NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

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

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

Financial statements for the year ended December 31, 2020

Independent auditor's report to the shareholders of Nayifat Finance Company (A Saudi Closed Joint Stock Company)

Our opinion

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

What we have audited

The Company's financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA 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.

Audit committee is responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the shareholders of Nayifat Finance Company (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

January 21, 2021

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2020	2019
Assets			
Cash and cash equivalents	5	70,092	52,596
Term and margin deposits	5	190,150	114,684
Islamic financing receivables	6	1,520,583	1,728,094
Equity Investments at fair value through OCI		893	893
Prepayments and other receivables	7	12,940	19,603
Investment property	7.2	18,211	20,669
Intangible asset	8	12,852	8,008
Property and equipment	9	43,680	44,223
Total assets		1,869,401	1,988,770
Liabilities and shareholders' equity			
Liabilities			
Accruals and other liabilities	10	34,707	46,148
Provision for zakat	12.1	23,811	21,532
Islamic bank financings and lease liabilities	11	664,806	873,789
Zakat payable	12.2	17,311	23,082
Provision of employees' end of service benefits	13	9,391	7,802
Total liabilities		750,026	972,353
Shareholders' equity			
Share capital	14	1,000,000	1,000,000
Treasury shares	16	-	(65,152)
Statutory reserve	15	60,290	40,143
Retained earnings		59,085	41,426
Total shareholders' equity		1,119,375	1,016,417
Total liabilities and shareholders' equity		1,869,401	1,988,770

The accompanying notes (1) through (32) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF COMPREHENSIVE INCOME
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	For the Year ended December 31, 2020	2019
Income			
Income from Islamic financing		414,470	389,888
Other income	20	2,439	2,414
Total operating income		416,909	392,302
Expenses			
Finance costs	17	(43,225)	(55,570)
Reversal of impairment - net	6.4	1,470	25,482
Salaries and employees related expenses	18	(98,451)	(96,387)
Other general and administrative expenses	19	(38,980)	(42,344)
Depreciation and amortization	8, 9	(11,962)	(9,951)
Total expenses		(191,148)	(178,770)
Net income for the year before zakat		225,761	213,532
Zakat			
Charge for the year	12	(24,296)	(21,532)
Reversal of prior year	12	-	26,821
		(24,296)	5,289
Net income for the year		201,465	218,821
Other comprehensive income		-	-
Total comprehensive income for the year		201,465	218,821
Basic and diluted earnings per share	21	2.04	2.19

The accompanying notes (1) through (32) form an integral part of these financial statements.

Chief Financial Officer	Managing Director and Chief Executive Officer	Chairman Board of Directors

NAYIFAT FINANCE COMPANY
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	Share capital	Treasury shares	Statutory reserve	Retained earnings	Total
December 31, 2019		1,000,000	(65,152)	40,143	41,426	1,016,417
Net income for the year		-	-	-	201,465	201,465
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	201,465	201,465
Transfer to statutory reserve	15	-	-	20,147	(20,147)	-
Shares transferred to existing shareholders	16	-	65,152	-	(65,152)	-
Dividends	16 & 22	-	-	-	(98,507)	(98,507)
December 31, 2020		1,000,000	-	60,290	59,085	1,119,375
December 31, 2018		850,000	-	18,261	79,487	947,748
Transfer to share capital	14	150,000	-	-	(150,000)	-
Net income for the year		-	-	-	218,821	218,821
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	218,821	218,821
Transfer to statutory reserve	15	-	-	21,882	(21,882)	-
Treasury stock	16	-	(65,152)	-	-	(65,152)
Dividends	22	-	-	-	(85,000)	(85,000)
December 31, 2019		1,000,000	(65,152)	40,143	41,426	1,016,417

The accompanying notes (1) through (32) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
Board of Directors

NAYIFAT FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,
(All amounts in thousands of Saudi Riyals unless otherwise stated)

	Notes	2020	2019
Cash flows from operating activities			
Net income for the year before zakat		225,761	213,532
Adjustments for non-cash items:			
Depreciation and amortization	8,9	11,962	9,951
Provision of employees' end of service benefits	13	3,076	1,800
Loss on valuation of repossessed assets	19	2,458	-
Reversal of impairment – net	6.4	(1,470)	(25,482)
Finance costs	17	43,225	55,570
		285,012	255,371
Changes in operating assets and liabilities:			
Islamic financing receivables		208,981	(247,225)
Prepayments and other receivables		6,663	15,509
Accruals and other liabilities		(11,441)	26,000
Employees end of service benefits paid	13	(1,487)	(448)
Zakat paid	12.2	(27,788)	(45,529)
Finance cost and other charges paid		(34,811)	(56,984)
Net cash generated from / (used in) operating activities		425,129	(53,306)
Cash flows from investing activities			
Additions to property and equipment	9	(7,171)	(4,450)
Additions to intangible asset	8	(9,092)	(4,004)
Term and margin deposits	5.1	(75,466)	(27,955)
Net cash used in investing activities		(91,729)	(36,409)
Cash flows from financing activities			
Proceeds from financings	11.1	236,783	581,375
Repayment of financings	11.1	(452,653)	(397,635)
Dividends paid	16 & 22	(98,507)	(85,000)
Principal elements of lease payments		(1,527)	(2,508)
Treasury stock	16	-	(65,152)
Net cash (used in) / generated from financing activities		(315,904)	31,080
Net change in cash and cash equivalents		17,496	(58,635)
Cash and cash equivalents at the beginning of the year	5	52,596	111,231
Cash and cash equivalents at the end of the year	5	70,092	52,596
Supplemental non-cash information:			
Islamic financing receivables write-offs	6.3	20,160	33,053
Treasury shares allocated to existing shareholders	16	65,152	-
Issuance of bonus shares	14	-	150,000
Recognition of Right-of-use asset upon adoption of IFRS 16		-	10,409
Recognition of lease liabilities asset upon adoption of IFRS 16		-	7,780

The accompanying notes (1) through (32) form an integral part of these financial statements.

Chief Financial Officer

Managing Director
and
Chief Executive Officer

Chairman
Board of Directors

1. GENERAL INFORMATION

Nayifat Finance Company (the "Company") was registered as a Closed Joint Stock Company under Commercial Registration ("CR") Number 1010176451 issued in Riyadh on 9 JumadThani 1431H (corresponding to May 23, 2010). As per the SAMA ("Saudi Central Bank") license No. 5/AS/201312 renewed on dated 23 Dhu'l-Hijjah1439 (corresponding to September 3, 2018), expiring on 26 Safar 1445 (corresponding to September 12, 2023). The Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance and credit cards finance in the Kingdom of Saudi Arabia.

The Company's registered office is located in Riyadh at the following address:

Nayifat Finance Company
7633 Al Ulaya – Al Woroud Dist.
Unit No 1555
Riyadh 12253 - 2105
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

The financial statements of the Company as at and for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA").

The financial statements have been prepared on a historical cost basis, except as disclosed in the notes to these financial statements.

The statement of financial position is stated broadly in order of liquidity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

3.1 Consistent application of accounting policies

The Company has not early adopted any new standards, interpretation or amendments that have been issued but which are not yet effective. The accounting and risk management policies adopted in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2019.

3.2 New standards and interpretations not yet adopted

The new standards and amendments to existing standards and interpretations, which are effective for annual periods beginning on or after January 1, 2021 have not been applied in preparing these financial statements. None of these standards is expected to have a significant effect on the financial statements of the Company.

3.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Company's functional and presentation currency.

3.4 Cash and cash equivalents

Cash and cash equivalents consist of cash balances and short-term bank deposits with original maturities of three months or less, which are available to the Company without any restrictions.

3.5 Margin and term deposits

Margin deposits are held with banks against borrowing facilities obtained and the tenor of such deposits is as per the maturity of the facility ranging up

Term deposits include placements with banks and other short-term liquid investments with original maturities of more than three months and upto three years from the purchase date.

3.6 Islamic financing receivables (IFR)

IFR comprising of Tawarruq and Islamic credit cards originated by the Company, are initially recognized at fair value including transaction costs when cash is advanced to customers. Subsequently, these financial assets are measured at amortized cost. For presentation purposes, the unearned finance income and provision for impairment are deducted from the gross receivables.

Tawarruq
A contract whereby the Company sells a commodity or an asset to its customer on a deferred payment basis. The selling price charged by Company comprises the cost plus an agreed profit margin. The customer sells the same commodity or an asset to a third party at market price to raise the needed cash.

3.7 Repossessed assets – real estate

The Company, in the ordinary course of business, acquires real estate or other assets against settlement of finances due. These properties are held for capital appreciation, long-term rental yields or both.

These assets are initially recognised at fair value. Subsequent to initial recognition, these are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Any rental income is charged to statement of comprehensive income.

3.8 Intangible assets

Recognition and measurement
Intangibles assets acquired by the Company are measured at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditures on intangible assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

Amortization
Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Intangible assets are amortized on a straight-line basis in the statement of comprehensive income over its estimated useful life which ranges from 3 to 7 years, from the date on which it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.9 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 expenditures that are directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized within other income in statement of comprehensive income.

Subsequent costs
Subsequent expenditures are capitalized only when it is probable that the future economic benefits of the expenditures will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation
Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives were as follows:

Building and freehold improvements	3 to 10 years
Leasehold improvements	5 years or period of lease whichever is lesser
Furniture and office equipment	3 to 10 years

3.10 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

3.11 Impairment of non-financial assets

Non-financial assets, subsequent to depreciation and amortization, 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. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of comprehensive income.

3.12 End of service benefits

Employee termination benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Laws applicable on the Company, on termination of their employment contracts. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the Kingdom of Saudi Arabia.

The calculation of obligation is performed using the projected unit credit method to make a reliable estimate of the ultimate cost to the Company of the benefit payable to employees. Actuarial gains or losses on re-measurement of obligation are recognized immediately in the statement of other comprehensive income. Actuarial gains and losses represent changes in the present value of the obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

3.13 Revenue recognition

Income from Islamic financing receivables is recognized in the statement of comprehensive income using the effective yield method, using the applicable effective profit rate ("EPR"), on the outstanding balance over the term of the contract.

The calculation of the EPR includes transaction costs, fees and commission income received that are an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial asset.

Other income is recognized on accrual basis as the services are rendered.

3.14 Financial Instruments

a) Initial recognition

The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

b) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through statement of comprehensive income (SOCI)), and
- those to be measured at amortized cost.

<u>Debt instruments</u>

Debt instruments are those instruments that meet the definition of a financial liability form the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the two measurement categories as described in (c) below.

<u>Equity instruments</u>

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Classification and subsequent measurement of Company's equity instruments is described in (c) below.

c) Measurement

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through SOCI, transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at (FVSI) are expensed in SOCI.

Subsequent measurement of debt instrument
It depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. The Company classifies its debt instruments into three measurement categories:

i) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost and is not part of the hedging relationship is recognized in SOCI when the asset is derecognized or impaired. Profit from these financial assets is calculated based on the effective yield method. Accordingly, net investment in leases and Islamic financing receivables has been classified as financial assets under amortized cost.

ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit on financial instruments (revenue) and foreign exchange gains and losses which are recognized in profit and loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to SOCI and recognized in other gains/(losses). Profit from these financial assets is included in finance income using the effective yield method.

iii) Fair value through statement of income (FVSI): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through SOCI. A gain or loss on a debt investment that is subsequently measured at fair value through SOCI and is not part of a hedging relationship is recognized in SOCI and presented net in the SOCI statement within other gains/(losses) in the year in which it arises. Profit from these financial assets is included in the finance income.

Subsequent measurement of equity instruments
The Company subsequently measures all equity investments at FVSI, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to the statement of profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the statement of income when the Company's right to receive payments is established.

d) Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

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

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.
Staging criteria:
The financial assets of the Company have the following staging criteria:

1- Performing (Stage 1): these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows.

   The Company's Islamic finance receivables primarily represent retail and consumer loans and therefore management believes that past due information is the most appropriate basis for assessing the increase in credit risk and based on management experience and analysis, the balances which are less than 60 days past due do not result in significant increase in credit risk and are considered as performing.

   The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

2- Underperforming (Stage 2): these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 60 days past due in making a contractual payment/installment.

   The Company measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

3- Non-performing (Stage 3): these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.

The Company measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

Write-off

Financial assets are written-off, when the Company has concluded that there is no reasonable expectation of recovery. Where financial assets are written off, the Company continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment-net are recognized in the statement of comprehensive income/loss.

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).

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as inflation and gross domestic product growth rate. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

(a) The contractual cash flows that are due to the Company under the contract; and
(b) The cash flows that the Company expects to receive.

For credit cards, which includes both a loan and an undrawn commitment component, the Company measures expected credit losses over the period that the Company is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

e) De-recognition of financial assets

A financial asset is derecognized, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Company is assessed to have transferred a financial asset, the asset is derecognized if the Company has transferred substantially all the risks and rewards of ownership. Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognized only if the Company has not retained control of the financial asset. The Company recognizes separately as assets or liabilities any rights and obligations created or retained in the process.

f) Financial liabilities - classification, measurement and de recognition

Financial liabilities are classified and subsequently measured at amortized cost using the effective yield method. The related cost of borrowing is charged to statement of comprehensive income. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

g) Modifications of financial assets and financial liabilities

a- 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 statement of comprehensive income.

b- 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 with modified terms is recognized in statement of comprehensive income.

h) Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its Islamic financing exposure to interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in the statement of comprehensive income.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an un-recognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been and are expected to be highly effective throughout the financial reporting years for which they were / are designated.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the SOCI for the year.

3.15 Segments

The Company's operations are in the Kingdom of Saudi Arabia and currently provides only one product "financing to Saudi individuals from government and private sectors". Accordingly, the Company's operations represent single operating segment. None of the customer generates more than 10% of the revenue. The entire revenue of SR 414.4 million is from external customers and SR 413.5 is attributed to Tawarruq and SR 0.9 million credit card. All non-current assets are located in KSA.

3.16 Treasury shares

Own equity instruments that are re-acquired (Treasury shares) are recognised at cost and presented as a deduction from equity and are adjusted for any transaction cost, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in Retained earnings.

3.17 Leases

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.
Lease payments included in the measurement of lease liabilities comprise the following:

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

Subsequently, the lease liabilities are measure at amortised cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of comprehensive income if the carrying amount of right-of-use asset reduced to zero.

Right-of-use assets

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

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

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of comprehensive income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

3.18 Zakat

The Company is subject to zakat in accordance with zakat regulations and it's bye-laws and the rules issued by the Chairman of the Board of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the statement of comprehensive income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRSs' requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. The only significant area where management has used estimates, assumptions or exercised judgements is Provision for financial assets (note 3.14, note 6 and note 25).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

5. CASH AND BANK BALANCES

	As at December 31,	
Cash and cash equivalents	**2020**	**2019**
Cash in hand	**10**	10
Cash at banks	**70,082**	52,586
Cash and cash equivalents	**70,092**	52,596
Term and margin deposits		
Margin deposits held with banks	**35,587**	54,987
Term deposits – note 5.1	**154,563**	59,697
	190,150	114,684
	260,242	167,280

5.1 This includes SR 120 million (2019: SR 50 million) held with a local bank as commission bearing deposits at prevailing market rates. The remaining balance is held with the related party (refer note 22.3).

6. ISLAMIC FINANCING RECEIVABLES

The business activities of the Company are in the Kingdom of Saudi Arabia and primarily represent Tawarruq Consumer Islamic financing and Islamic credit cards. Tawarruq financing is generally provided to Saudi nationals for a period of one to five years, which is recoverable in equal monthly installments.

The product wise breakup of Islamic financing receivables, is as follows:

	As at December 31	
	2020	**2019**
Tawarruq financing - note 6.1	**1,512,000**	1,728,094
Islamic credit cards	**8,583**	-
	1,520,583	1,728,094
Current	**447,018**	488,412
Non-current	**1,073,565**	1,239,682
	1,520,583	1,728,094

6.1 Reconciliation between gross to net receivables of Tawarruq:

	As at December 31	
	2020	**2019**
Gross receivables	**2,328,647**	2,672,329
Unearned finance income	**(773,593)**	(914,830)
	1,555,054	1,757,499
Provision for impairment	**(43,054)**	(29,405)
	1,512,000	1,728,094

6.2 Stage wise analysis of Islamic financing receivables is as follows:

Tawarruq	**Performing** (Stage 1)	**Under-performing** (Stage 2)	**Non-performing** (Stage 3)	**Total**
December 31,2020				
Receivables	**1,399,839**	**25,170**	**130,045**	**1,555,054**
Provision for impairment	**(4,098)**	**(206)**	**(38,750)**	**(43,054)**
Net receivables	**1,395,741**	**24,964**	**91,295**	**1,512,000**
December 31, 2019				
Receivables	1,641,250	27,458	88,791	1,757,499
Provision for impairment	(3,795)	(292)	(25,318)	(29,405)
Net receivables	1,637,455	27,166	63,473	1,728,094

(All amounts in thousands of Saudi Riyals unless otherwise stated)

Islamic credit cards	**Performing** (Stage 1)	**Under-performing** (Stage 2)	**Non-performing** (Stage 3)	**Total**
December 31,2020				
Receivables	**7,686**	**403**	**777**	**8,866**
Provision for impairment	**(137)**	**(18)**	**(128)**	**(283)**
Net receivables	**7,549**	**385**	**649**	**8,583**

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

	Performing (Stage 1)	**Under-performing** (Stage 2)	**Non-performing** (Stage 3)	**Total**
Loss allowance as at January 1, 2020	**3,795**	**291**	**25,319**	**29,405**
Transfer from performing	**(816)**	**816**	**-**	**-**
Transfer from under-performing	**33**	**(837)**	**804**	**-**
Transfer from non-performing	**198**	**39**	**(237)**	**-**
Financial assets – settled	**(1,336)**	**(182)**	**(5,641)**	**(7,159)**
Financial assets originated	**1,779**	**-**	**-**	**1,779**
Changes to model assumptions (note 6.8)	**373**	**18**	**3524**	**3,915**
Changes to methodologies	**-**	**-**	**-**	**-**
Modification of contractual cashflows of financial assets	**-**	**-**	**-**	**-**
Changes in PDs/LGDs/EADs	**581**	**97**	**34,879**	**35,557**
	812	**(49)**	**33,329**	**34,092**
Write-off during the year	**-**	**-**	**(20,160)**	**(20,160)**
Loss allowance as at December 31, 2020	**4,607**	**242**	**38,488**	**43,337**

	Performing (Stage 1)	**Under-performing** (Stage 2)	**Non-performing** (Stage 3)	**Total**
Loss allowance as at January 1, 2019	6,792	407	41,059	48,258
Transfer from performing	(1,218)	1,218	-	-
Transfer from under-performing	120	(1,283)	1,163	-
Transfer from non-performing	602	98	(700)	-
Financial assets – settled	(1,923)	(161)	(8,056)	(10,140)
Financial assets originated	2,492	-	-	2,492
Changes to model assumptions (note 6.8)	-	-	-	-
Changes to metholdologies	-	-	-	-
Modification of contractual cashflows of financial assets	-	-	-	-
Changes in PDs/LGDs/EADs	(3,070)	13	24,905	21,848
	(2,997)	(115)	17,312	14,200
Write-off during the year	-	-	(33,053)	(33,053)
Loss allowance as at December 31, 2019	3,795	292	25,318	29,405

6.4 Reversal of impairment- net

	As at December 31, **2020**	**2019**
Provision for impairment charge for year	**34,092**	14,200
Recoveries after written-off – note 6.4.1	**(35,562)**	(39,682)
Net	**(1,470)**	(25,482)

6.4.1 This includes recoveries from written-off balances in the last six years. Further, the effect of "recoveries after written-off ", on calculating the LGD and consequently on the loss factor, has been considered consistently in the expected credit loss model.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

6.5 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 0.6 billion (December 31, 2019: SR 1.0 billion) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 0.6 billion (December 31, 2019: SR 0.8 billion). These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk. The Company is liable to the repayments of their assigned receivables to local commercial banks in case of customers' default. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position. Pursuant to the terms of the transfer agreement the Company is not allowed to repledge those receivable and the financial institution has recourse only to the receivables in the event the Company defaults its obligation. The carrying value of these receivables and the liability is approximate to their fair value

6.6 Amounts written off still subject to enforcement activity

As of December 31, 2020, the receivables amount written off still subject to enforcement activity are amount to SR 87.3 million (2019: SR 102.7 million).

6.7 Reconciliation of gross receivables:

The movement in Gross receivables for Islamic financing receivables is as follows

	As at December 31,	
	2020	**2019**
Gross carrying amount as at January 1,	**1,757,499**	1,503,645
Financial assets originated during the year (all stage 1)	**549,900**	972,134
Financial assets derecognised during the year other than write-offs / collections (significantly pertain to stage 1 customers)	**(744,132)**	(698,683)
New financial assets originated or purchased	-	-
Modification of contractual cashflows of financial assets	-	-
Changes in profit accruals (significantly pertain to stage 1 customers)	**11,947**	13,456
Write-offs (From stage 3)	**(20,160)**	(33,053)
	(202,445)	253,854
Gross carrying amount as at December 31,	**1,555,054**	1,757,499

During 2020 the gross receivable of SR 6.8 million were transferred from stage 1 to stage 2 and SR 0.3 million transferred from stage 2 to stage 3. An amount of SR 17.9 million transferred from stage 2 to stage1 an amount of SR 71 million transferred from 3 to stage 1. (Also see note 28)

6.8 Changes in assumptions including 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. The Company has used GDP growth rate and inflation as their key macroeconomic factors giving equal weightages to each.The macro-economic factors has been updated based on the latest available information (as issued by ministry of finance budget statement fiscal year 2021 where the average GDP and inflation for the next three years expected to be 3.37% and 2.30% respectively). Further, the Company has incorporated additional risk factor to address the risk arise from COVID-19 and that resulted in additional provision SR 3.9 million during the year 2020.

The average credit losses of IFR with more than 40,000 customers with shared risk characteristics is a reasonable estimate of the probability weighted amount. Further, the Company has also considered different scenarios with the different weightage and concluded that the current level of provision is sufficient to cover the related credit risk in compliance with the requirements of IFRS 9.

Sensitivity analysis:

The increase or decrease of 10% change in macro-economic factors will result SR 0.3 million increase or SR 2 million decrease in the ECL provision.

The increase or decrease of 10% change in loss rates (PDs and LGDs) assuming macro-economic factor remains the same will result SR 5.4 million increase or SR 5.6 million decrease in the ECL provision.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

7 PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at December 31, 2020	2019
Receivable from key management personnel	7.1,22.3	-	11,667
Advances, prepayments and others		12,940	7,936
		12,940	19,603

7.1 This represents outstanding balance of non-commission bearing loans given to executives, for three years repayable in monthly instalments, as approved in the General Assembly meeting in 2017after obtaining the necessary regulatory approval.

7.2 INVESTMENT PROPERTY (Repossessed assets – real estate):

	Note	As at December 31, 2020	2019
Repossessed assets – real estate	19	18,211	20,669

This represents 7 properties (December 31, 2019: 7 properties) in the Kingdom of Saudi Arabia which were repossessed by the Company against settlement of Islamic finance receivables. These properties will be sold when the Company will get the appropriate price possibly during the next two to three years. The cumulative fair value (level 3 hierarchy) of the same on December 31, 2020 is SR 25.4 million (December 31, 2019 SR 24.5 million). As the residual value is expected to be higher than the carrying amount of these assets no depreciation is being charged.

Further, five of the property's fair value was less than the carrying amount and accordingly the impairment provision of SR 2.4 million was recognised in the statement of comprehensive income (also see Note 19), (For the relevant accounting policy see note 3.7). On one of the property the Company is earning rental income as mentioned in note 20.

8 INTANGIBLE ASSET - SOFTWARES

	As at December 31, 2020	2019
Cost:		
January 1,	13,926	9,922
Additions during the year	9,092	4,004
December 31,	23,018	13,926
Accumulated amortization:		
January 1,	(5,918)	(3,517)
Charge during the year	(4,248)	(2,401)
December 31,	(10,166)	(5,918)
Net book amount	12,852	8,008

9 PROPERTY AND EQUIPMENT

2020	Freehold land	Building and freehold improvements ** Note 9.1*	Leasehold improvements	Furniture and office equipment	Total
Cost					
January 1	27,963	16,076	8,160	10,937	63,136
Additions during the year	-	3	1,288	5,880	7,171
December 31	27,963	16,079	9,448	16,817	70,307
Accumulated depreciation					
January 1	-	6,225	6,436	6,252	18,913
Charge for the period	-	3,661	975	3,078	7,714
December 31	-	9,886	7,411	9,330	26,627
Net book amount	27,963	6,193	2,037	7,487	43,680

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2019	**Freehold land**	**Building and freehold improvements**	**Leasehold improvements**	**Furniture and office equipment**	**Total**
Cost					
January 1	27,963	4,826	8,033	7,455	48,277
IFRS 16 adoption	-	10,409	-	-	10,409
	27,963	15,235	8,033	7,455	58,686
Additions during the year	-	841	127	3,482	4,450
December 31	27,963	16,076	8,160	10,937	63,136
Accumulated depreciation					
January 1	-	1,705	5,043	4,615	11,363
Charge for the period	-	4,520	1,393	1,637	7,550
December 31	-	6,225	6,436	6,252	18,913
Net book amount	27,963	9,851	1,724	4,685	44,223

9.1 The movement in right of use assets (Buildings) is as follows:

	Note	**As at December 31, 2020**	**2019**
Opening / adoption of IFRS 16		**6,890**	10,409
Additions during the year		**-**	-
Depreciation charge for the year		**(2,524)**	(3,519)
Closing		**4,366**	6,890

9.2 The statement of comprehensive income includes the following amounts related to leases:

	Note	**As at December 31, 2020**	**2019**
Depreciation charge of right of use assets	9.1	**2,524**	3,519
Interest expense	17	**194**	292
Expense relating to short term leases	19	**1,348**	1,281

10 ACCRUALS AND OTHER LIABILITIES

	Note	**As at December 31, 2020**	**2019**
Accrued key management bonus and board remuneration		**13,303**	12,894
Accrued employees' costs		**4,918**	5,529
Accrued expenses		**4,391**	4,626
Payable to suppliers		**126**	2,532
Unrealized loss on fair valuation of derivatives	11.1	**54**	911
Other	10.1	**11,915**	19,656
		34,707	46,148

10.1 This includes collections which are not adjusted against customer accounts amounting to SR 11.4 million (2019: SR 18.2 million).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

11 ISLAMIC BANK FINANCINGS AND LEASE LIABILITIES

	Note	As at December 31, 2020	2019
Islamic bank financings	11.1	**661,354**	868,616
Lease liabilities	11.3	**3,452**	5,173
		664,806	873,789

11.1 The breakup of Islamic bank financing is as follows:

	2020	2019
Current	**295,526**	352,025
Non-current	**365,828**	516,591
	661,354	868,616

The Company has long-term financing facilities with banks to finance current and long-term funding needs, primarily to finance Islamic finance receivables, amounting to SR 2.2 billion (2019: SR 1.3 billion) of which SR 0.6 billion was utilized as of December 31, 2020 (December 31, 2019: SR 0.8 billion). These financing facilities are repayable in three to four years in monthly, quarterly or six monthly instalments. The future finance costs charge on the existing utilized facilities amounts to SR 61 million (2019: SR 73 million) on prevailing profit rates, some of which are subject to reprising during term of financing. The key covenants related to bank financing are to maintain a certain gearing ratio, financing to receivable ratio. The Company was in compliance with these covenants as at financial position date.

The financing bears commission charges at prevailing market rates. The Company does not apply hedge accounting, as such through economic hedges the Company fixed the profit rates through derivatives, i.e. profit rate swap agreement with the banks for notional amount of SR 9 million (2019: SR 109 million). The settlement dates are in line with the respective financing repayments.

The Company is required to maintain margin deposits (as disclosed in note 5). The cash cannot be withdrawn or used by the company for liquidity purposes whilst the borrowing is outstanding, the same amount can be off-set against the borrowings in the event of default, though there is no intention of net-settlement on part of the Company.

11.2 The movement schedule of Islamic bank financing is as follows:

	As at December 31, 2020	2019
Payable as at January 1,	**868,616**	681,791
Proceeds / charge during the year	**275,461**	629,466
Payments during the year	**(482,723)**	(442,641)
Payable as at December 31,	**661,354**	868,616

11.3 The breakup of lease liabilities is as follows:

	Note	As at December 31, 2020	2019
Current		**1,828**	3,453
Non-current		**1,624**	1,720
		3,452	5,173

11.4 The table below shows the reconciliation of future lease payments discounted using the incremental borrowing rate with the lease liabilities related to right-of-use assets.

	As at December 31, 2020	2019
Future lease payments	**3,621**	5,541
Discounting impact at incremental borrowing rate	**(169)**	(368)
	3,452	5,173

11.5 The total cash outflow for leases during the year was SR 1.7 million (2019: SR 2.8 million).

(All amounts in thousands of Saudi Riyals unless otherwise stated)

12 PROVISION FOR ZAKAT AND ZAKAT PAYABLE

12.1 Movement in provision for zakat for the year is as follows:

	Note	As at December 31, 2020	2019
January 1,		**21,532**	42,130
Charge for the year		**24,296**	21,532
Reversal of prior year charge		**-**	(26,821)
		24,296	(5,289)
Transfer to zakat payable - for the years 2009 to 2013 / 2014 to 2018 (note 12.2)		**-**	(15,309)
Payments during the year		**(22,017)**	-
Balance at end of year		**23,811**	21,532

12.2 Movement in zakat payable for the year is as follows (note 12.3 b):

	As at December 31, 2020	2019
January 1,	**23,082**	53,302
Transfer from provision for zakat	**-**	15,309
Payments during the year	**(5,771)**	(45,529)
Balance at end of year	**17,311**	23,082

12.3 Status of zakat assessments:

a) The final assessment and settlement for the zakat liability for the years 2009-2013 was received during the year 2019. The amount SR 15.3 million was settled on July 7, 2019.

b) The final assessments of zakat liability for the years 2014-2017 was received and the settlement as per terms of settlement is being paid as per agreed schedule. The balance amount payable as per settlement terms is kept aside as zakat payable amounting to SR 17.3 million. The Maturity of zakat payable has been disclosed in note 25 (ii) Liquidity risk note.

c) The zakat liability of 2018 and 2019 has been fully settled.

d) The zakat return for 2020 will be filed in due course.

13 PROVISION OF EMPLOYEES' END OF SERVICE BENEFITS (EOSB)

	As at December 31, 2020	2019
January 1,	**7,802**	6,450
Charge for the year:		
Current service cost	**2,185**	1,278
Interest expense	**331**	262
Re-measurements due to actuarial loss	**560**	260
	3,076	1,800
Payments made during the year	**(1,487)**	(448)
December 31,	**9,391**	7,802

13.1 The principal actuarial assumptions used in the actuarial valuation at the reporting date are as follows:

	2020	2019
Discount rate	**2.35%**	4.00%
Salary increment	**2.00%**	5.00%

13.2 Sensitivity of the actuarial assumptions

A change of 1% in discount rate and salary increment would have increased or decreased the provision for employee termination benefits by SR 1 million (2019: SR 0.6 million) and SR 1.1 million (2019: SR 0.7 million) respectively.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

14 SHARE CAPITAL

As at December 31, 2020, the authorised, issued and fully paid-up share capital of the Company was SR 1,000 million divided into 100 million shares (December 31, 2019: 1,000 million shares) with a nominal value of SR 10 each.

Shareholders	Holding	No. of shares	Amounts in SR
December 31,2020			
Falcom Holding Company (ultimate controlling party)	**73.85%**	**73,854,638**	**738,546,380**
Others	**26.15%**	**26,145,362**	**261,453,620**
	100%	**100,000,000**	**1,000,000,000**
December 31, 2019			
Falcom Holding Company (ultimate controlling party)	71.68%	71,677,380	716,773,800
Others	28.32%	28,322,620	283,226,200
	100%	100,000,000	1,000,000,000

Increase in share capital by SR 150 million

During the year 2019, SAMA gave its approval to increase the Company's share capital from SR 850 million to SR 1,000 million, through issuance of bonus shares, which was proposed by the Board of Directors of the Company and approved by the General Assembly on December 2, 2019, and accordingly, reflected in the statement of changes in shareholders' equity the updated commercial registration was obtained during the year 2019.

15 STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company is required to set aside a statutory reserve, after absorption of accumulated losses, if any, by the appropriation of at least 10% of net income until the reserve equals 30% of the share capital. This reserve is not available for distribution. Such transfer is made to the statutory reserve account on annual basis at year-end.

16 TREASURY SHARES AND DIVIDEND

During the year 2019 the Company bought 2,505,827 of its own shares having a par value of SR 10 at SR 26 per share from one of the shareholders amounting to SR 65,151,502 and has been reported as Treasury Shares under equity. During 2020 the treasury shares were allocated to all the existing shareholders in their existing proportion.

During the year, the Company has paid dividends net of treasury shares amounting to SR 1 per share after obtaining Board (in line with By-Laws of the Company) and SAMA approval.

17 FINANCE COSTS

	For the year ended December 31,	
	2020	**2019**
Finance costs on Islamic bank financing – note 11.1	**40,023**	49,614
Finance cost on lease liabilities	**194**	292
Gain on fair valuation of derivatives – note 10	**(857)**	(688)
Bank charges	**3,865**	6,352
	43,225	55,570

18 SALARIES AND EMPLOYEES RELATED EXPENSES

	For the year ended December 31,	
	2020	2019
Salaries and employee related costs	63,101	58,845
Management fees and bonus – note 18.1	28,292	30,454
Chairman, Directors and Board committee fees	7,058	7,088
	98,451	96,387

18.1 This includes employees' long-term incentive charge of SR 11.6 million (2019: SR 11.6 million).

19 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31,	
	2020	2019
IT support charges – note 19.1	8,776	4,323
Insurance	6,571	6,342
Legal and professional charges – note 19.1	6,385	8,445
Utilities, telephone and communication	4,883	3,307
Repairs, maintenance and office supplies	4,787	3,985
Loss on valuation of repossessed assets – note 7	2,458	-
Rentals relating to short term leases	1,348	1,281
Marketing and advertisements	237	8,375
Exchange traded fund valuation impact	-	4,374
Other	3,535	1,912
	38,980	42,344

19.1 Legal and professional charges includes credit cards related expenses amounting to SR 1.1 million (2019: nil), Similarly IT support charges includes credit cards related expenses amounting to SR 3.5 million (2019: nil).

20 OTHER INCOME

	For the year ended December 31,	
	2020	2019
Rental income	867	870
Income on short-term deposit – murabaha	1,572	1,544
	2,439	2,414

21 EARNINGS PER SHARE

	As at December 31,	
	2020	2019
Net income	201,465	218,821
Weighted average number of shares in thousands for basic and diluted EPS (Adjusted for bonus issue and treasury shares)	98,723	99,975
Basic and Diluted EPS in Saudi Riyals	2.04	2.19

(All amounts in thousands of Saudi Riyals unless otherwise stated)

22 RELATED PARTY TRANSACTIONS AND BALANCES

22.1 Significant related party transactions during the year were as follows:

Related party	Nature of transaction	December 31, 2020	December 31, 2019
Shareholders	Cash dividend declared and paid	**98,507**	85,000
Key management personnel (KMP)	Compensation for the period	**22,007**	19,670
(Number of KMP: 19 (2019: 17)	Incentive for continuing service	**11,667**	11,667
	Employees' end of service benefits	**1,032**	636
Chairman, Directors and Board Committee members	Remuneration for the period of Chairman, Directors and Board Committee members	**7,058**	7,088
Other related parties	Zakat/VAT consultancy fee	**269**	308
	IT software services rendered	**8,053**	5,648
Affiliates	Commodities/ securities dealings account - deposit made	**26,500**	21,800
	Rental charge	**1,179**	1,206
	Advisory charges and others	**1,764**	1,660

22.2 Key management personnel of the Company include Chief executive officer and senior management.

22.3 Significant balances of related parties as at statement of financial position date were as follows:

	Note	As at December 31, 2020	2019
Receivables from / advances to related parties			
Affiliates –Term deposit	5	**34,562**	9,697
Receivable from key management personnel	7	-	11,667
Payables / accruals			
Key management compensation and Board remuneration	10	**13,303**	12,894
Provision of EOSB of Key Management Personnel		**3,263**	3,046

23 CONTINGENCY AND COMMITMENTS

Contingency
The Company has certain legal cases pending in courts against it. However, based on management's best estimate no significant contingencies exist as at December 31, 2020.

Capital commitments
There are no significant capital commitments at the statement of financial position date.

Operating leases commitments
The Company's operating leases commitments are only for branches office premises and are not considered as significant. During 2019 upon adoption of IFRS 16, operating lease commitments for more than one year has been recognised as lease liabilities. Commitments for short term leases amounts to SR 1.3 million (2019: SR 1.3 million).

Credit cards related committments
Credit related commitments comprise irrevocable commitments to extend credit. The unused portion of commitments outstanding as on December 31, 2020 amounts to SR 2.1 million (2019: SR nil million).

24 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value 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 fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of financial assets and liabilities

All financial assets and liabilities, except derivatives, which is carried at fair value and of insignificant amount, of the Company, are categorised as held at amortized cost, which approximate their fair value, and accordingly fair value hierarchy disclosure has not been provided.

25 FINANCIAL RISK MANAGEMENT

The Company's Board of Directors has overall responsibility for the establishment and supervision of the Company's risk management framework. The Board of Directors has established a Risk Management Committee, to oversee the development and maintenance of risk management processes, policies, strategies, risk methodologies and reporting them to the Board of Directors.

In addition, the Audit Committee of the Company also reviews the internal audit risk assessment, discusses the Company's policy with respect to risk assessment and risk management. The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Management Committee oversees the Company risks and report to the Board.

i) Credit risk

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Company's management analyses credit risk in the following categories:

Islamic financing receivables (IFR) – Also see 3.14 (d) and note 6

IFR are exposed to significant credit risk. The Company has established procedures to manage credit exposure including evaluation of credit worthiness, formal credit approvals, assigning credit limits, and obtaining collateral such as personal guarantees. The overall underwriting decision is based on the following key parameters:

- Dual credit score i.e. SIMAH and Application scoring system
- Minimum income level and maximum debt burden of the borrower
- Loan repayment history with other financial institutions sourced from SIMAH
- Salary certificate from the employer and last three months bank statement where the customer's monthly salary is credited.

Approximately, above 90% of the customers are Government sector employees. Customers are requested to provide standing instructions to credit Nayifat account towards monthly installments. In addition, the customers also provide direct debit mandate as a stand by repayment mode. The Company generally receives repayments through SADAD and bank transfers. The Company has an approved collection policy and procedure manual establishing a collection strategy to follow up with delinquent customers. In order to monitor exposure to credit risk, on monthly basis reports are produced by the Management information system (MIS) and are reviewed by credit committee on quarterly basis, these reports shows the collection and delinquent status of the customers. The Company has strengthened its legal department to be actively involved in the collection process of delinquent customers.

The assessment of credit risk of IFR also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD.

Generating the term structure of PD
Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates of past thirty-six months, adjusted by the outlook of the economy.

Significant increase in credit risk
In determining whether credit risk has increased significantly since initial recognition, the Company uses its quantitative changes in PDs, delinquency status of accounts and, where possible, relevant historical experience. Considering the huge portfolio of individual customers, the management believes that past-due information is the most appropriate method to assess the SICR without the undue cost and efforts.

Accordingly, based on instalment collection history, the management believes that the significant increase in credit risk arise only when the instalment is past due for more than 60 days and considered as underperforming and after 90 days due become non-performing. The management activates the recovery team for the purposes of collection of outstanding balance as the receivable is non-performing.

Measurement of ECL
The Company measures an ECL at an account level considering the EAD, PD, LGD and discount rate. PD estimates are estimates at a certain date, based on the term structures as provided above. For LGD estimates, the Company use present value of recoveries for loss accounts adjusted by the forward-looking information. 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 EAD of an IFR is its gross carrying amount. For discounting the Company has used each contract's effective interest rate.

The Company's management believes that adequate provision has been made, where required to address the credit risk. Moreover, the Company in the ordinary course of providing finance receivables are subject to additional personal guarantees for security to mitigate credit risk associated with IFR. For additional credit quality disclosure relating to IFR, please refer note 6 to these financial statements. The credit quality of Non-performing loans is further explained below:

(All amounts in thousands of Saudi Riyals unless otherwise stated)

2020	**Non-Performing**	**Provision for impairment**	**Net of Provisioning**
Aging of Islamic financing receivables based on past due days			
90 to 180	**32,465**	**(1,285)**	**31,180**
180 to 270	**21,882**	**(3,000)**	**18,882**
270 to 360	**23,910**	**(6,443)**	**17,467**
360 to 450	**21,256**	**(7,808)**	**13,448**
450 to 540	**14,002**	**(7,501)**	**6,501**
540 to 630	**10,076**	**(7,024)**	**3,052**
630 to 720	**7,231**	**(5,817)**	**1,414**
Total	**130,822**	**(38,878)**	**91,944**

2019	**Non-Performing**	**Provision for impairment**	**Net of Provisioning**
Aging of Islamic financing receivables based on past due days			
90 to 180	28,268	(1,141)	27,127
180 to 270	14,163	(1,902)	12,261
270 to 360	11,721	(3,207)	8,514
360 to 450	9,758	(3,905)	5,853
450 to 540	9,532	(4,584)	4,948
540 to 630	7,276	(4,530)	2,746
630 to 720	8,073	(6,049)	2,024
Total	88,791	(25,318)	63,473

Concentration of credit risk

The concentration of credit risk is the risk that the Company is exposed to if they invested all their assets in one sector or one industry. The Company provides IFR to consumers in public and private sector and ensure that there is no undue concentration of risks with individuals or groups of consumers in specific locations or businesses. Approximately, above 90% of the customers are Government sector employees.

The Company strategy is to finance Saudi nationals under the following categories:

- Customers employed in a secured working environment.
- Steady income group with largely guaranteed employment or minimum loss of employment.
- Employees of selected large-scale private sector companies.

The net IFR concentration risks and the related provision, by major economic sectors at 31 December are as follows:

2020	**Performing**	**Non-Performing**	**Provision for impairment**	**Net financing**
Description				
Consumers in public sector	1,305,547	125,738	(39,610)	**1,391,675**
Consumers in private sector	119,462	4,307	(3,444)	**120,325**
Credit cards	8,089	777	(283)	**8,583**
Total	**1,433,098**	**130,822**	**(43,337)**	**1,520,583**
2019				
Description				
Consumers in public sector	1,603,930	85,121	(28,089)	1,660,962
Consumers in private sector	64,778	3,670	(1,316)	67,132
Total	1,668,708	88,791	(29,405)	1,728,094

Cash and bank balances and other receivables

The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with a bank which has been assigned investment grade rating by "A-2" as per Standard and Poor's (S&P). Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

ii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis. The Company also has revolving credit facilities from commercial banks that it can access to meet future liquidity needs. The company established a liquidity contingency policy and set aside SR 70 million (2019: SR 70 million) as liquidity contingency fund.

The amounts disclosed in the table are the contractual undiscounted cash flows. Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

December 31, 2020	Less than 3 months	3 to 12 months	1 to 5 years	Total 2020
Financial assets - commission bearing				
Islamic financing receivables - Gross	257,249	539,594	1,540,671	2,337,514
Term and margin deposits	50,000	-	70,000	120,000
	307,249	539,594	1,610,671	2,457,514
Financial assets - non commission bearing				
Cash and cash equivalents	70,092	-	-	70,092
Term and margin deposits	-	70,150	-	70,150
	70,092	70,150	-	140,242
Total financial assets	377,341	609,744	1,610,671	2,597,756
Financial liabilities - commission bearing				
Islamic bank financing	(120,583)	(167,487)	(425,345)	(713,415)
Lease Liabilities	(1,050)	(688)	(1,889)	(3,627)
	(121,633)	(168,175)	(427,234)	(717,042)
Financial liabilities - non commission bearing				
Accruals and other liabilities	(26,428)	(1,994)	(6,285)	(34,707)
Zakat Payable	-	(5,771)	(11,540)	(17,311)
	(26,428)	(7,765)	(17,825)	(52,018)
Total financial liabilities	(148,061)	(175,940)	(445,059)	(769,060)
Net financial assets:				
Commission bearing	185,616	371,419	1,183,437	1,740,472
Non-commission bearing	(77,969)	(105,790)	(445,059)	(628,818)
	107,647	265,629	738,378	1,111,654

December 31, 2019	Less than 3 months	3 to 12 months	1 to 5 years	Total 2019
Financial assets - commission bearing				
Islamic financing receivables– Gross	281,181	592,121	1,799,027	2,672,329
Term and margin deposits	-	50,951	-	50,951
	281,181	643,072	1,799,027	2,723,280
Financial assets - non commission bearing				
Cash and cash equivalents	52,596	-	-	52,596
Other assets	2,917	8,750	-	11,667
Term and margin deposits	-	64,684	-	64,684
	55,513	73,434	-	128,947
Total financial assets	336,694	716,506	1,799,027	2,852,227
Financial liabilities - commission bearing				
Islamic bank financing	(96,737)	(281,439)	(563,262)	(941,438)
Lease Liabilities	(1,140)	(775)	(3,627)	(5,542)
	(97,877)	(282,214)	(566,889)	(946,980)
Financial liabilities - non commission bearing				
Accruals and other liabilities	(36,093)	(2,739)	(7,316)	(46,148)
Zakat Payable	-	(5,771)	(17,311)	(23,082)
Total financial liabilities	(133,970)	(279,182)	(556,894)	(970,046)
Commission bearing	183,304	360,858	1,232,138	1,776,300
Non-commission bearing	19,420	64,924	(24,627)	59,717
	202,724	425,782	1,207,511	1,836,017

(All amounts in thousands of Saudi Riyals unless otherwise stated)

iii) Profit rate risk

Profit rate risk is the impact on future earnings of the Company resulting from change in the market profit rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to profit rate adjustment within a specified year. The most important source of such risk is the Company's financing receivables and Islamic bank financing. The profit rate is fixed for the financing receivables and for some portion of borrowing as explained in note 11 of these financial statements.

The financial liabilities of SR 635.9 million (2019: SR 762 million) are based on floating rates and not subject to profit rate swap and thus, a 100 basis points change in commission rates could have approximately a SR 6.2 million (2019: SR 7.6 million) annual effect on the Company's profitability. The Company's management through the risk management committee monitors the fluctuations in commission rates on regular basis and take appropriate measures to minimize the profit rate risk by adjusting lending rate for future contracts.

iv) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Company has no exposure to foreign currency risk as it mainly deals in Saudi Riyals that is also the functional currency of the Company.

v) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not exposed to price risk as it does not have any financial instrument whose prices are fluctuated based on internal or external factors as mentioned above.

26 CAPITAL MANAGEMENT

The Company's objective when managing capital are:

- To safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital.
- to comply with the gearing ratio set by the SAMA

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic bank financing and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and Islamic bank financing covenants and as at the statement of financial position date the Company was is in compliance with the prescribe requirements.

At statement of financial position date, the management analysis of gearing ratio was as follows:

	2020	**2019**
Shareholders' equity	**1,119,375**	1,016,417
Islamic bank financing – note 11	**661,354**	868,616
Total capital structure	**1,780,729**	1,885,033
Gearing ratio	**37.14%**	46.07%

The Company has complied with the required gearing ratio of 3.5 times of equity as required by the SAMA.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

27 FINANCIAL INSTRUMENTS

	Note	2020	2019
Financial assets – at amortized cost			
Cash and cash equivalents	5	**70,092**	52,596
Term and margin deposits	5	**190,150**	114,684
Islamic financing receivables	6	**1,520,583**	1,728,094
Other receivables	7	**-**	11,667
Financial liabilities – at amortized cost			
Accruals and other liabilities	10	**34,707**	46,148
Islamic bank financing	11	**661,354**	868,616
Lease liabilities	11	**3,452**	5,173
Financial liabilities – at fair value			
Unrealized loss on fair valuation of derivatives (level 2)	10	**54**	911

28 SIGNIFICANT EVENTS DURING THE YEAR

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

Because of COVID-19, the disbursements and collections process effected during the year and therefore past due balances increased as compared to last year, which resulted in increase non-performing loans and related ECL charge. Further, based on the current economic environment the economic factor used in determining the provision for impairment for expected credit losses was updated (for details refer note 6.8 to these financial statements).

From a liquidity perspective the Company has access to substantial unutilized long-term facilities from banks to finance its current and long-term funding needs of which approximately only 31% stands utilized as at December 31, 2020. Further because of regular collections the Company has sufficient liquidity available in addition to the un-utilized bank limits, and therefore the Company is not significantly exposed to liquidity risk. The management of the Company has taken a pro-active step by placing the surplus funds available with banks to generate revenue and minimize the impact on the Company's net income.

Based on these factors, the Company's management believes that the COVID-19 pandemic has had it's impact on the profitability of the Company, only due to ECL and reduced disbursals, however, this is expected to be temporary. Therefore, if the COVID-19 pandemic situation prolongs for a longer period of time or lockdown restrictions are re-imposed due to second wave this may impact the profitability of the Company in view of the reduction in loan bookings compared to past period and may also have an impact on the collections from higher buckets dues. The Company's management continues to monitor the situation closely and will modify its strategy based on the prevalent situation as may be required.

(All amounts in thousands of Saudi Riyals unless otherwise stated)

29 BRANCHES INCLUDING HEAD OFFICE

The results of the following branches were included as part of these financial statements.

Serial No.	Commercial registration number of Branch	Location
1	5850068147	Abha
2	5800105744	Baha
3	2050117283	Dammam
4	2511018370	Hafer albatin
5	3350040719	Hail
6	2250049662	Hufoof
7	5900020800	Jizan
8	4030189485	Jeddah 1
9	4030390351	Jeddah 2
10	2055025208	Jubail
11	1011019025	AlKharj
12	4650052613	Madina
13	4031080772	Makkah
14	5950119625	Najran
15	1010609170	Olaya
16	1131046727	Qassim
17	1010569384	Riyadh-Exit 10
18	1010609169	Riyadh-Khurais
19	1010361769	Riyadh-Badiah
20	3400017276	Sikkaka
21	4032240801	Taif
22	3550029238	Tabuk
23	2053112169	Qatif
24	1116009153	Dawadmi
25	1010176451	Head office Olaya
26	5851875824	Bishah branch

30 SUBSEQUENT EVENT

There was no subsequent event after the year-end which require disclosure or adjustment in these financial statements.

31 COMPARATIVES

Following comparative amounts in these financial statements relating to 2019 have been reclassified (and shown separately on the face of the statement of financial position) for the purpose of better presentation.

Financial statement impacted	Account	Before the reclassification for year ended December 31, 2019:	Effect of reclassification	Reclassified for the year ended December 31, 2019:
Statement of financial position	Prepayments and other receivables	40,272	(20,669)	19,603
Statement of financial position	Investment property (repossessed assets- real estate)	-	20,669	20,669

This investment property has the same balance of SR 20.6 million in 2018. Further, there is no effect of this re-classification on the financial performance and the statement of cashflows.

32 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved and authorised for issue by the Board of Directors of the Company on January 20, 2021.