BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2019
together with the
INDEPENDENT AUDITOR'S REPORT

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Licence No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

To the shareholders of Bidaya Home Finance Company

Opinion

We have audited the financial statements of Bidaya Home Finance Company (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 20 to the financial statements, which describes that the Company has received penalty notices from the General Authority of Zakat and Tax for late settlement of a portion of the VAT payable by the Company. The Company has filed objections, and the ultimate outcome of the matter cannot presently be determined. A provision for the penalties has been recognised based on management's best estimate. Our opinion is not modified in respect of this matter.

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

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

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

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

Independent auditor's report

To the shareholders of Bidaya Home 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 ISA that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Kholoud A. Mousa Altambakti
License No.: 421

13 Rajab 1441H
Corresponding to: 8 March 2020

C.R: 46
Certified Public Accountants
KPMG Al Fozan & Partners

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
(Saudi Arabian Riyals in '000)

	Notes	2019	2018
ASSETS			
Cash and cash equivalents	5	**377,860**	14,440
Investments held at fair value through profit or loss ("FVTPL")	6	**--**	53,000
Investments held at fair value through other comprehensive income ("FVOCI")		**893**	893
Ijara receivables, net	7	**1,787,568**	1,356,481
Prepaid Zakat	14	**2,713**	5,426
Deposits, prepayments and other receivables	8	**111,116**	20,605
Right-of-use assets		**1,305**	--
Intangible assets, net	9	**12,540**	4,243
Property and equipment, net	10	**6,689**	6,887
Total assets		**2,300,684**	1,461,975
LIABILITIES AND SHAREHOLDERS' EQUITY			
Financing facilities - secured	11	**500,000**	70,000
Sukuk	12	**550,000**	350,000
Lease liability		**1,196**	--
Accrued expenses and other current liabilities	13	**400,757**	204,862
Provision for employees' end of service benefits		**2,527**	1,761
Total liabilities		**1,454,480**	626,623
Share capital	15	**900,000**	900,000
Statutory reserves		**1,085**	--
Accumulated losses		**(54,881)**	(64,648)
Total Shareholders' equity		**846,204**	835,352
Total liabilities and shareholders' equity		**2,300,684**	1,461,975

The attached notes 1 to 25 form an integral part of these financial statements.

BIDAYA HOME FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Saudi Arabian Riyals in '000)

	Notes	**2019**	2018 (Restated)
REVENUE			
Ijara income		**104,189**	69,009
Fee income		**19,104**	11,849
Servicing income		**4,308**	166
Gain on sale of portfolio		**1,430**	--
Total revenue		**129,031**	81,024
OPERATING EXPENSES			
General and administrative expenses	*16*	**56,161**	47,251
Selling and marketing expenses	*17*	**16,941**	13,334
Depreciation		**3,764**	1,751
Amortization	*9*	**1,494**	963
Impairment charge for credit losses	*7.3, 8.2*	**6,959**	1,619
Provision for penalties	*20*	**6,000**	--
Finance charges		**24,579**	11,088
Total operating expense for the year		**115,898**	76,006
Operating income for the year		**13,133**	5,018
Realized gain on sale of investments held at FVTPL		**432**	1,129
Net profit for the year before Zakat		**13,565**	6,147
Zakat (charge) / reversal for the year	*14*	**(2,713)**	6,826
Net profit for the year after Zakat		**10,852**	12,973
Other comprehensive income		**--**	--
Total comprehensive income for the year		**10,852**	12,973
Earnings per share – basic and diluted (in SR)	*18*	**0.12**	0.14

The attached notes 1 to 25 form an integral part of these financial statements.

BIDAYA HOME FINANCE
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2019
(Saudi Arabian Riyals in '000)

	Share capital	Statutory reserve	Accumulated losses	Total
Balance at 1 January 2019	**900,000**	--	**(64,648)**	**835,352**
Net profit for the year after zakat	--	--	**10,852**	**10,852**
Other comprehensive income	--	--	--	--
Total comprehensive income for the year	--	--	**10,852**	**10,852**
Transfer to statutory reserve	--	**1,085**	**(1,085)**	--
Balance at 31 December 2019	**900,000**	**1,085**	**(54,881)**	**846,204**
Balance as at 1 January 2018 (restated)	900,000	--	(81,314)	818,686
Impact of adoption of new standards at 1 January 2018	--	--	3,693	3,693
Restated balance at 1 January 2018	900,000	--	(77,621)	822,379
Net profit for the year after zakat (restated)	--	--	12,973	12,973
Other comprehensive income	--	--	--	--
Total comprehensive income for the year (restated)	--	--	12,973	12,973
Balance at 31 December 2018	900,000	--	(64,648)	835,352

The attached notes 1 to 25 form an integral part of these financial statements.

BIDAYA HOME FINANCE
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
(Saudi Arabian Riyals in '000)

	Notes	**2019**	2018
Cash flows from operating activities:			
Net profit for the year before Zakat		**13,565**	6,147
Non-cash adjustments to reconcile net profit for the year to net cash used in operating activities:			
Depreciation		**3,764**	1,751
Amortization	*9*	**1,494**	963
Finance charges		**24,579**	11,088
Provision for employees' end of service benefits		**766**	563
Impairment charge for credit losses	*7.3, 8.2*	**6,959**	1,619
Gain on sale of property and equipment		**(34)**	--
Gain on sale of portfolio		**(1,430)**	--
Realized gain on sale of investments held at FVTPL		**(432)**	(1,129)
		49,231	21,002
(Increase) / decrease in operating assets			
Ijara receivables		**(797,525)**	(579,775)
Deposits, prepayments and other receivables		**(99,766)**	(7,711)
Increase in operating liabilities			
Accrued expenses and other current liabilities		**195,895**	169,379
		(652,165)	(397,105)
Finance charges paid		**(19,439)**	(8,563)
Zakat paid	*14*	**--**	(12,781)
Net cash used in operating activities		**(671,604)**	(418,449)
Cash flows from investing activities			
Purchase of property and equipment	*10*	**(1,799)**	(2,053)
Proceeds from sale of property and equipment		**161**	--
Purchase of intangible assets	*9*	**(9,791)**	(2,146)
Purchase of investments held at FVTPL		**(405,000)**	(353,637)
Proceeds from sale of investments held at FVTPL		**457,992**	350,890
Net cash generated from / (used in) investing activities		**41,563**	(6,946)
Cash flows from financing activities			
Payment of lease liabilities		**(2,001)**	--
Proceeds from sale of portfolio		**365,462**	98,182
Proceeds from issuance of sukuk		**450,000**	350,000
Repayment of sukuk		**(250,000)**	--
Proceeds from financing facilities – secured		**700,000**	220,000
Repayment of financing facilities - secured		**(270,000)**	(250,000)
Net cash generated from financing activities		**993,461**	418,182
Net increase / (decrease) in cash and cash equivalents		**363,420**	(7,213)
Cash and cash equivalents at beginning of the year		**14,440**	21,653
Cash and cash equivalents at end of the year	*5*	**377,860**	14,440

The attached notes 1 to 25 form an integral part of these financial statements.

1. THE COMPANY AND THE NATURE OF OPERATIONS

SBidaya Home Finance Company (the "Company") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010432564 issued in Riyadh on 25 Jumada II 1436H (corresponding to 14 April 2015). The Company was granted a full license by Saudi Arabian Monetary Authority ("SAMA") to operate as a mortgage finance company vide license number 41/ش ع /201512 dated 3 Rabi I 1437H (corresponding to 14 December 2015).

The objectives of the Company are to provide home financing to consumers for the purchase of homes (new homes, ready homes and off plan construction homes) and providing finance to home owners against security of their homes.

The registered office of the Company with its postal address is as follows:

Bidaya Home Finance Company
20th Floor of Ibdeh Tower
King Fahad Road
P.O. Box 93898
Riyadh 11683
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (hereinafter referred to as "IFRS as endorsed in KSA").

The financial statements of the Company as at and for the year ended 31 December 2018 were prepared in compliance with the International Financial Reporting Standards ("IFRS") as modified by SAMA for the accounting of zakat and income tax (relating to the application of IAS 12 – "Income Taxes" and IFRIC 21 – "Levies" so far as these relate to zakat and income tax) and the By-laws of the Company and the Regulations for Companies in the Kingdom of Saudi Arabia.

On 17 July 2019, SAMA instructed the finance companies in the Kingdom of Saudi Arabia to account for the zakat and income taxes in the statement of income. This aligns with IFRS and its interpretations as issued by the International Accounting Standards Board ("IASB") and as endorsed in the Kingdom of Saudi Arabia; and with the other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA"). Accordingly, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors.

Further, the Company has adopted IFRS 16 "*Leases*" from 1 January 2019.

2. BASIS OF PREPARATION (CONTINUED)

b) Basis of measurement

These financial statements have been prepared under the historical cost convention modified to include the measurement at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).

c) Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the Company's functional currency. Except as indicated, the financial information presented in SR has been rounded-off to the nearest thousand.

d) Order of liquidity

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 21.

e) Critical accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Significant areas where management has used judgements, estimates and assumptions are as follows:

i. Fair value measurement

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

e) Critical accounting judgements, estimates and assumptions (continued)

i. Fair value measurement (continued)

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

-Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
-Level 2 — 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.
-Level 3 — Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

At each reporting date, management of the Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

ii. Going concern

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

iii. Fee income

The Company offers a range of services to individuals and third parties, including application packaging, agency origination and receivables collection and administration. Fee income and its associated expense is recognized in profit and loss immediately when the service which gives rise to such fees is provided.

Fee income where the fee is an integral part of the yield on the receivable in relation to which it is charged is deferred and amortised. These fees are amortised over the period during which such yield is expected to accrue.

2. BASIS OF PREPARATION (CONTINUED)

iv. Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's expected credit losses ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company uses internal roll rate methodology for the entire portfolio to assign the PDs
- LGD determination by applying haircut on the collaterals considering difference between forced sale value and fair market value, time of realization, cost of realization and current effective profit rate. This haircut is applied as practical expedient as per the best practice
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as oil prices
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Change in accounting policies

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018 except for the adoption of the following new standards and other amendments to the accounting treatment of Zakat.

a. Adoption of New Standards

Effective from 1 January 2019, the Company has adopted the following standard:

IFRS 16 – Leases

The Company has adopted IFRS 16 'Leases'. The standard replaces the existing guidance on leases, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases', and SIC 27 'Evaluating Substance of Transactions in the Legal Form of a Lease'.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Standards (continued)

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Company's Statement of Financial Position, unless the term is 12 months or less or the lease is for low value assets. Thus, the classification required under IAS 17 'Leases' into operating or finance leases is eliminated for lessess. For each lease, the lessee recognises a liability for the lease obligation incurred in the future. Correspondingly, a right to use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, which are amortised over the estimated useful life.

The Company has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first-time application of IFRS 16 to operating leases, the right of use leased assets were generally measured at the amount of lease liability, using the Company's incremental borrowing rate at the time of first-time application. IFRS 16 transition disclosures also require the Company to present the reconciliation of the off-balance sheet lease obligations as at 31 December 2018 to the recognised lease liabilities as at 1 January 2019, which is as follows:

Off-balance sheet lease obligations as of 31 December 2018	3,285
Current leases with a lease term of 12 months or less & low-value leases	(648)
Operating lease obligations as of 1 January 2019 (gross without discounting)	2,637
Discounting of lease liability using the Company's incremental borrowing rate	(32)
Total lease liabilities as of 1 January 2019	**2,605**

The Company's incremental borrowing rate used in discounting the lease liability is 4.93%.

Lease Liabilities **Maturity Analysis – Contractual Undiscounted cash flows**	**2019**	**2018**
Less than one year	**1,813**	824
One to five years	**--**	1,813
More than five years	**--**	--
Total undiscounted lease liabilities at 31 December	**1,813**	2,637
Lease liabilities included in the statement of financial position at 31 December	**1,196**	2,605
Current	**1,196**	804
Non-Current	**--**	1,801

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policy after 1 January 2019

Right of use asset / lease liabilities

On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of use assets

The Company applies the cost model, and measures right of use assets at cost:

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any re-measurement of the lease liability for lease modifications.

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor. After the commencement date, the Company measures the lease liability by:

1. Increasing the carrying amount to reflect profit on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective profit rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Short-term leases and leases of low value assets

The Company has elected not to recognize right of use assets and lease liabilities for short-term leases that have a term of 12 months or less; and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy before 1 January 2019

Where the Company is a lessee

Leases that do not transfer to the Company substantially all of the risk and benefits of the ownership of the asset are classified as operating lease. Consequently, all of the leases entered into by the Company are all operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Change in accounting for Zakat

As mentioned above, the basis of preparation has been changed from the period ended 30 September 2019 as a result of the issuance of instructions from SAMA dated 17 July 2019. Previously, Zakat was recognised in the statement of changes in equity as per the SAMA circular no. 381000074519 dated 11 April 2017. With the latest instructions issued by SAMA dated 17 July 2019, the Zakat shall be recognised in profit or loss. The Company has accounted for this change in the accounting for Zakat, and the effect of the above change is disclosed in note 4 of the financial statements.

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense is charged to the profit or loss. Zakat is not accounted for as income tax, and as such no deferred tax is calculated relating to Zakat.

A. Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

Financial Asset at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial Asset at FVOCI

A financing instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

The Company does not have any financing instruments classified as FVOCI. During 2018, the Company acquired equity instruments and classified its investment in equity instruments as fair value through OCI.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets at FVTPL

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For equity instruments that is not held for trading, on initial recognition, the Company may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument (i.e. share-by-share) basis.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

B. Classification of financial liabilities

The Company classifies its financial liabilities as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium to issue the funds, and other costs that are an integral part of the effective profit rate.

C. Derecognition

i. Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed); and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee, the transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

D. Modifications of financial assets and financial liabilities

i. 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 profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income.

ii. 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 profit or loss.

E. Impairment

The Company recognizes loss allowances for ECL on the Ijara receivables financial instruments that are not measured at FVTPL.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- financing investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement of ECL

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

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

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of an Ijara receivable by the Company on terms that the Company would not consider otherwise;

An Ijara receivable that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, an Ijara receivable that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Impairment allowances for ECL of financial assets measured at amortized cost and Ijara receivables are presented in the statement of financial position as a deduction of gross carrying amount of the assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Write-off

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

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms including promissory notes and title ownership until the completion of the repayments. Collateral, unless repossessed, is not recorded in the Company's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum at inception.

Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held-for-sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Company's policy.

Revenue recognition

Ijara income is recognized in profit or loss using the effective profit method. The 'effective profit rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortized cost of the financial instrument.

When calculating the effective profit rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective profit rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective profit rate includes transaction costs and fees and points paid or received that are an integral part of the effective profit rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Fee income and commission fees earned for Ijara receivables are recognised as an adjustment to the effective profit rate on these receivables. When it is unlikely that receivables will continue to be held by the Company, such fees are recognised in the statement of profit or loss in the year in which the receivables no longer continue to exist in the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and time deposit placement with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

b) Ijara receivables

Ijara receivables represent assets transferred under Finance Islamic lease agreements, and the present value of the lease payments is recognised as a receivable and disclosed under "Ijara receivables". The difference between the gross receivables and the present value of the receivables is recognised as unearned Ijara income. Ijara income is recognised over the term of the Ijara using the net investment method, which reflects a constant rate of return.

c) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost less estimated residual value of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use. Expenditure for repair and maintenance are charged to the statement of profit or loss. Improvements that increase the value or materially extend the life of the related assets are capitalized.

The estimated useful lives of the principal classes of assets are as follows:

	Years
Leasehold improvements	Shorter of 10 years or lease term
Office equipment	5
Furniture and fixtures	6
Computer equipment	5
Vehicles	5

d) Intangible assets

Intangible assets are initially recognised at cost less accumulated amortization and impairment losses, if any. Costs that are directly associated with identifiable software products controlled by the Company and have probable economic benefits beyond one year are recognised as intangible assets. Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Amortisation is charged to the statement of profit and loss account by applying the straight line basis whereby the carrying amount of an asset is amortised over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets (computer software) is 5 years.

The Company accounts for impairment, where indications exist, by reducing the asset's carrying amount to the recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

f) Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

g) Offsetting of financial instruments

Financial assets and liabilities are offset and reported net in the statement of financial position when the entity has a legal currently enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

h) Employees end of service benefits

Provision is made for amounts payable under the Saudi Arabian Labour Law applicable to employees' accumulated service at the statement of financial position date. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the statement of financial position date.

i) Expenses

Selling and marketing expenses are those that specifically relate to sales and marketing. All other expenses are classified as general and administration expenses.

j) Foreign currencies

Transactions denominated in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of profit or loss. Gains or losses on foreign currency transactions are included in the statement of profit or loss during the year.

k) Statutory reserve

As required by Saudi Arabian Regulations for Companies and the Company’s By-laws, 10% of the income for the year (after zakat) should be transferred to the statutory reserve. This reserve is not available for distribution. As per the By-laws, the Company may resolve to discontinue such transfers when the reserve equals 30% of the capital. The Company transferred SR 1.58 million during the year.

4. IMPACT OF CHANGE IN ACCOUTING FOR ZAKAT

The change in the accounting treatment for Zakat as explained in note 3 has the following impact on the Company's statement of profit or loss and changes in equity:

		31 December 2018		
Financial statement impacted	**Account**	**Before the restatement**	**Effect of restatement**	**As restated**
Statement of Changes in Equity	Zakat (charge) / reversal for the year	6,826	(6,826)	--
Statement of Profit or Loss	Reversal of provision for Zakat	--	6,826	6,826
Statement of Profit or Loss	Earnings per share	0.07	0.08	0.14

5. CASH AND CASH EQUIVALENTS

	2019	2018
Cash in hand	**5**	10
Cash at bank – current accounts	**37,855**	14,430
Time deposits	**340,000**	--
	377,860	14,440

The time deposits are in short term Islamic return accounts with a financial institution and carry a profit rate ranging from 1.40% - 1.75% maturing in January 2020.

6. INVESTMENT HELD AT FVTPL

	2019	2018
Cost	--	53,000
Accrued income	--	--
	--	53,000

7. IJARA RECEIVABLES, NET

	Notes	**2019**	2018
Gross Ijara receivables		**3,400,257**	2,545,006
Less: Unearned income		**(1,603,504)**	(1,180,872)
	7.1	**1,796,753**	1,364,134
Less: Impairment allowance for credit losses	*7.3*	**(9,185)**	(7,653)
Ijara receivables, net		**1,787,568**	1,356,481

7.1 The credit quality of Ijara receivables is as follows:

	2019	2018
Neither past due nor impaired	**1,569,605**	1,125,935
Past due but not impaired	**155,701**	170,171
Impaired	**71,447**	68,028
	1,796,753	1,364,134

7. IJARA RECEIVABLES, NET (CONTINUED)

Ageing of past due but not impaired installments and the related balances of Ijara receivables are as follows:

	2019		2018	
	Ijara receivables	**Past due instalments**	Ijara receivables	Past due instalments
01 – 30 days	**94,857**	**942**	82,739	1,089
31 – 60 days	**47,836**	**1,414**	69,267	1,555
61 –90 days	**13,008**	**215**	18,165	410
Total	**155,701**	**2,571**	170,171	3,054

7.2 The average fair values of collateral, based on the appraisal at the time of origination of the financial assets, held by the Company by each category are as follows:

	2019	2018
Current	**2,239,117**	1,470,726
01 – 30 days	**113,740**	106,387
31 – 60 days	**56,706**	93,636
61 – 90 days	**15,547**	22,794
More than 90 days	**81,894**	83,645
	2,507,004	1,777,188

These Ijara receivables are secured against mortgages of financed properties with an aggregate average fair value of SR 2.51 billion (31 December 2018: SR 1.77 billion) on the date of financing. The valuation techniques used to determine the fair value of collateral included a combination of the cost and market approach, and were done by independent external evaluators on the approved panel of the Company.

Title deeds of real estate properties financed by the Company are registered in the name of the appointed trustees under a Trusteeship agreement, as the Company's By-laws were silent with respect to the title holder of those real estate properties. Subsequently, the Company's By-laws were amended, and the Company is in the process of transferring the real estate properties in the name of the Company.

7.3 The movement of the impairment allowance for credit losses for the year ended 31 December 2019 is as follows:

	2019	2018
Balance as at 01 January	**7,653**	6,034
Charge for the year	**2,726**	1,619
Written off during the year	**(1,194)**	--
Balance as at 31 December	**9,185**	7,653

7. IJARA RECEIVABLES, NET (CONTINUED)

7.4 The table below stratifies credit exposures from Ijara receivables into ranges of receivables to value ratio. At the time of origination, Ijara receivables to value ratio is calculated by dividing the gross amount of the financing by the fair value of the underlying property. The gross amount of financing used in calculating this ratio excludes unearned income and any impairment allowance.

	2019	2018
Less than 50%	**31,217**	29,457
51 - 70%	**82,081**	97,343
71 - 85%	**645,074**	792,213
More than 85%	**1,038,381**	445,121
Total Exposure	**1,796,753**	1,364,134

7.5 The credit exposure from Ijara receivable is classified as under:

	Not later than one year	**Later than one year but not later than five years**	**Later than five years**	**Total**
31 December 2019				
Ijara receivables	**173,844**	**480,370**	**2,746,044**	**3,400,258**
Unearned income	**(104,967)**	**(306,551)**	**(1,191,987)**	**(1,603,505)**
	68,877	**173,819**	**1,554,057**	**1,796,753**
Impairment allowance for credit losses				**(9,185)**
				1,787,568
31 December 2018				
Ijara receivables	148,135	429,344	1,967,527	2,545,006
Unearned income	(102,277)	(281,309)	(797,286)	(1,180,872)
	45,858	148,035	1,170,241	1,364,134
Impairment allowance for credit losses				(7,653)
				1,356,481

The Company's implicit rate of return on leases ranges from 4.63% to 12.02% (31 December 2018: 3.55% to 13.04%). Tenure of Ijara receivables range from five to thirty years.

During the year, the Company sold receivables amounting to SR 364.03 million to Saudi Real Estate Refinance Company. These loans are still being serviced by the Company.

8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Notes	**2019**	2018
Deposits		**270**	270
Prepayments		**2,864**	3,587
Prepaid borrowing facility fees	*8.1*	**6,732**	1,200
Accrued Ijara income, net	*8.2*	**18,091**	11,322
Deferred Sales Commission		**7,509**	3,264
VAT rebate receivable from Ministry of Housing	*8.3*	**58,118**	--
Other receivables	*8.4, 20*	**17,532**	962
		111,116	20,605

8.1 This represents the facility fees paid for the acquisition of borrowing and will be amortised over the term of the facility.

8.2 The balance of accrued Ijara income as at 31 December 2019 and 2018 are as follows:

	2019	2018
Accrued Ijara income	**22,324**	11,322
Less: Impairment allowance for credit losses	**(4,233)**	--
Accrued Ijara income, net	**18,091**	11,322

The movement of the impairment allowance for credit losses relating to accrued Ijara income for the year ended 31 December 2019 is as follows:

	2019	2018
Balance as at 01 January	--	--
Charge for the year	**4,233**	--
Balance as at 31 December	**4,233**	--

8.3 This represents the receivable from Ministry of Housing (MoH) against the VAT payable by the Company on the portion of Ijara financing originated subject to VAT relief for first home buyers.

8.4 Other receivables includes cash collateral in respect of a letter of guarantee for SR 7.72 million issued in favour of GAZT. The guarantee is in relation to a portion of the appeal filed by the Company in relation to the penalties imposed by the GAZT (see note 20). Letters of guarantee covering the remaining penalties were issued subsequent to the end of the year.

9. INTANGIBLE ASSETS, NET

	2019	**2018**
	Computer Software	
Cost:		
As at 01 January	**6,583**	4,437
Additions during the year	**9,791**	2,146
As at 31 December	**16,374**	6,583
Amortization:		
As at 01 January	**2,340**	1,377
Charge for the year	**1,494**	963
As at 31 December	**3,834**	2,340
Net book value as at 31 December	**12,540**	4,243

10. PROPERTY AND EQUIPMENT, NET

	For the year ended 31 December 2019					
	Leasehold improvements	Office equipment	Furniture and fixtures	Computer equipment	Vehicles	Total
Cost:						
As at 1 January 2018	**4,141**	**228**	**833**	**5,604**	**395**	**11,201**
Additions	**--**	**20**	**66**	**1,328**	**385**	**1,799**
Disposals	**--**	**--**	**--**	**--**	**(395)**	**(395)**
As at 31 December 2019	**4,141**	**248**	**899**	**6,932**	**385**	**12,605**
Accumulated depreciation:						
As at 1 January 2018	**1,069**	**94**	**343**	**2,572**	**236**	**4,314**
Charge for the year	**414**	**47**	**144**	**1,188**	**79**	**1,872**
Disposals	**--**	**--**	**--**	**--**	**(270)**	**(270)**
As at 31 December 2019	**1,483**	**141**	**487**	**3,760**	**45**	**5,916**
Net book value as at 31 December 2019	**2,658**	**107**	**412**	**3,172**	**340**	**6,689**

10. PROPERTY AND EQUIPMENT, NET (CONTINUED)

	For the year ended 31 December 2018					
	Leasehold improvements	Office equipment	Furniture and fixtures	Computer equipment	Vehicles	Total
Cost:						
As at 1 January 2018	4,141	201	786	3,631	395	9,154
Additions	--	27	47	1,979	--	2,053
Disposals	--	--	--	(6)	--	(6)
As at 31 December 2018	4,141	228	833	5,604	395	11,201
Accumulated depreciation:						
As at 1 January 2018	551	50	208	1,597	158	2,564
Charge for the year	518	44	135	976	78	1,751
Disposals	--	--	--	(1)	--	(1)
As at 31 December 2018	1,069	94	343	2,572	236	4,314
Net book value as at 31 December 2018	3,072	134	490	3,032	159	6,887

11. FINANCING FACILITIES - SECURED

These include borrowings obtained from financial institutions based in the Kingdom of Saudi Arabia and are secured by the assignment of proceeds from certain Ijara receivables and pledge of title deeds of underlying real estate assets. These borrowings are revolving in nature and carry markup at commercial market rates, and are repayable during the year 2020.

12. SUKUK

During the year, the Company issued unsecured non-convertible unlisted sukuk amounting to SR 450 million (2018: SR 350 million) and repaid unlisted sukuk amounting to SR 250 million (2018: SR Nil). As at 31 December 2019, the remaining balance of such sukuk amounts to SR 550 million, out of such SR 250 million will mature in 2020 and the remaining SR 300 million will mature in 2021.

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Notes	**2019**	2018
Accounts payable		**26,417**	20,334
Down payment against Ijara financing	*13.1*	**12,196**	10,438
Accrued expenses		**12,681**	6,844
Directors' remuneration and meeting expenses	*19*	**1,909**	1,850
Deferred management fee		**--**	36
Deferred commission income		**13,326**	17,251
Payable to Ministry of Housing (MOH)	*13.2*	**316,224**	148,109
VAT payable to GAZT		**12,004**	--
Provision for penalties relating to VAT	*20*	**6,000**	--
		400,757	204,862

13.1 This pertains to down payment received by the Company against Ijara financing not executed as at the statement of financial position date.

13.2 This represents balance payable to MOH in relation to purchase of properties which are financed to Ijara receivables customers.

14. ZAKAT

During the year ended 31 December 2019, the Company filed its zakat declarations up until 31 December 2018, and acknowledgment certificates have been obtained. The Company is in the process of submitting its Zakat declaration with GAZT for the year ended 31 December 2019.

In 2018, the Company reached a settlement agreement with GAZT, which resulted in an overpayment of Zakat amounting to SAR 6.2 million for previous years. The settlement agreement requires the amount to be adjusted against the Zakat liability arising in future years. Accordingly, the Company has netted the Zakat liability for the year against the prepaid Zakat.

	2019	2018
Opening balance	**(5,426)**	**14,181**
Charge for the year	**2,713**	**823**
Reversals during the year	**--**	**(7,649)**
Zakat charge / (reversal) for the year, net	**2,713**	**(6,826)**
Payments during the year	**--**	**(12,781)**
Closing balance	**(2,713)**	**(5,426)**

15. SHARE CAPITAL

As at 31 December 2019, the authorised, issued and fully paid-up share capital of the Company was SR 900 million (31 December 2018: SR 900 million) divided into 90 million shares with a nominal value of SR 10 each, which is owned by the shareholders as follows:

Name of shareholders	Number of shares 000's	Holding percentage (%)	Amount SR'000
Public Investment Fund	20,000	22.2	200,000
Islamic Corporation for the Development of the Private Sector	18,000	20.0	180,000
Rashed & his Partner's for Development (RECO)*	15,300	17.0	153,000
Manafea International	10,000	11.1	100,000
The Arab Investment Company	10,000	11.1	100,000
Al Othaim Holding	10,000	11.1	100,000
El Khereji Investments Company	3,200	3.6	32,000
Mohammad bin AbdulAziz Al Rajhi & Sons	2,000	2.2	20,000
Jawahir Investment Company	1,500	1.7	15,000
	90,000	**100**	**900,000**

*formerly known as Rashed Abdul Rahman Al Rashed and Sons

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Salaries and employee related benefits	**33,152**	26,114
Professional fees	**5,724**	7,084
Directors' remuneration and meeting expenses (note 19)	**2,072**	1,972
IT expenses	**3,385**	3,880
Rent and premises related expenses	**1,426**	2,683
Other expenses	**10,402**	5,518
	56,161	47,251

17. SELLING AND MARKETING EXPENSES

	2019	2018
Advertising and marketing expense	**3,738**	3,074
Salaries and employee related expenses	**7,692**	5,624
Lease property evaluation and insurance	**5,511**	4,636
	16,941	13,334

18. EARNINGS PER SHARE – BASIC & DILUTED

Earnings per share is calculated by dividing net profit for the year by the weighted average number of shares (90 million shares) in issue during the year.

19. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the shareholders and their affiliated entities and certain key management personnel. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms. Key management personnel include the Chief Executive Officer ("CEO") and the personnel directly reporting to CEO. The entity with common key management referred to below is chaired by the CEO of the Company.

The significant transactions with related parties during the year and the related balances are as follows:

Name of related party	Nature of relationship	Nature of transaction	2019	2018
Naif Saleh Ali Al Hamdan	Chairman	Ijara financing	--	1,680
		Installment payment	**35**	25
Saudi Finance Lease Registry Company	Common key Management	Prepayment for contract services	**900**	--
		Expenses incurred on behalf of the Company	--	40
		Investment held at FVOCI	--	893
Abdul Aziz Al Omair	Director	Receivable in respect of transactions as custodian	--	332

The amounts of compensations recorded in favor of or paid to the Board of Directors and the executive management personnel during the year are as follows:

Name of related parties	Nature of transactions	2019	2018
Key Management Personnel	- Salaries and benefits	**6,836**	6,471
	- Provision for end of service employees' benefits	**363**	227
	- Directors' remuneration and meeting expenses	**2,072**	1,972

Name of related parties	Balance at the end of the year	2019	2018
Key Management Personnel	- Provision for end of service employees' benefits	**1,075**	712
	- Directors' remuneration and meeting expenses	**1,909**	1,850
Saudi Finance Lease Registry Company	- Prepayment for contract services	**889**	--
	- Investment held at FVOCI	**893**	893
Abdul Aziz Al Omair	- Receivable in respect of transactions as custodian	--	332
Naif Al Hamdan	- Chairman	**1,620**	1,655

20. CONTINGENCIES AND COMMITMENTS

Contingencies

During the year ended 31 December 2019, the GAZT has imposed penalties amounting to SR 23.98 million on the Company for late settlement of a portion of the VAT due from the Company covering the period from January 2018 to August 2019. The VAT in question relates to the first SR 850,000 of the purchase price of a home by a first time buyer which, under guidance issued by GAZT after the initial introduction of VAT, is required to be paid to GAZT by the lender and then reclaimed from Ministry of Housing.

The Company objected to this treatment on a number of grounds and declined to make such payments until such time as the process around the grossing up, settlement and subsequent reclaiming of such VAT was clarified. The process was clarified in a SAMA circular issued during August 2019. The Company subsequently agreed the amounts due in terms of the SAMA circular with GAZT and settled the resulting liability during December 2019.

The Company has formally appealed against the imposition of these penalties by GAZT. The Company believes that the appeal against the penalty will be successful on the basis that it has not acted unreasonably in this regard, that the VAT in question should not have been levied in the first instance, and that the penalty is retrospective given that the GAZT guidance and subsequent SAMA clarification only became effective after the assessment period.

The Company believes that its appeal against the imposition of these penalties will be successful. However, it recognizes that uncertainty exists regarding the eventual outcome of such appeal and that precedence exists for such matters to be settled by negotiation prior to the conclusion of the appeal process. Taking all potential outcomes and the uncertainty attached to each into consideration, the Company has determined that it would be prudent to provide against a portion of the penalties raised. It has therefore provided for an amount approximating 25% of the penalties claimed by GAZT.

Recognition of the remaining amount is contingent on the Company losing its appeal in this regard, or a change in the Company’s assessment of the likelihood of eventual outcome.

As required under the appeals procedure specified by the GAZT, the Company has submitted a bank guarantee for the items appealed against amounting to SR 7.72 million. An additional guarantee was issued by the Company in January 2020 amounting to SR 21.25 million for the penalties imposed by GAZT in December 2019.

Commitments

The Company has facilities approved but not utilized, indicative offers issued which are under consideration of the customers and due diligence in progress as of the reporting date which have the potential to convert into financing, amounting to SR 78.96 million (2018: SR 74.22 million).

As of 31 December 2019, the Company has a commitment of SR 391.76 million against the forward Ijara tranches payable to the developers of the properties.

Outstanding commitments will expire as follows:

Within three months	SR 74.7 million
Within three to six months	SR 68.6 million
Within six months to one year	SR 117.14 million
More than one year	SR 131.32 million

21. RISK MANAGEMENT

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Management Committee, which has the responsibility to monitor the overall risk process within the Company.

The Risk Management Committee is responsible for managing risk decisions, monitoring risk levels and reporting on a quarterly basis to the Board of Directors.

Credit risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to Ijara receivables. The lessees may fail to discharge their contractual obligations for a variety of reasons including change in borrower circumstances or a change in value of the underlying collateral. The Company has established procedures to identify and manage credit risk including evaluation of lessees' credit worthiness, formal credit approvals and obtaining collateral. Credit risk is identified and managed at inception of the lease contract as well as on an ongoing basis.

Management monitors the market value of collateral obtained during its review of the adequacy of the impairment allowance for credit losses. The Company regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice

The table below reflects the maximum exposure to credit risk on the financial assets at the reporting date:

	2019	2018
Bank balances and time deposits	**377,855**	14,430
Investments held at FVTPL	**--**	53,000
Ijara receivables	**1,796,753**	1,364,134
Deposits and other receivables	**94,011**	12,554
	2,268,619	1,444,118

The credit risks on gross amounts due in relation to the Ijara receivables which pertain to the borrower is mitigated at inception of the financing by assessing the borrowers' credit worthiness as well as the ability of the borrower to meet contractual obligations in the future. In addition to this the Company makes use of certain guarantees and insurances available in the market should any borrower in the future fail to meet their contractual obligations. The Company also obtains collateral against Ijara receivables.

21. RISK MANAGEMENT (CONTINUED)

In assessing a borrower's ability to meet their contractual obligations a number of factors are considered including the borrowers' monthly income, past credit behavior, monthly outgoings and indebtedness to other parties. The Company also recognizes that individual circumstances may change through the term of the lease and, as far as possible, avails itself of additional credit enhancements where these are available. This includes:

- Takaful cover on death or disability of the borrower which will settle a portion of the outstanding obligation. The Company ensures all borrowers are covered by Takaful.
- Mortgage Guarantee Scheme (MGS) available on qualifying borrowers which will pay 80% of the unpaid principal balance following 90 day default by the borrower.
- Subsidised Financing Programme (SFP) available on qualifying borrowers which subsidises a portion of their ongoing monthly commitments and drives continued good credit behavior by the borrower.
- Down Payment Guarantee Scheme (DPG), which provides qualifying borrowers with a portion of the down payment required to qualify for financing. This enhances the borrowers' ability to repay contractual obligations in the future, as less of their own resources are absorbed by the down payment.

The portion of Ijara receivables covered by the above credit enhancement tools is as follows:

	2019	2018
Mortgage Guarantee Scheme	**419,876**	150,332
Subsidised Financing Programme	**270,018**	262,366
Down Payment Guarantee Scheme	**32,718**	13,733
Covered by one or more of above	**219,829**	262,366

In assessing the value of collateral which will be relied on to settle unpaid obligations following default by the borrower, the Company obtains an independent view of the value of the collateral from a minimum of two suitably qualified, and unconnected, appraisers. The Company also considers the actual price paid by the borrower and utilizes a combination of all three to derive a considered value for each property. The Company then advances financing up to a certain value of the considered value, taking into account its overall assessment of credit risk.

In monitoring ongoing credit risk, the Company follows a credit classification mechanism, as a tool to manage the quality of credit risk of the financed Ijara. The credit classification differentiates between performing and impaired portfolios, and allocates provisions accordingly.

21. RISK MANAGEMENT (CONTINUED)

i. Credit quality analysis

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

	12 month ECL		
Ijara receivables	**Stage 1 Gross carrying amounts**	**12 Month ECL**	**Stage 1 Net carrying amounts**
Unrated	**1,627,106**	**937**	**1,626,169**
Total	**1,627,106**	**937**	**1,626,169**

	Lifetime ECL (not credit impaired)		
Ijara receivables	**Stage 2 Gross carrying amounts**	**Lifetime ECL (not credit impaired)**	**Stage 2 Net carrying amounts**
Unrated	**44,538**	**1,125**	**43,413**
Total	**44,538**	**1,125**	**43,413**

	Lifetime ECL (credit impaired)		
Ijara receivables	**Stage 3 Gross Carrying amounts**	**Lifetime ECL (credit impaired)**	**Stage 3 Net Carrying amounts**
Unrated	**125,109**	**7,123**	**117,986**
Total	**125,109**	**7,123**	**117,986**

	Lifetime ECL (credit impaired)		
Accrued Ijara income	**Stage 3 Gross Carrying amounts**	**Lifetime ECL (credit impaired)**	**Stage 3 Net Carrying amounts**
Unrated	**22,324**	**4,233**	**18,091**
Total	**22,324**	**4,233**	**18,091**

21. RISK MANAGEMENT (CONTINUED)

i. ECL – Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

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

ii. Generating the term structure of PD

The Company employs statistical models to analyze historical performance and default information to generate PD estimates, including how these estimates are expected to change with the passage of time. Statistical models are employed for the Company’s Ijara receivables exposures, whereby the primary inputs are days past due (DPD). In addition, the Company incorporates forward-looking information into generating forward-looking PDs. Based on external actual and forecasted data, the Company’s analysis takes into account the identification and calibration of relationships between default rates and country-specific macroeconomic information.

iii. Determining whether credit risk has increased significantly

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

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due.

21. RISK MANAGEMENT (CONTINUED)

The Company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Company recognises an allowance based on the 12-month ECL and profit is calculated on the gross carrying amount of the asset (i.e. without deduction of credit allowances. All accounts at origination would be classified as Stage 1.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired (i.e. there is no objective evidence of impairment), the Company recognises an allowance for the lifetime ECL.

With respect to the portfolio held by the Company, all the exposures are moved to stage 2 where the customer is Days Past Due (DPD) 30 days or more (Principal or profit payments) as of 31 December 2019.

Stage 3: for credit-impaired (i.e. there is objective evidence of impairment at reporting date) financial instruments, the Company recognises the lifetime ECL. Default identification process i.e. DPD of 90 days more (obligors already defaulted) is used as stage 3.

iv. Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The revised terms usually include extending the maturity or changing the timing of profit payments.

v. 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, without recourse by the Company to actions such as realizing security; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

21. RISK MANAGEMENT (CONTINUED)

vi. Incorporation of forward looking information

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

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2019 included the following key economic data points:

-Unemployment rates
-Net financing
-GDP growth
-Oil prices

vii. Measurement of ECL

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

i. probability of default (PD);
ii. loss given default (LGD);
iii. exposure at default (EAD).

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

PD estimates are estimates at a certain date, which are calculated based on statistical models (loss rate estimation method), and assessed to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between DPD buckets, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. Due to the size of the Company’s portfolio, there is insufficient historical LGD data to derive statistically reliable LGD estimates. Therefore, the Company benchmarks LGD to regulator guidelines (i.e. 50% for its unsecured exposures). The Company applied a hair cut of 25% for Real Estate Collateral.

21. RISK MANAGEMENT (CONTINUED)

Going forward, subject to availability of adequate recovery data, the Company shall revise the LGD estimation methodology in line with IFRS 9 requirements.

Where the exposure is 100% or more collateralized (i.e. the value of the collateral after haircut is equal to or greater than the exposure), the Company imposes a LGD floor (recovery cap) of 2% for Real Estate. Floor is determined based on management judgment.

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 a financial asset is its gross carrying amount.

Subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrowers' extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer year. The maximum contractual period extends to the date at which the Company has the right to require settlement of the financing.

Collateral

The Company in the ordinary course of financing activities holds collateral as security to mitigate credit risk in the Ijara receivables. These collaterals mostly include promissory notes and real estate titles. The collaterals are held mainly against Ijara receivables, and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting date, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

Loss allowance

The following table shows reconciliations from the opening to the closing balance of the loss allowance of Ijara receivables and accrued Ijara income.

	31 December 2019			
	12 month ECL	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Balance at 1 January 2018	**2,302**	**2,751**	**2,600**	**7,653**
Transfer to 12-month ECL	**110**	**(77)**	**(33)**	**--**
Transfer to lifetime ECL not credit impaired	**(667)**	**708**	**(41)**	**--**
Transfer to lifetime ECL-credit impaired	**(1,141)**	**(1,300)**	**2,441**	**--**
Write off	**--**	**--**	**(1,194)**	**(1,194)**
Net charge for the period	**333**	**(957)**	**7,583**	**6,959**
Balance as at 31 December 2019	**937**	**1,125**	**11,356**	**13,418**

21. RISK MANAGEMENT (CONTINUED)

	31 December 2018			
	12 month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
Balance at 1 January 2018	1,240	2,333	2,461	6,034
Transfer to 12-month ECL	70	(68)	(2)	--
Transfer to lifetime ECL not credit impaired	(1,585)	1,585	--	--
Transfer to lifetime ECL-credit impaired	(958)	(649)	1,607	--
Net charge for the period	3,535	(450)	(1,466)	1,619
Balance as at 31 December 2018	2,302	2,751	2,600	7,653

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company monitors and manages the liquidity structure of its assets and liabilities to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements.

The tables below summarize the maturity profile of the Company's financial assets and liabilities on discounted cash flows, on the basis of the remaining contractual maturity as of the statement of financial position date to the contractual maturity date.

31 December 2019	**Carrying value**	**Up to three months**	**More than three months and less than one year**	**More than one and less than five years**	**Over five years**	**No fixed maturity**	**Total**
Financial Assets							
Cash and cash equivalents	**377,860**	**340,000**	--	--	--	**37,860**	**377,860**
Investments at FVOCI	**893**	--	--	--	--	**893**	**893**
Ijara receivables	**1,796,753**	**15,799**	**53,078**	**173,819**	**1,554,057**	--	**1,796,753**
Deposits and other receivables	**94,011**	**25,077**	--	--	--	**68,934**	**94,011**
	2,269,517	**380,876**	**53,078**	**173,819**	**1,554,057**	**107,687**	**2,269,517**
Financial Liabilities							
Financing facilities - secured	**500,000**	**500,000**	--	--	--	--	**500,000**
Sukuk	**550,000**	--	**250,000**	**300,000**	--	--	**550,000**
Finance lease liability	**1,196**	--	**1,196**	--	--	--	**1,196**
Accrued expenses and other current liabilities	**369,427**	**53,203**	--	--	--	**316,224**	**369,427**
	1,420,623	**553,203**	**251,196**	**300,000**	**-**	**316,224**	**1,420,623**
Gap	**848,894**	**(172,327)**	**(198,118)**	**(126,181)**	**1,554,057**	**(208,537)**	**848,894**

21. RISK MANAGEMENT (CONTINUED)

31 December 2018	Carrying value	Up to three months	More than three months and less than one year	More than one and less than five years	Over five years	No fixed maturity	Total
Financial Assets							
Cash and cash equivalents	14,440	--	--	--	--	14,440	14,440
Investments at FVTPL	53,000	--	--	--	--	53,000	53,000
Investments at FVOCI	893	--	--	--	--	893	893
Ijara receivables	1,364,134	14,523	31,335	96,836	1,221,441	--	1,364,135
Deposits and other receivables	12,554	--	--	--	--	12,554	12,554
	1,445,021	14,523	31,335	96,836	1,221,441	80,887	1,445,022
Financial Liabilities							
Financing facilities - secured	70,000	70,000	--	--	--	--	70,000
Sukuk	350,000	--	250,000	100,000	--	--	350,000
Accrued expenses and other current liabilities	187,575	39,466	--	--	--	148,109	187,575
	607,575	109,466	250,000	100,000	--	148,109	607,575
Gap	837,446	(94,943)	(218,665)	(3,164)	1,221,441	(67,222)	837,447

The following table discloses the maturity of financial liabilities on undiscounted cash flows:

31 December 2019	**Carrying value**	**Up to three months**	**More than three months and up to one year**	**More than one year and up to five years**	**No fixed maturity**	**Total**
Financing facilities -secured	**500,000**	**504,803**	**--**	**--**	**--**	**504,803**
Sukuk	**550,000**	**6,590**	**267,784**	**365,167**	**--**	**639,541**
Finance lease liability	**1,196**	**--**	**1,196**	**--**	**--**	**1,196**
Accrued expenses & other current liabilities	**369,427**	**53,203**	**--**	**--**	**316,224**	**369,427**
31 December 2019	**1,420,623**	**564,596**	**268,980**	**365,167**	**316,224**	**1,514,967**

31 December 2018	Carrying value	Up to three months	More than three months and up to one year	More than one year and up to five years	No fixed maturity	Total
Financing facilities - secured	70,000	70,584	--	--	--	70,584
Sukuk	350,000	3,424	257,911	101,110	--	362,445
Accrued expenses & other current liabilities	187,575	39,466	--	--	148,109	187,575
31 December 2018	607,575	113,474	257,911	101,110	148,109	620,604

Market risk

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as special commission rates and foreign exchange rates. Market risk can be categorised into profit rate risk, equity price risk and currency risk as follows:

21. RISK MANAGEMENT (CONTINUED)

Profit rate risk

Profit rate risk is the uncertainty of future earnings resulting from fluctuations in 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 rate risk at the date in the statement of financial position are the Company's Ijara receivables and investment activities, where fluctuations in profit rates, if any, are reflected in the results of operations.

The following table depicts the sensitivity to a reasonably possible change in profit rates, with other variables held constant, on the Company's profit or loss. The sensitivity of income is the effect of the assumed changes in profit rates on the Ijara income for one year, based on the floating rate non-trading financial assets.

Currency (SR'000)	Increase in basis points	Sensitivity of profit or loss	Up to three months	More than three months and up to one year	More than one year and up to five years	Over five years
31 December 2019	**+/- 25**	**4,492**	**39**	**132**	**434**	**3,885**
31 December 2018	+/- 25	3,410	18	96	370	2,926

The Company is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given year.

The table below summarises the Company's exposure to profit rate risks. Included in the table are the Company's financial instruments at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

		31 December 2019					
	Carrying value	**Up to three months**	**More than three months and up to one year**	**More than one year and up to five years**	**Over five years**	**No fixed maturity**	**Total**
Assets							
Bank balances	**377,860**	**340,000**	**--**	**--**	**--**	**37,860**	**377,860**
Investments held at FVOCI	**893**	**--**	**--**	**--**	**--**	**893**	**893**
Ijara receivables	**1,796,753**	**181,722**	**1,615,031**	**--**	**--**	**--**	**1,796,753**
Deposits and other receivables	**94,011**	**25,077**	**--**	**--**	**--**	**68,934**	**94,011**
	2,269,517	**546,799**	**1,615,031**	**--**	**--**	**107,687**	**2,269,517**
Liabilities							
Financing facilities - secured	**500,000**	**500,000**	**--**	**--**	**--**	**--**	**500,000**
Sukuk	**550,000**	**--**	**250,000**	**300,000**	**--**	**--**	**550,000**
Finance lease liability	**1,196**	**--**	**1,196**	**--**	**--**	**--**	**1,196**
Accrued expenses and other current liabilities	**369,427**	**53,203**	**--**	**--**	**--**	**316,224**	**369,427**
	1,420,623	**553,203**	**251,196**	**300,000**	**--**	**316,224**	**1,420,623**
Gap	**848,894**	**(6,404)**	**1,363,835**	**(300,000)**	**--**	**(208,537)**	**848,894**

21. RISK MANAGEMENT (CONTINUED)

		31 December 2018					
	Carrying value	Up to three months	More than three months and up to one year	More than one year and up to five years	Over five years	No fixed maturity	Total
Assets							
Cash and cash equivalents	14,440	--	--	--	--	14,440	14,440
Investments held at FVTPL	53,000	--	--	--	--	53,000	53,000
Investments held at FVOCI	893	--	--	--	--	893	893
Ijara receivables	1,364,134	17,906	1,346,228	--	--	--	1,364,134
Deposits and other receivables	12,554	--	--	--	--	12,554	12,554
	1,445,021	17,906	1,346,228	--	--	80,887	1,445,021
Liabilities							
Financing facilities - secured	70,000	70,000	--	--	--	--	70,000
Sukuk	350,000	--	250,000	100,000	--	--	350,000
Accrued expenses and other current liabilities	187,575	39,466	--	--	--	148,109	187,575
	607,575	109,466	250,000	100,000	--	148,109	607,575
Gap	837,446	(91,560)	1,096,228	(100,000)	--	(67,222)	837,446

Equity Price Risk

Equity risk refers to the risk of a decrease in fair values of equities in the Company's non-trading investment portfolio as a result of reasonably possible changes in levels of equity indices and the value of individual stocks.

The effect on the Company's equity investments held in mutual funds due to a reasonably possible change in prices, with all other variables held constant, is as follows:

	Mutual funds	
	Change in Equity price %	**Effect**
31 December 2019	**+ /- 5**	**Nil**
31 December 2018	+ /- 5	+ /- 2,650

Currency risk

Currency risk is the risk that the value of financial instruments may fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company is not exposed to significant currency risk as most of its transactions are in the local currency.

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, held to maturity investments, available-for-sale investments and other receivables. Financial liabilities consist of accrued expenses and other liabilities payable.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- 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.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The following table shows the carrying amounts and fair values of financial instruments, including their levels in the fair value hierarchy:

	31 December 2019				
Financial assets at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments at FVOCI	**893**	**--**	**--**	**893**	**893**

22. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2018				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value					
Investments at FVTPL	53,000	--	53,000	--	53,000
Investments at FVOCI	893	--	--	893	893

	31 December 2019				
Financial assets not measured at fair value	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and bank balance	**377,860**	**377,860**	**--**	**--**	**377,860**
Ijara receivables, net	**1,796,753**	**--**	**--**	**1,474,775**	**1,474,775**
Deposits and other receivables	**94,011**			**94,011**	**94,011**
	2,268,624	**377,860**	**--**	**1,568,786**	**1,946,646**

	31 December 2018				
Financial assets not measured at fair value	Carrying value	Level 1	Level 2	Level 3	Total
Cash and bank balance	14,440	14,440	--	--	14,440
Ijara receivables, net	1,356,481	--	--	1,245,873	1,245,873
Deposits and other receivables	12,554	--	--	12,554	12,554
	1,383,475	14,440	--	1,258,427	1,272,867

	31 December 2019				
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities not measured at fair value					
Financing facilities - secured	**500,000**	**--**	**--**	**500,000**	**500,000**
Sukuk	**550,000**	**--**	**--**	**523,504**	**523,504**
Finance lease liability	**1,196**	**--**	**--**	**1,196**	**1,196**
Accrued expenses and other current liabilities	**369,427**	**--**	**--**	**369,427**	**369,427**
	1,420,623	**--**	**--**	**1,394,127**	**1,394,127**

22. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2018				
	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value					
Financing facilities – secured	70,000	--	--	70,000	70,000
Sukuk	350,000	--	--	350,000	350,000
Accrued expenses and other current liabilities	187,575	--	--	187,575	187,575
	607,575	--	--	607,575	607,575

The following table shows a reconciliation from the beginning balances to the ending balances for the fair value measurement in level 3 of the fair value hierarchy.

	Opening	**Purchase**	**Sale**	**Closing**
2019	**893**	--	--	**893**
2018	893	--	--	893

Sensitivity Analysis

For the fair value of level 3 investments, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	2019	2018
Investments held at fair value through income statement		
Impact on unrealized gain for the year ended:		
If increased by 1%	**9**	9
If decreased by 1%	**9**	9

The fair value of Ijara receivables is based on actual cash flows discounted by the average year end internal rate of return, and is not evidenced by a quoted price in an active market for an identical asset or based on a valuation technique that uses only data from observable markets, hence the fair value of Ijara receivables is classified under level 3.

During the year ended 31 December 2019, there were no transfers into or out of Level 3.

22. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with the advantages afforded by a sound capital position.

23. SEGMENT INFORMATION

The Company's objective is to provide financing for real estate leases in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the statement of financial position and statement of profit or loss belongs to the real estate financing segment.

24. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not early adopted the following new IFRS and amendments to IFRS effective for annual years beginning on or after 1 January 2019:

	Effective for annual years beginning on or after
Amendments to references to conceptual framework in IFRS standards	1 January 2020
Definition of Material (amendments to IAS 1 and IAS 8)	1 January 2020

These standards, once adopted, are not expected to have any impact on the Company's financial statements amounts or presentation.

25. APPROVAL OF FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved for issue by the Board of Directors on 2 Rajab 1441H (corresponding to 26 February 2020).