate Finance Company with Abdul Latif Jameel United Finance Company ("ALJUF"), all affiliates and ultimately owned by the same shareholders. During the year, SAMA provided No Objection letter dated August 18, 2021 and requested that a detailed plan for the merger be submitted to SAMA by ALJUF for approval within a period of one year from the date of the No Objection letter. Accordingly, the Board of Directors on August 30, 2021 approved the merger of the Company with ALJUF and authorized the Chairman of the Board of Directors to execute the merger and obtain all the required shareholders and regulatory approvals.

The said plan including exact steps and timelines including the impact on Companies systems and jobs specially for Saudis in the merged company was submitted to SAMA in October 2021. After the approval of the plan by SAMA, the Company shall also seek approvals of the Ministry of Commerce and Zakat, Tax and Customs Authority ("ZATCA").

As of December 31, 2021, ALJUF has engaged a consultant to assess the current state, prepare the blueprints for integration and execute the merger of the aforesaid companies and is awaiting SAMA's approval to initiate this engagement with the consultant.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Amended and revised International Financial Reporting Standards ("IFRS") Standards 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, 2021, have been adopted in these financial statements.

In the current period, 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, 2021.

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
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	The amendments in 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.
Amendment to IFRS 16, 'Leases' - COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

IBOR Transition (Interest Rate Benchmark Reforms)

A fundamental review and reform of major profit rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk-Free Rate ("RFR"). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate statement of income impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and

- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

As the Company believes there continues to be uncertainty as to the timing and the methods for transition, under the Phase 1 amendments, IBOR continues to be used as a reference rate as of December 31, 2021 in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies. Regulatory authorities, relevant benchmark rate administrators and public and private sector working groups globally are considering, and have started to announce mechanisms for, transition to alternative benchmark rates. The Company continues to monitor this guidance as it emerges.

The Company has exposure to IBOR rates that are subject to reform and IBOR transition may impact the sale of receivables to banks in the future periods since those are based on IBOR Benchmark.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial period beginning on or after January 1, 2021 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
COVID 19 related rent concessions beyond June 30, 2021 (Amendments to IFRS 16) extending, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	April 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

New and revised IFRSs	Effective for annual periods beginning on or after
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
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.	January 1, 2022
Annual Improvements to IFRS Standards 2018–2021 to IFRS 1, IFRS 9, IFRS 16 and IAS 41.	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 IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies) requires that an entity disclose its material accounting policies, instead of its significant accounting policies.	January 1, 2023
Amendments to IAS 8 (Definition of Accounting Estimates) replaces the definition of a change in accounting estimates with a definition of accounting estimates	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	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.

During 2020, SAMA issued rules governing credit risk exposure classification and provisioning. These rules set out the minimum requirements on credit risk exposure classification and provisioning. These rules shall be applicable to all finance companies licensed pursuant to Finance Companies Control Law effective from July 1, 2021. In a subsequent communication, SAMA deferred implementation of the rules to January 1, 2022, except for certain rules to be implemented on or before December 31, 2023.

In line with the above rules issued by SAMA, the Company has updated its policy on write-offs which require all loans and advances that are overdue more than 360 days after being classified as stage 3 balances are to be written-off. This has resulted in the Company writing off an amount of SR 1.2 million as of December 31, 2021. Management has taken a conservative approach and has accordingly accounted all loss during the year ended December 31, 2021.

Additionally during the year, the management has engaged a consultant to update the policies and procedures and the impairment model of Loans and advances to customers.

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 the accruals basis of accounting except for employees benefits liabilities, which are calculated based on present value of the defined benefit obligation, using actuarial present value calculations based on projected unit credit method.

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 value in use in IAS 36 Impairment of Assets.

Functional and presentation currency

These financial statements are presented in Saudi Riyals ('SR'), which is the Company's functional and presentational currency. All amounts have been expressed in SR, unless 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, except for the policy relating to write-off of loans and advances to customers.

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 loans and advances to customers, advances to employees and cash and cash equivalents.

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 investment;
- FVTOCI - equity investment; 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 amortized 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 recognized 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.

Loans and Advances to customers

Loans and advances to customers 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 loans and advances to customers.

Effective interest method

The effective interest method (EIR) is a method of calculating the amortized cost of a debt instrument/financial liability 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 and 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 cost 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 borrowings, 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.

Modification 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 part of special commission income.

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.

Derecognition

Financial assets

The Company derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

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.

Offsetting of financial instruments

Financial asset and financial liability are offset and the net amount presented in the statement of financial position when, and only when the Company:

- currently 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 settle the liability simultaneously.

Income and expenses are not offset in profit or loss unless required or permitted by IFRS.

Impairment

The Company recognizes loss allowances for expected credit losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- loans and advances to customers;
- 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 are presented in the statement of financial position for financial assets measured at amortized cost, as a deduction from the gross carrying amount of the assets.

Write-off

The Company writes off Loans and advances to customers at the earlier of when:

- there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation;
- Loans and advances to customers are written off to the extent recoverable when the receivables remain uncollected for 360 days or more after their classification as stage 3 customers, whichever is earlier. However, financial assets that are written off could still be subject to enforcement activities to comply with the Company's procedures for recovery of amounts due.

The management initially recognizes an allowance for expected credit losses against the balance to be written off, if less than the available balance in the loss account, and then writes off the balance due against the allowance for expected credit losses.

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.

Intangible assets

The intangible assets that the Company holds consists of computer software and website, which have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

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 comparative periods are as follows:

	Years
Software	3
Website	3

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 if appropriate.

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

Property and equipment

Recognition and measurement
Items of property and equipment 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:

	Years
Leasehold improvements	3
Office equipment	4
Computers	3

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.

Impairment of non-financial assets

The carrying amounts of the Company's tangible and intangible assets, are reviewed at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Impairment exists when the carrying value of an asset or CGU exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is based on a Discounted Cash Flow ("DCF") model, whereby the future estimated cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Impairment loss is recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss recognized in a prior period for an asset other than goodwill (or for a CGU) may be reversed if, and only if, there has been a change in the estimates used to determine the recoverable amount of the asset (or CGU) since the last impairment loss was recognized.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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 has not used this practical expedient.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits with original maturity of three months or less.

Government grants

The Company recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is 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 fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognized in the statement of profit or loss 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.

Employees benefits liabilities

The Company operates employees end of service benefits and ex-gratia benefits scheme.

End of service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service.

The Company's net obligation 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. The 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.

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 that obligation and a reliable estimate of the obligation amount can be made. Provision are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

Zakat

The Company is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") 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.

Revenue recognition

Special commission income

Special commission income on loan and advances to customers is recognized based on effective interest rate(EIR).The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

The special commission income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial asset (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the special commission income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Loan administration fee income

Loan administration fee income is deferred and recognized over the period of the contract, as an adjustment to the effective interest rate.

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 arrangement of loan and advances to customers. All remaining expenses other than contract initiation costs 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.

Finance cost

Finance costs comprises mainly of commission on loans and are recognized in the statement of profit or loss and other comprehensive income on a time proportion basis on the principal outstanding and at the effective commission rate applicable.

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.

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 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:

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3). 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 measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at fair value through other comprehensive income. Monitoring is part of the Management's continuous assessment of whether the business model for which the financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant increase in credit risk

As explained in note 3, 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. Refer to note 3 and note 21 for more details.

Impairment of financial assets

The measurement of ECL under IFRS 9 across all categories of financial assets 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.

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:

1. The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:

a) The Company's internal credit grading model, which assigns Probability of Default ('PDs') to the individual grades
b) The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
c) The segmentation of financial assets when their ECL is assessed on a collective basis
d) Development of ECL models, including the various formulas
e) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

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. Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on going concern basis.

Useful lives and residual value of property and equipment and intangible assets

The management determines the estimated useful lives and residual value of property and equipment and intangible assets for calculating depreciation/amortization. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation/amortization charges are adjusted where management believes the useful lives and residual value differ from previous estimates.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset’s fair value less cost to sell and value in use.

Employees benefits liabilities

The cost of employees’ end of service benefits and ex-gratia benefits are determined using actuarial valuation. Certain actuarial assumptions have been adopted as disclosed in note 12 to the financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible by the Company.

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

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

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

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

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

The Company may involve external valuers for valuation of significant assets, such as unquoted financial assets.

5. INTANGIBLE ASSETS

	Software	*Website*	*Capital work in progress (note 5.1)*	*Total*
Cost:				
January 1, 2020	-	539,393	442,141	981,534
Additions	-	239,738	313,805	553,543
Transfers	-	442,141	(442,141)	-
December 31, 2020	-	1,221,272	313,805	1,535,077
Additions	**-**	**-**	**498,578**	**498,578**
Transfers	**812,383**	**-**	**(812,383)**	**-**
December 31, 2021	**812,383**	**1,221,272**	**-**	**2,033,655**
Accumulated amortization:				
January 1, 2020	-	305,828	-	305,828
Charge for the year (note 17)	-	414,657	-	414,657
December 31, 2020	-	720,485	-	720,485
Charge for the year (note 17)	**261,216**	**273,492**	**-**	**534,708**
December 31, 2021	**261,216**	**993,977**	**-**	**1,255,193**
Net book value as of:				
December 31, 2020	-	500,787	313,805	814,592
December 31, 2021	**551,167**	**227,295**	**-**	**778,462**

6. PROPERTY AND EQUIPMENT

	Lease hold improvements	*Office equipment*	*Computers*	*Total*
Cost:				
January 1, 2020	247,451	99,883	8,678	356,012
Additions	-	2,010	146,003	148,013
Disposals	-	(1,520)	-	(1,520)
Transfers	-	(39,202)	39,202	-
December 31, 2020	247,451	61,171	193,883	502,505
Additions	**76,295**	**53,448**	**106,236**	**235,979**
Disposals	-	**(4,200)**	**(2,710)**	**(6,910)**
December 31, 2021	**323,746**	**110,419**	**297,409**	**731,574**
Accumulated depreciation:				
January 1, 2020	118,690	15,382	5,516	139,588
Charge for the year	69,334	18,395	50,229	137,958
Disposals	-	(1,149)	-	(1,149)
December 31, 2020	188,024	32,628	55,745	276,397
Charge for the year	**67,242**	**25,765**	**90,517**	**183,524**
Disposals		**(4,199)**	**(2,709)**	**(6,908)**
December 31, 2021	**255,266**	**54,194**	**143,553**	**453,013**
Net book value as of:				
December 31, 2020	59,427	28,543	138,138	226,108
December 31, 2021	**68,480**	**56,225**	**153,856**	**278,561**

6.1 Depreciation charge for the year is distributed as detailed below:

	2021	2020
Selling and distribution expenses (note 17)	**126,249**	108,095
General and administrative expenses (note 18)	**57,275**	29,863
	183,524	137,958

7. RIGHT-OF-USE ASSETS

	Retail branches
Cost:	
January 1, 2020	374,918
Additions	221,605
December 31, 2020	596,523
Additions	**526,516**
December 31, 2021	**1,123,039**
Accumulated depreciation:	
January 1, 2020	145,461
Charge for the year (note 17)	198,031
December 31, 2020	343,492
Charge for the year (note 17)	**243,089**
December 31, 2021	**586,581**
Net book value as of:	
December 31, 2020	253,031
December 31, 2021	**536,458**

The Company has leased 4 retail branches. The remaining average term of the leases is 1.35 years.

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

	2021	2020
Depreciation expense on right-of-use assets (note 17)	**243,089**	198,031
Interest expense on lease liabilities (note 13)	**22,072**	5,193
Expense relating to short-term leases (note 17)	**87,870**	82,378
	353,031	285,602

During the year, the total cash outflow for leases amounted to SR 260,541 (2020: SR 233,970).

8. LOANS AND ADVANCES TO CUSTOMERS, NET

	2021	2020
Loans and advances to customers at amortized cost	**181,662,584**	166,600,187
Less: allowance for credit losses	**(3,262,568)**	(4,737,795)
	178,400,016	161,862,392

a) The following table details the contractual maturity for its loans and advances to customers portfolio:

	Years	**2021**	2020
Current portion	2022	**58,046,009**	50,160,701
Non-current portion	2023	**59,396,783**	54,099,503
	2024	**40,226,165**	35,283,094
	2025	**16,017,472**	16,360,490
	2026 and onwards	**4,713,587**	5,958,604
Non-current portion		**120,354,007**	111,701,691
Total		**178,400,016**	161,862,392

b) The movement in allowance for credit losses is given below:

	2021	2020
January 1,	**4,737,795**	2,269,375
(Reversals) / addition during the year	**(91,389)**	2,703,436
Amounts written off	**(1,383,838)**	(235,016)
December 31	**3,262,568**	4,737,795

c) The ageing of loans and advances to customers which are past due is as follows:

	2021	2020
1 - 3 months	**1,307,875**	226,437
4 - 6 months	**308,551**	195,653
6 - 12 months	**145,415**	327,702
More than 12 months	**4,831**	100,193
	1,766,672	849,985

d) The not yet due portion of above overdue loans and advances to customers as of December 31, 2021 amounts to SR 9,724,398 (2020: SR 2,748,875).

9. ADVANCES, PREPAYMENTS AND OTHER ASSETS

	2021	2020
Prepayments	**191,060**	131,016
Advance to employees	**2,040,040**	1,937,795
Others	**1,271,030**	802,629
	3,502,130	2,871,440
Less: non-current advance to employees	**(1,191,007)**	(1,177,744)
	2,311,123	1,693,696

The above balances are unsecured and interest free. The management estimate the allowance on advances to employees (both current and non-current) 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 employee 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 balances due from employees.

10. CASH AND CASH EQUIVALENTS

	2021	2020
Cash in hand	**174,715**	7,000
Cash at bank	**15,278,771**	14,562,462
Cash at bank - deposits	**20,000,000**	30,000,000
	35,453,486	44,569,462

As of each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating banking institutions and there has been no history of default with any of the Company's bank balances. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

During the year, the Company earned finance income of SR 148,514 (2020: SR 369,480) on murabaha deposits at the rate of return ranging from 0.7% to 1.05% (2020: 0.6% to 1.35%).

11. BORROWINGS

	2021	2020
Borrowings at amortized costs		
Commercial bank loan (note a)	**47,500,000**	50,000,000
Social Development Bank loan (note b)	**17,967,216**	-
	65,467,216	50,000,000
Less: Current portion of long-term borrowings	**16,023,549**	2,500,000
Non-current portion of long-term borrowings	**49,443,667**	47,500,000

a) On October 29, 2019, the Company obtained a line of credit from a local bank for SR 50 million to finance working capital requirements of the Company. An amount of SR 25 million had been drawn by the Company in 2019 and a further SR 25 million was drawn during 2020. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 2 years. The loan is subject to meeting certain covenants and service charges at the rate of SIBOR plus fixed commission rate of 1.5% per annum. As a result of breach of covenants in the third quarter of 2020, the Company renegotiated the terms of the loan contract and the covenants were amended in the fourth quarter of 2020. The line of credit was provided to the Company by the local bank upon issuance a letter of comfort from the Parent Company.

b) On January 12, 2021, the Company obtained an additional line of credit from the Social Development Bank ("SDB") for SR 10 million to provide loans to Micro Small and Medium Enterprises ("MSMEs"). Further on October 14, 2021 the Company obtained an additional credit from SDB for SR 10 million to provide loans. The loans are repayable in 36 monthly installments after a grace period of 6 and 3 months respectively. The loans are interest free and provided by the Development Bank to increase the contribution of MSME to the Kingdom's economy.

The scheduled undiscounted maturities of the long-term borrowings outstanding are as follows:

	2021	2020
2021	**-**	2,500,000
2022	**16,388,883**	10,000,000
2023	**16,666,660**	10,000,000
2024	**15,277,762**	10,000,000
2025	**10,277,805**	10,000,000
2026	**7,500,000**	7,500,000
	66,111,110	50,000,000

12. EMPLOYEES BENEFITS LIABILTIES

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:

	2021	2020
Employees end of service benefits	**3,069,708**	2,521,837
Ex-gratia benefits	**2,690,945**	2,234,375
	5,760,653	4,756,212

Movement in net defined benefit liability

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

	2021	2020
January 1	**2,521,837**	2,338,677
Included in profit or loss		
Current service cost	**273,661**	252,098
Interest cost	**87,226**	83,022
Total	**360,887**	335,120
Included in other comprehensive income		
Remeasurement loss arising from:		
- financial assumptions	**216,683**	231,848
- experience adjustments	**(29,699)**	266,192
Total	**186,984**	498,040
Settlement against advances to employee	**-**	(650,000)
December 31	**3,069,708**	2,521,837

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

	2021	2020
January 1	**2,234,375**	2,120,825
Included in profit or loss		
Current service cost	**240,208**	214,834
Interest cost	**79,320**	75,290
Total	**319,528**	290,124
Included in other comprehensive income		
Remeasurement loss arising from:		
- financial assumptions	**137,042**	224,430
- experience adjustments	**-**	248,996
Total	**137,042**	473,426
Settlement against advances to employee	**-**	(650,000)
December 31	**2,690,945**	2,234,375

Actuarial assumptions

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

	2021	2020
Financial assumptions		
Discount rate	**2.50%**	2.75%
Future salary growth/expected rate of salary increase	**2.50%**	2.50%
Demographic assumptions		
Mortality	**WHO 19**	AM92
Retirement age	**60G**	60G
Turnover (age wise)		
21-25	**20%**	13.5%
26-30	**15%**	11.0%
31-50	**7.4%**	6.0%
51-60	**3.6%**	3.5%

The sensitivity of employee benefits liabilities to changes in the weighted principal assumptions is as follows:

	2021		
	Impact on employees benefits liabilities Increase/(decrease) in actual figures		
	Change in assumption by	**Increase in assumption**	**Decrease in assumption**
Financial assumptions			
Discount rate	**0.5%**	**(580,895)**	**685,469**
Future salary growth/expected rate of salary increase	**0.5%**	**678,273**	**(586,166)**

	2020		
	Impact on employees benefits liabilities Increase/(decrease) in actual figures		
	Change in assumption by	Increase in assumption	Decrease in assumption
Financial assumptions			
Discount rate	1%	(561,025)	667,387
Future salary growth/expected rate of salary increase	1%	661,381	(566,806)

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, 2021, 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.

The weighted average duration of the end of service benefits is 9.25 years (2020: 9.64 years).

13. LEASE LIABILITIES

	2021	2020
January 1	**182,546**	189,718
Addition	**526,516**	221,605
Accretion of interest	**22,072**	5,193
Payment	**(260,541)**	(233,970)
December 31	**470,593**	182,546
Analyzed as:		
Current	**118,281**	44,132
Non-current	**352,312**	138,414
	470,593	182,546

The following table details the Company's remaining contractual maturity for its lease liability. The table has been drawn up based on the undiscounted cash flows of the lease liability based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	2021	2020
Within one year	**137,700**	50,000
One year to five years	**363,100**	150,000
	500,800	200,000

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.

14. ACCRUED AND OTHER LIABILITIES

	2021	2020
Accrued expenses	**892,637**	668,436
Employee related accruals	**776,457**	1,444,695
Accrued interest	**265,626**	947,597
Other payables	**766,215**	1,175,871
	2,700,935	4,236,599

15. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. The following are the details of related parties transactions during the year:

Related party	**Nature of transactions**	**2021**	2020
Affiliates	Payments made on behalf of the Company	**939,489**	631,269
	Expenses recharged for employees' costs	**-**	8,809
	Expenses recharged for marketing services	**129,238**	-
	Collections made on behalf of the Company	**88,634**	30,785
	Expenses recharged to the Company	**951,741**	951,741
	Charges for customer evaluations prior loans and advances to customers	**139,856**	185,040
	Purchases	**468,601**	1,407,328
	Others	**4,589**	-

i) Due to related parties comprised the following:

	2021	2020
Bab Rizq Jameel Service Company Limited	**459,839**	524,249
Abdul Latif Jameel United Finance Company (A Saudi Closed Joint Stock Company)	**249,501**	466,915
Abdul Latif Jameel Company for Information and Services Limited	**20,088**	18,980
Abdul Latif Jameel Retail Company Limited	**272,463**	287,040
Abdul Latif Jameel Electronics and Airconditioning company Limited	**-**	22,388
Abdul Latif Jameel Company Limited	**-**	172,500
	1,001,891	1,492,072

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

	2021	2020
Remuneration	**1,322,465**	1,470,412
Short-term employee benefits	**1,023,000**	755,166
Employees benefits liabilities	**241,735**	446,220
	2,587,200	2,671,798

The key management personnel include members of the Board, Board related committees (Risk and Audit Committee etc) and executive management.

16. ZAKAT PAYABLE

The principal elements of the zakat base are as follows:

	2021	2020
Non-current assets	**123,138,495**	114,173,166
Non-current liabilities	**86,409,878**	90,918,986
Opening equity	**83,516,726**	91,361,335
Net profit/(loss) before zakat	**5,969,971**	(6,642,678)

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in zakat payable was as follows:

	2021	2020
January 1,	**210,676**	191,409
Charge for the current year	**843,202**	210,676
Under /(over) charge for prior year	**(7,740)**	19,789
December 31,	**(202,936)**	(211,198)
	843,202	210,676

Status of zakat assessments

The Company has submitted zakat declarations for the period from April 4, 2017 to December 31, 2017 and years ended December 31, 2019 and December 31, 2020, which are being reviewed by Zakat, Tax and Customs Authority (ZATCA). The ZATCA has raised an assessment for the year ended December 31, 2018 claiming additional zakat of SR 2.4 million. The Company submitted the objection against the assessment which the ZATCA has accepted and the case was closed on June 11, 2020. The Company has a ‘No Objection Letter’ valid to April 30, 2022.

17. SELLING AND MARKETING EXPENSES

	2021	2020
Salaries and related costs	**3,753,259**	3,866,561
Contribution to defined contribution plan (GOSI)	**290,005**	199,183
Advertising and marketing	**196,260**	386,134
Rent (note 7)	**87,870**	82,378
Depreciation of right-of-use asset (note 7)	**243,089**	198,031
Depreciation (note 6)	**126,249**	108,095
Amortization (note 5)	**534,708**	414,657
Utilities	**229,899**	255,738
Other	**642,583**	420,987
	6,103,922	5,931,764

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Salaries and related costs	**4,476,645**	3,880,327
Contribution to defined contribution plan (GOSI)	**206,514**	147,454
Professional fees	**933,845**	882,352
Expenses recharged for shared services (note 15)	**951,741**	951,741
Depreciation (note 6)	**57,275**	29,863
Travel	**48,076**	59,296
Repair and maintenance	**313,134**	69,849
License cost	**10,166**	7,103
Others	**767,676**	301,209
	7,765,072	6,329,194

19. EARNING PER SHARE

Basic earnings per share is calculated by dividing the earnings for the period by the weighted average number of ordinary shares outstanding during the year ended December 31, 2021 and 2020.

There has been no dilutive effect on the weighted average number of shares during the year ended December 31, 2021 and 2020. The basic earning per share are calculated as follows:

	2021	2020
Net profit/(loss) for the year	**5,134,509**	(6,873,143)
Weighted average number of ordinary shares	**10,000,000**	10,000,000
Basic and diluted profit/(loss) per share (SR per share)	**0.51**	(0.69)

20. 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 only engaged in microfinance activities as a result, the operations of the Company have been considered as one segment.

21. FINANCIAL RISK MANAGEMENT

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, borrowings, 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 or 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.

i) 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. The Company is exposed to interest rate cash flow risk on its short-term deposits. The range of effective interest rate on short-term deposits is 0.7% to 1.05% (2020: 0.6% to 1.35%).

The Company is also exposed to interest rate risk because the Company has borrowed funds at floating interest rates. With all other variables held constant, the Company's annual profit is affected through the impact on floating rate borrowing, as follows:

	Effect on profit
December 31, 2021	
-0.1%	**45,313**
+0.1%	**(45,313)**
December 31, 2020	
-0.1%	44,457
+0.1%	(44,457)

Interest rate sensitivity of assets and liabilities is as follows:

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 bearing			Non-interest bearing	
December 31 2021	**Within 1 year**	**1 to 5 years**	**Over 5 years**		**Total**
Assets					
Intangible assets	**-**	**-**	**-**	**778,462**	**778,462**
Property and equipment	**-**	**-**	**-**	**278,561**	**278,561**
Right-of-use assets	**-**	**-**	**-**	**536,458**	**536,458**
Loans and advances to customers, net	**58,046,009**	**120,354,007**	**-**	**-**	**178,400,016**
Advances, prepayments and other assets	**-**	**-**	**-**	**3,502,130**	**3,502,130**
Cash and cash equivalents	**20,000,000**			**15,453,486**	**35,453,486**
Total Assets	**78,046,009**	**120,354,007**	**-**	**20,549,097**	**218,949,113**
Liabilities					
Borrowings	**16,023,549**	**49,443,667**	**-**	**-**	**65,467,216**
Payable to Saudi Central Bank	**-**	**-**	**-**	**53,536,961**	**53,536,961**
Employees benefits liabilities	**-**	**-**	**-**	**5,760,653**	**5,760,653**
Deferred income - government grant	**-**	**-**	**-**	**840,453**	**840,453**
Lease liabilities	**-**	**-**	**-**	**470,593**	**470,593**
Due to related parties	**-**	**-**	**-**	**1,001,891**	**1,001,891**
Zakat payable	**-**	**-**	**-**	**843,202**	**843,202**
Accrued and other liabilities	**-**	**-**	**-**	**2,700,935**	**2,700,935**
Total liabilities	**16,023,549**	**49,443,667**	**-**	**65,154,688**	**130,621,904**
Cumulative interest rate sensitivity gap	**62,022,460**	**70,910,340**		**(44,605,591)**	**88,327,209**

	Interest bearing			Non-interest bearing	
December 31 2020	Within 1 year	1 to 5 years	Over 5 years		Total
Assets					
Intangible assets	-	-	-	814,592	814,592
Property and equipment	-	-	-	226,108	226,108
Right-of-use assets	-	-	-	253,031	253,031
Loans and advances to customers, net	50,160,701	111,701,691	-	-	161,862,392
Advances, prepayments and other assets	-	-	-	2,871,440	2,871,440
Cash and cash equivalents	30,000,000	-	-	14,569,462	44,569,462
Total Assets	80,160,701	111,701,691	-	18,734,633	210,597,025
Liabilities					
Borrowings	2,500,000	47,500,000	-	-	50,000,000
Payable to Saudi Central Bank	-	-	-	65,617,962	65,617,962
Employees benefits liabilities	-	-	-	4,756,212	4,756,212
Deferred income – government grant	-	-	-	584,232	584,232
Lease liabilities	-	-	-	182,546	182,546
Due to related parties	-	-	-	1,492,072	1,492,072
Zakat payable	-	-	-	210,676	210,676
Accrued and other liabilities	-	-	-	4,236,599	4,236,599
Total liabilities	2,500,000	47,500,000	-	77,080,299	127,080,299
Cumulative interest rate sensitivity gap	77,660,701	64,201,691	-	(58,345,666)	83,516,726

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.

ii) Currency risk

Currency risk arises from the possibility that changes in foreign exchange rates will affect the value of the financial assets and liabilities denominated in foreign currencies, in case the Company does not hedge its currency exposure by means of hedging instruments. All of the financing transaction of the Company are made in Saudi Riyals. As the Company did not undertake significant transactions in currencies other than Saudi Riyal, during the year, the Company was not exposed to any significant currency risk.

iii) 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.

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 cash equivalents, loans and advances to customers and advances to employees. 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 Company's 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 its loan and advances to customers portfolio to different segments and loan products. Additionally, the Company mitigates its credit risk through evaluation of credit worthiness and by obtaining guarantees by a third party with fixed periodic cashflows. For each type of loan product, the maximum credit limits are defined. An allowance for credit losses is maintained at a level which, in the judgment of management, is adequate to provide for impairment losses on delinquent receivables.

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

The following tables set out information about the credit quality of loans and advances to customers measured at amortized cost as of the dates mentioned.

Exposure at default

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
December 31, 2021	**172,323,838**	**5,986,646**	**3,352,100**	**181,662,584**
December 31, 2020	164,150,073	935,989	1,514,125	166,600,187

Expected credit loss

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
December 31, 2021	**2,388,889**	**161,310**	**712,369**	**3,262,568**
December 31, 2020	4,108,691	13,058	616,046	4,737,795

a) 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 loans and advances to customers into Stage 1, Stage 2, Stage 3 as described below:

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

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

Stage 3: Loans and advances to customers 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.

b) 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. Due to lack of sufficient period data of the newly formed Company, the data employed related a similar affiliate of the Company.

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors include loan growth, oil prices, GDP annual growth rate and consumer spending 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 (discussion on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

c) 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).

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 22 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.

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. All clients of the Company are treated as part of the retail industry.

No change has been made in the backstop criteria for all types of exposures. No changes of stages occurred for those under SAMA relief program.

d) Modified financial assets

The contractual terms of a loans and advances to customers 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 loans and advances to customers whose terms have been modified may be derecognized and the renegotiated financing and advances recognized as a new loans and advances to customers at fair value in accordance with the accounting policy.

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

The Company renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's policy, loans and advances to customers 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.

Any repayment holidays should not automatically trigger forbearance and migration to Stage 2.

e) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when the obligor is past due for 90 days or more on any material credit obligations to the Company including principal instalments, finance cost payments and fees.

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

f) 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 Company economics department experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom 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.

g) 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 models and assessed using 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 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 recoveries and costs incurred in the process to arrive at the estimates.

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 a loan or terminate a loan and advances to customers’ commitment or guarantee.

Consideration due to COVID-19:

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.

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.

Due to COVID-19, the Company modified the scenario weights of both PD and LGD models, by increasing the weight of pessimistic scenario. This is in addition to the revision of the SICR criteria as discussed above.

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.

The Company's financial liabilities primarily consist of due to related parties, borrowings, payable to SAMA and lease liabilities. 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.

	Fixed maturity			**No fixed maturity**	
December 31, 2021	**Within 1 year**	**1 to 5 years**	**Over 5 years**		**Total**
Assets					
Loans and advances to customers, net	**58,046,009**	**120,354,007**	-	-	**178,400,016**
Advances to employees	**849,033**	**1,191,007**	-	-	**2,040,040**
Cash and cash equivalents	**35,453,486**	-	-	-	**35,453,486**
Total assets	**94,348,528**	**121,545,014**	-	-	**215,893,542**
Liabilities					
Borrowings	**16,023,549**	**49,443,667**	-	-	**65,467,216**
Payable to Saudi Central Bank	**22,976,820**	**30,560,141**	-	-	**53,536,961**
Lease liabilities	**118,281**	**352,312**	-	-	**470,593**
Due to related parties	**1,001,891**	-	-	-	**1,001,891**
Total liabilities	**40,120,541**	**80,356,120**	-	-	**120,476,661**
Liquidity gap arising from financial instruments	**54,227,987**	**41,188,894**	-	-	**95,416,881**

	Fixed maturity			No fixed maturity	
December 31, 2020	Within 1 year	1 to 5 years	Over 5 years		Total
Assets					
Loans and advances to customers, net	50,160,701	111,701,691	-	-	161,862,392
Advances to employees	760,051	1,177,744	-	-	1,937,795
Cash and cash equivalents	44,569,462	-	-	-	44,569,462
Total assets	95,490,214	112,879,435	-	-	208,369,649
Liabilities					
Borrowings	2,500,000	47,500,000	-	-	50,000,000
Payable to Saudi Central Bank	27,290,161	38,327,801	-	-	65,617,962
Lease liabilities	44,132	138,414	-	-	182,546
Due to related parties	1,492,072	-	-	-	1,492,072
Total liabilities	31,326,365	85,966,215	-	-	117,292,580
Liquidity gap arising from financial instruments	64,163,849	26,913,220	-	-	91,077,069

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

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

	2021	2020
Aggregate financing to capital ratio	**2.02 times**	1.94 times
(loans and advances to customers (net) divided by total equity)		

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

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date.

During 2020, the management performed a detailed assessment to ascertain the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio.

The Company continues to evaluate the current situation and its impact on key credit, liquidity, operational and solvency ratios and performance indicators in addition to other risk management practices. The evaluation of current situation also take into consideration the impact of the government and SAMA support relief programs.

During the year ended December 31, 2021, the Company has revised certain macroeconomic factors inputs used for the determination of ECL. The Company's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. 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.

It continues to be challenging to reliably ascertain the specific effects the pandemic and the government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it is too early for any potential credit impairment to be reflected through the application of the staging criteria and has instead put more emphasis on the macroeconomic model underpinning the PD and LGD determinations. The Company will continue to individually assess significant counterparty exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

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 ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

Deferred payments program

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Company deferred payments on lending facilities to all eligible MSMEs as follows:

	Instalment deferred	Cost of deferral
April 2020 - September 2020	38.26 million	5.81 million
October 2020 - December 2020	7.75 million	2.71 million
January 2021 - March 2021	7.74 million	1.87 million
April 2021 - June 2021	6.97 million	1.31 million
July 2021 - September 2021	0.67 million	0.28 million
October 2021 - December 2021	0.54 million	0.21 million
January 2022 - March 2022	0.53 million	0.21 million

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. The Company implemented the payment reliefs by deferring instalments falling and extended the tenure of the applicable loans at no additional costs to the customer.

For the last 3 extensions to DPP i.e. between July 1, 2021 to March 31, 2022, the deferral took place only for those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard. The Company performed an assessment to determine the pool of customers eligible for continued deferment and accordingly deferred the installment falling due from July 1, 2021 to March 31, 2022 and extended the tenure of the applicable loans at no additional costs to the customer.

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 of SR 12.39 million and was deducted from the special commission income.

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

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.

SAMA deposit granted to the Company under the deferred payment program

In order to compensate the related cost that the Company is expected to incur under the SAMA programs, the Company in aggregate received SR 58.7 million of profit free deposit from SAMA till December 31, 2021 with varying maturities. Details of the amounts received from SAMA and their initial repayment terms are as follows:

- an amount of SR 38.85 million, repayable to SAMA over the period of 3.5 years in equal monthly instalments, including a grace period of 6 months, received against loans and advances to customers on April 13, 2020;

- an amount of SR 7.3 million, repayable to SAMA over the period of 1.58 years in equal monthly instalments, including a grace period of 4 months, received against loans and advances to customers on December 30, 2020;

- an amount of SR 7.2 million, repayable to SAMA over the period of 1.75 years in equal monthly instalments, including a grace period of 3 months, received against loans and advances to customers on December 23, 2020;

- an amount of SR 4.7 million repayable to SAMA over the period of 1.5 years in equal monthly installments, including a grace period of 3 months, received against loans and advances to customers on April 22, 2021.

- an amount of SR 0.67 million repayable to SAMA at the end of 1.5 year, received against loans and advances to customers on September 30, 2021.

The Company expects to be compensated for the last 2 extensions of the deferral payment programs.

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 2.9 million to offset the modification losses for which the grant has been provided. 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 1.4 million (2020: SR 754 thousand) has been charged to the statement of income relating to unwinding of profit free deposit from SAMA.

On June 30, 2021 SAMA has deferred the monthly repayment installments to the last repayment date under the original repayment schedule. This resulted in the Company recognizing a modification gain of SR 1.2 million during the year ended December 31, 2021.

Funding for lending program

During the year 2020, the Company had received additional profit free deposit from SAMA amounting to SR 20 million, out of which SR 10 million was received on April 28, 2020 and SR 10 million was received on June 15, 2020, with a tenure of 36 months under the funding for lending program including 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. This resulted in a recognition of deferred income of SR 986 thousand upon receipt of the loan and recognition of SR 387 thousand in the year ended December 31, 2021 and SR 402 thousand in the statement of profit and loss and other comprehensive income during 2020 as income from government grant.

The management has exercised certain judgements in the recognition and measurement of the above grant income. Management expects to meet and abide by all terms of the program.

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. Additionally, the Company can register loans and advances to customer to be guaranteed by a government agency up to 95% of the remaining amount.

Repayments of SAMA Programs

The Company has repaid a total of SR 23.1 million to SAMA upon maturity or due to non utilization of funds since the start of the above programs. An amount of SR 17.9 million was paid during year ended December 31, 2021.

As of December 31, 2021, 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.

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issuance by the Board of Directors on February 28, 2022 (corresponding to 27 Rajab, 1443).