

**SIMAH RATING AGENCY**  
(A Saudi Limited Liability Company)  
**Financial Statements**  
**For the year ended 31 December 2021**  
together with the  
**Independent Auditor's Report**

**SIMAH RATING AGENCY**  
(A Saudi Limited Liability Company)  
**Financial Statements**  
**For the year ended 31 December 2021**

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## KPMG Professional Services

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Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent Auditor's Report

To the Shareholder of Simah Rating Agency

## Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

## Basis for Opinion

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

## Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's Articles of Association or 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, the Board of Directors are responsible for overseeing the Company's financial reporting process.

# Independent Auditor's Report

To the Shareholder of Simah Rating Agency (continued)

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We communicate with the 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 Simah Rating Agency ("the Company").

### KPMG Professional Services



**Hani Hamzah A. Bedairi**  
License No: 460



Riyadh, 29 March 2022  
Corresponding to: 26 Sha'ban 1443H

**SIMAH RATING AGENCY**  
**(A Saudi Limited Liability Company)**  
**Statement of financial position**  
**As at 31 December 2021**  
(Saudi Riyals)

	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	(8)	2,791	4,666
Intangible assets	(9)	1,876	70,724
Right of use asset	(11)	385,863	771,321
		<u>390,530</u>	<u>846,711</u>
<b>Current assets</b>			
Cash and cash equivalent	(6)	19,777,491	10,368,117
Trade receivable and other current assets	(7)	994,667	1,234,962
		<u>20,772,158</u>	<u>11,603,079</u>
<b>Total assets</b>		<u>21,162,688</u>	<u>12,449,790</u>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital		5,000,000	5,000,000
Statutory reserve	(13)	792,121	274,838
Retained earnings		6,988,143	2,229,933
<b>Total shareholders' equity</b>		<u>12,780,264</u>	<u>7,504,771</u>
<b>Non-current liabilities</b>			
Employees' end of service benefits	(14)	571,492	828,152
Lease liability	(11)	--	385,459
		<u>571,492</u>	<u>1,213,611</u>
<b>Current liabilities</b>			
Due to a related party	(10)	477,563	566,971
Accrued expenses and other liabilities		2,403,753	1,152,699
Unearned revenue		3,963,109	1,240,900
Lease liability	(11)	385,459	401,090
Zakat and income tax provision	(12)	581,048	369,748
		<u>7,810,932</u>	<u>3,731,408</u>
<b>Total liabilities</b>		<u>8,382,424</u>	<u>4,945,019</u>
<b>Total shareholders' equity and liabilities</b>		<u>21,162,688</u>	<u>12,449,790</u>

The notes from (1) to (19) form an integral part of these financial statements

**SIMAH RATING AGENCY**  
**(A Saudi Limited Liability Company)**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2021**  
(Saudi Riyals)

	Note	<b>31 December 2021</b>	31 December 2020
Revenue from contracts with customers		<b>23,818,794</b>	11,514,100
		<b>23,818,794</b>	11,514,100
General and administrative expenses	(15)	<b>(18,008,702)</b>	(8,762,229)
Impairment loss on accounts receivable	(7)	<b>(99,367)</b>	(190,137)
<b>Operating profit</b>		<b>5,710,725</b>	2,561,734
Finance cost		<b>(15,632)</b>	(30,054)
<b>Profit for the year before zakat and income tax</b>		<b>5,695,093</b>	2,531,680
Zakat and income tax	(12)	<b>(522,266)</b>	(336,814)
<b>Profit for the year</b>		<b>5,172,827</b>	2,194,866
<b>Other comprehensive income /(loss) :</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Re-measurement gain / (loss) on end of service benefits	(14)	<b>102,666</b>	(37,955)
<b>Total comprehensive income for the year</b>		<b>5,275,493</b>	2,156,911

The notes from (1) to (19) form an integral part of these financial statements

**SIMAH RATING AGENCY**  
**(A Saudi Limited Liability Company)**  
**Statement of changes in shareholders' equity**  
**For the year ended 31 December 2021**  
(Saudi Riyals)

	<u>Share Capital</u>	<u>Statutory Reserve</u>	<u>Retained earnings / (Accumulated losses)</u>	<u>Total</u>
<b>Balance at 1 January 2020</b>	5,000,000	55,351	292,509	5,347,860
Profit for the year	--	--	2,194,866	2,194,866
Other comprehensive loss for the year	--	--	(37,955)	(37,955)
<b>Total comprehensive income for the year</b>	--	--	2,156,911	2,156,911
Transfer to statutory reserve	--	219,487	(219,487)	--
<b>Balance at 1 January 2021</b>	<b>5,000,000</b>	<b>274,838</b>	<b>2,229,933</b>	<b>7,504,771</b>
Profit for the year	--	--	5,172,827	5,172,827
Other comprehensive income for the year	--	--	102,666	102,666
<b>Total comprehensive income for the year</b>	--	--	5,275,493	5,275,493
Transfer to statutory reserve	--	517,283	(517,283)	--
<b>Balance at 31 December 2021</b>	<b>5,000,000</b>	<b>792,121</b>	<b>6,988,143</b>	<b>12,780,264</b>

The notes from (1) to (19) form an integral part of these financial statements

**SIMAH RATING AGENCY**  
**(A Saudi Limited Liability Company)**  
**Statement of cash flows**  
**For the year ended 31 December 2021**  
(Saudi Riyals)

	<u>Note</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
<b>Cash flow from operating activities</b>			
Profit for the year before zakat and income tax		5,695,093	2,531,680
Depreciation of fixed assets	8	1,875	4,078
Depreciation of right of use assets	11	385,458	364,291
Amortisation of intangible assets	9	68,848	89,602
End of service benefits provision	14	194,728	185,184
Impairment provision of accounts receivable	7	99,367	190,137
Finance cost		15,632	30,054
Cash flows from operating activities before changes in working capital		<u>6,461,001</u>	<u>3,395,026</u>
<b>Changes in working capital:</b>			
Trade receivables and other current assets		140,928	(705,060)
Accrued expenses and other liabilities		1,251,054	828,749
Due to a related party		(89,408)	517,471
Unearned revenue		<u>2,722,209</u>	<u>(888,651)</u>
<b>Cash generated from operations</b>		<b>10,485,784</b>	<b>3,147,535</b>
End of service benefits paid	14	(348,722)	(52,875)
Finance cost paid		(15,632)	(30,054)
Zakat paid	12	<u>(310,966)</u>	<u>(176,766)</u>
<b>Net cash generated from operating activities</b>		<b><u>9,810,464</u></b>	<b><u>2,887,840</u></b>
<b>Cash flow from financing activity</b>			
Lease liability paid		<u>(401,090)</u>	<u>(371,033)</u>
<b>Net cash flows used in financing activity</b>		<b><u>(401,090)</u></b>	<b><u>(371,033)</u></b>
<b>Net change in cash and cash equivalents</b>		<b>9,409,374</b>	<b>2,516,807</b>
Cash and cash equivalents at beginning of the year		<u>10,368,117</u>	<u>7,851,310</u>
<b>Cash and cash equivalents at the end of year</b>	6	<b><u>19,777,491</u></b>	<b><u>10,368,117</u></b>

The notes from (1) to (19) form an integral part of these financial statements



**SIMAH RATING AGENCY**  
**(A Saudi Limited Liability Company)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**1 REPORTING ENTITY**

Simah Rating Agency (the Company) is a limited liability company registered in Saudi Arabia on Shaban 4, 1437H (corresponding to May 11, 2016) under commercial registration No. 1010461157. The address of the company's head office is B3 Low Rise, Granada Business Park, 6<sup>th</sup> floor, P.O. Box 8859, Riyadh, Saudi Arabia.

The Company is a wholly owned subsidiary of Saudi Company for Credit Information (SIMAH) (the Parent Company) which is a Saudi closed joint Stock Company and is involved in providing credit information service to investors and shareholders.

The Company is established as a limited liability company which is engaged in providing credit rating services under the Capital Market Authority Approval No. (R/16/146/6/1). The Company obtained license No. 08-15001 from the Capital Market Authority to commence its activity on December 29, 2016.

**2 BASIS OF PREPARATION**

**2.1 Statement of Compliance**

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

**2.2 Basis of measurement**

The financial statements have been prepared on a historical cost basis except for the defined benefit plan which is measured at present value of future obligations using Projected Unit Credit Method. Further, the financial statements are prepared using the accrual basis of accounting and going concern concept.

The ongoing outbreak of the coronavirus disease 2019 (COVID-19) was declared a pandemic by the World Health Organization in March 2020. The Company's operation remain largely unaffected by the outbreak and the Company continues to operate while considering the health and safety of the workforce. However, as the COVID-19 outbreak continues to evolve with second wave being witnessed, and vaccines rollout is in progress it is still difficult to forecast its full extent and duration of the economic impact as of now. The management is continuously monitoring the situation and its impact on the operation and financial position and is not aware of any factors that are expected to change the impact of the pandemic on the Company's operation during 2021 or beyond.

**3 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and the company presentation currency. All amounts have been rounded to the nearest Saudi Riyal, unless otherwise indicated.

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**4. USE OF ESTIMATES AND JUDGEMENTS**

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

**A. Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Note 5: Leases

**B. Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period is included in the following notes:

- Note 5 and 14: Measurement of defined benefit obligations: key actuarial assumptions;
- Notes 5, 8 and 9: Estimated useful lives of property and equipment and intangible assets; and
- Note 5 and 7: Measurement of expected credit loss

**5 SIGNIFICANT ACCOUNTING POLICIES**

- a) Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements.

<b>Effective date</b>	<b>New standards or amendments</b>
1 January 2022	<i>Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)</i>
	<i>Annual improvements to IFRS Standards 2018 - 2020</i>
	<i>Property, plant and equipment: Proceeds before intended use (amendments to IAS 16)</i>
	<i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>
1 January 2023	<i>Classification of liabilities as current or non-current (amendments to IAS 1)</i>
	<i>IFRS 17 Insurance contracts</i>
	<i>Disclosure of accounting policies (amendments to IAS 1)</i>
	<i>Definition of accounting estimates (amendments to IAS 8)</i>
	<i>Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12)</i>

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- b) Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2021, however the amendments do not have a significant effect of the Company's financial statements.

<b>Effective date</b>	<b>New standards or amendments</b>
1 January 2021	<i>Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</i>
1 April 2021	<i>COVID-19 Related rent concessions (amendment to IFRS 16)</i>

A fundamental review and reform of major profit rate benchmarks is being undertaken globally. The International Accounting Standards Board (“IASB”) has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address the issues that might affect financial reporting after the reform of a profit rate benchmark.

Interest Rate Benchmark Reform – Phase 2 relates to the replacement of benchmark rates (IBORs) with alternative risk-free rates (RFRs). These amendments address issues that arise from the implementation of the reforms. The Phase 2 amendments provide temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

The phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective interest rate, resulting in no immediate profit or loss impact. This applies only when the change is necessary as a direct consequence, of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

**Revenue recognition**

Revenue may either be recognized on an “over-time” (OT) basis or a “point-in-time” (PIT) basis. Following paragraphs provide information about the nature and timing of the satisfaction of performance obligations in each of the above methods, criteria for using a particular method and related revenue recognition policies.

Revenue from services primarily comprises fees charged for companies/instruments related to obtaining a rating to assess their financial status and solvency.

Under IFRS 15, the Company assessed that there is only one performance obligations in a contract for consumer credit report usage services, because its promises to transfer services that are not capable of being distinct.

Under IFRS 15, the Company concluded that revenue from commercial credit report services will be recognized over-time as the performance obligation is being performed in phases.

**SIMAH RATING AGENCY**  
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(Saudi Riyals)

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leasing**

The determination of whether a contract contains a lease based on the substance of the arrangement at the inception date. The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

**Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy)

**Foreign currency translation**

Transactions in foreign currencies are converted to Saudi Riyal at the exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to Saudi Riyals at the rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the statement of profit or loss.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Employee benefits and post-employment benefits**

*Short term obligations*

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

*Post-employment obligation (defined benefit plan)*

Company's gratuity scheme is categorized as a defined benefit plan. This plan is not funded. The Company's obligation in respect of the said defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses, are recognized immediately in OCI. The Company determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognized in the statement of profit or loss.

**Employee benefits and post-employment benefits (Continued)**

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the statement of profit or loss. The Company recognizes gains and losses on the settlement of the defined benefit plan when the settlement occurs.

**Zakat and income tax**

Zakat is calculated in accordance with zakat regulations issued by the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia ("ZATCA"). The income tax provision for foreign companies is calculated in the financial statements in accordance with the tax regulations of the countries in which they operate. Adjustments resulting from final zakat and foreign exchange are accounted for during the financial year in which the final assessment is issued.

Income tax expense or tax credit represents taxable income in the taxable period in accordance with the applicable income tax rate for each range adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unutilized tax losses.

Current income tax expense is calculated on the basis of applicable tax laws or which will be applied effectively at the end of the reporting period in the countries in which the subsidiaries and associates of the Company operate and earn taxable income. The administration periodically evaluates tax assessments for cases in which the applicable tax regulations are subject to interpretation.

Provisions are made on the basis of amounts expected to be paid to tax authorities.

**SIMAH RATING AGENCY**  
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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and equipment**

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. When spare parts are expected to be used during more than one period, then they are accounted for as property and equipment.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Company applies the following annual rates of depreciation to its property and equipment:

Office furniture and equipment	6 years
Computers hardware and software	5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Capital work in progress is stated at cost until the construction or installation is complete. Upon the completion of construction or installation, the cost of such assets together with cost directly attributable to construction or installation, including capitalized borrowing cost, are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. The cost of intangible assets acquired in a business combination is their fair value at the effective date of the business combination. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets, which comprises software, are amortized over a period of 4-6 years.

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impairment of non-financial assets**

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

Impairment losses of continuing operations are recognized in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank balances and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents for the purpose of cashflows includes bank overdraft.

**Financial instruments**

**Recognition and initial measurement**

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

**Classification and subsequent measurement**

Financial assets

On initial recognition, a financial asset is classified as: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – equity investment; or FVTPL.

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

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

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

Financial assets: Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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



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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

**Classification and subsequent measurement (continued)**

**Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Company considers:

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

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

**Financial assets: Subsequent measurement and gains and losses**

**Financial assets at FVTPL**      These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the statement of profit or loss.

**Financial assets at amortized cost**      These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement profit or loss. Any gain or loss on derecognition is recognized in the statement of profit or loss.

**Equity investments at FVOCI**      These assets are subsequently measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

**Classification and subsequent measurement (continued)**

**Financial liabilities:**

**Classification, subsequent measurement and gains and losses**

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

**Derecognition**

**Financial assets**

The Company derecognises 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.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

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

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

**Offsetting**

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

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

**Impairment of financial instruments**

**Financial instruments and contract assets**

The Company recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

Loss allowances for trade receivables with or without significant financing component are always measured at an amount equal to lifetime ECL.

Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12-month ECL.

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

**Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI 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 being more than 360 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for a security because of financial difficulties.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

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**5 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial instruments (continued)**

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. 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.

**Provisions**

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**6 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise as follow:

	<b>31 December 2021</b>	31 December 2020
Cash at bank	<u>19,777,491</u>	<u>10,368,117</u>
	<u>19,777,491</u>	<u>10,368,117</u>

**7 TRADE RECEIVABLE AND OTHER CURRENT ASSETS**

Accounts receivable comprised as follow:

	<b>31 December 2021</b>	31 December 2020
Trade receivable	<b>785,470</b>	960,800
Prepaid insurance	<b>121,236</b>	117,184
Others	<u>377,465</u>	<u>347,115</u>
	<b>1,284,171</b>	1,425,099
Less:		
Impairment losses on accounts receivables	<u>(289,504)</u>	<u>(190,137)</u>
	<u>994,667</u>	<u>1,234,962</u>

The movement of impairment on accounts receivable during the year is as follows:

	<b>31 December 2021</b>	31 December 2020
Balance at the beginning of the year	<b>190,137</b>	--
Provision for the year	<u>99,367</u>	<u>190,137</u>
	<u>289,504</u>	<u>190,137</u>

Exposure to credit risk and impairment loss is included in note 16.

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**8 PROPERTY AND EQUIPMENT**

Property and equipment comprise as follow:

	<b>Office furniture and fixtures</b>	<b>Office equipment</b>	<b>Total</b>
<b><u>Cost</u></b>			
At 1 January 2020	9,639	20,964	30,603
Addition during the year	--	--	--
At 31 December 2020	9,639	20,964	30,603
<b>At 1 January 2021</b>	<b>9,639</b>	<b>20,964</b>	<b>30,603</b>
<b>Addition during the year</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>At 31 December 2021</b>	<b>9,639</b>	<b>20,964</b>	<b>30,603</b>
<b><u>Accumulated depreciation</u></b>			
At 1 January 2020	3,636	18,223	21,859
Depreciation	1,607	2,471	4,078
At 31 December 2020	5,243	20,694	25,937
<b>At 1 January 2021</b>	<b>5,243</b>	<b>20,694</b>	<b>25,937</b>
<b>Depreciation</b>	<b>1,607</b>	<b>268</b>	<b>1,875</b>
<b>At 31 December 2021</b>	<b>6,850</b>	<b>20,962</b>	<b>27,812</b>
<b><u>Net book value</u></b>			
<b>At December 31, 2021</b>	<b>2,789</b>	<b>2</b>	<b>2,791</b>
At December 31, 2020	4,396	270	4,666

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**9 INTANGIBLE ASSETS**

Intangible assets comprise as follow:

	<b>31 December 2021</b>	31 December 2020
<b><u>Cost</u></b>		
Balance at beginning of year	<b>358,409</b>	358,409
Addition during the year	--	--
Balance at end of year	<b>358,409</b>	358,409
<b><u>Amortization</u></b>		
Balance at beginning of year	<b>287,685</b>	198,083
Amortization	<b>68,848</b>	89,602
Balance at end of year	<b>356,533</b>	287,685
	<b>1,876</b>	70,724

**10 RELATED PARTIES' TRANSACTIONS**

The related parties consist of the parent company and key management personnel. The pricing policies and guidelines of the transactions have been agreed upon from the board of directors in the normal business operations.

<b>Name</b>	<b>Relationship</b>
The Saudi Company for Credit Information, SIMAH	Parent Company

The significant transactions with the parent company during the year is as follows:

	<b>31 December 2021</b>	31 December 2020
Expenses incurred on behalf of the Company	<b>851,089</b>	954,072

Members of the board of directors shall not be granted any compensation for their role in the management of the company unless approved by the general assembly. The members of the board of directors shall be granted attendance allowance for meetings of the board of directors a fixed remuneration as a result of their direct management and responsibilities.

The following table shows the details of remuneration paid to Board of Directors, Rating Committee, and Administration Committee:

	<b>31 December 2021</b>	31 December 2020
Board of Directors	<b>399,995</b>	60,000
Rating committee	<b>972,000</b>	372,000
Administration committee	<b>51,000</b>	30,000
Total	<b>1,422,995</b>	462,000

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**10 RELATED PARTIES' TRANSACTIONS (CONTINUED)**

The following table shows the details of the salaries and compensation paid to key management personnel:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Salaries and compensation	1,236,000	946,000
Annual and periodic incentives	5,162,500	729,871
Total	<u>6,398,500</u>	<u>1,675,871</u>

The following amount are payable to shareholder in the normal course of business:

**The following balances are due to a related party:**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Due to the parent company	477,563	566,971

**11 RIGHT-OF-USE ASSET AND LEASE LIABILITY**

**Right-of-use asset**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Balance at 1 January	771,321	1,135,612
Depreciation charge during the year	<u>(385,458)</u>	<u>(364,291)</u>
Balance at end of year	<u>385,863</u>	<u>771,321</u>

**Lease liability**

	<u>31 December 2021</u>	<u>31 December 2020</u>
Non-current portion of lease liability	--	385,459
Current portion of lease liability	<u>385,459</u>	<u>401,090</u>
<b>Total lease liability</b>	<u>385,459</u>	<u>786,549</u>

The total interest expense on lease liability recognized during the year ended 31 December 2021 is SAR 15,632 (31 December 2020: SAR 30,054).

Expenses relating to short-term and low-value leases are Nil.

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**12 PROVISION FOR TAX AND ZAKAT**

**12.1 Status of assessments**

Zakat and income tax declarations were filed with Zakat, Tax and Customs Authority (“ZATCA”) for all the years up to December 31, 2020 and final assessments for these years are awaiting response from ZATCA.

**12.2 The movement in provision for zakat and tax is as follows:**

	<b>31 December 2021</b>	31 December 2020
Beginning balance	<b>369,748</b>	209,700
Provision for the year	<b>522,266</b>	336,814
Payments during the year	<b>(310,966)</b>	(176,766)
	<b>581,048</b>	369,748

**a. Zakat base**

Zakat is calculated at based on the following:

	<b>31 December 2021</b>	31 December 2020
<b>Share of Saudi shareholders in:</b>		
Shareholders’ equity	<b>9,955,467</b>	4,096,635
Opening provisions and other adjustments	<b>305,408</b>	1,115,719
Adjusted net income for the year	<b>4,906,941</b>	2,976,766
<b>Zakat base</b>	<b>15,167,816</b>	8,189,120
<b>Zakat calculated for the year at 2.5%</b>	<b>379,195</b>	204,728

**b. Tax base**

The tax provision is calculated based on the following:

	<b>31 December 2021</b>	31 December 2020
Adjusted net profit for the year	<b>1,009,263</b>	713,304
Tax settlements	--	(52,875)
<b>Income tax base</b>	<b>1,009,263</b>	660,429
<b>Income tax at 20%</b>	<b>201,853</b>	132,086

**13 STATUTORY RESERVE**

The Saudi Companies Law requires that 10% of the annual net profit be transferred to the statutory reserve and that the transfer continues until this reserve reaches 30% of the capital. This reserve is not available for distribution to the shareholders.



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**14 EMPLOYEES' END OF SERVICE BENEFITS**

	<b>31 December 2021</b>	31 December 2020
Opening balance	<b>828,152</b>	657,888
Current service cost	<b>178,211</b>	166,430
Interest cost	<b>16,517</b>	18,754
Benefits paid	<b>(348,722)</b>	(52,875)
Actuarial (gain)/ loss	<b>(102,666)</b>	37,955
<b>Closing balance</b>	<b>571,492</b>	828,152

The most recent actuarial valuation was carried out by a qualified actuarial expert, and this was carried out using the projected unit credit method.

The main assumptions used for actuarial valuation were as follows:

	<b>31 December 2021</b>	31 December 2020
Rate of increase in salaries	<b>2.00%</b>	2.00%
Discount rate	<b>2.72%</b>	2.50%

All movements are recognized in the employee benefit obligations specified in profit or loss, except for actuarial losses / (gains) recognized in other comprehensive income.

**Sensitivity analysis**

The sensitivity analysis described below is based on possible changes to assumptions that may occur at the end of the reporting period, with other assumptions remaining constant.

	<b>31 December 2021</b>	31 December 2020
Discount rate +1%	<b>535,545</b>	774,392
Discount rate -1%	<b>612,935</b>	889,476
Long term salary +1%	<b>612,826</b>	889,158
Long term salary -1%	<b>534,965</b>	773,644

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**15 GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the year ended 31 December comprised of the following:

	<b>31 December 2021</b>	31 December 2020
Salaries, wages and related benefits	<b>5,569,112</b>	5,310,146
Employee bonus	<b>5,779,214</b>	--
Consultancy service	<b>2,254,801</b>	1,854,361
Legal and government fees	--	237,905
Rating analyst fees	<b>2,136,000</b>	--
License fees	<b>41,420</b>	72,199
Travel expenses	<b>37,280</b>	27,189
Health insurance	<b>245,955</b>	252,035
Depreciation of fixed assets	<b>1,875</b>	4,078
Depreciation of right of use assets	<b>385,458</b>	364,291
Amortisation of intangible assets	<b>68,848</b>	89,602
Fees and subscriptions	<b>62,205</b>	1,370
Hospitality	<b>3,780</b>	3,626
Remuneration to executive committees	<b>1,371,995</b>	462,000
Others	<b>50,759</b>	83,427
<b>Total</b>	<b>18,008,702</b>	<b>8,762,229</b>

**16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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**16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Management assessed that the fair values of cash and cash equivalents, trade receivables and other assets, trade and other payables approximate their carrying values largely due to the short-term maturities of these financial instruments.

The Company's activities exposed it to various risks. These risks are: Market risk (which includes: Currency risk, fair value and cash flow interest rate risks and price risk), Credit risk and Liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite. The board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

The Company has exposure to the following risk arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

***Risk management framework***

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

***Market risk***

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's profit or the value of its holdings of financial instruments.

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**16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

Commission rate risk

It is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company does not have significant financing arrangements and is not exposed to commission rate risk.

Currency Risk

It is a risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi riyals and therefore is not exposed to any currency risk

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from receivables from customers. The company has no significant concentration of credit risks. The carrying amounts of financial assets represent the maximum credit exposure. Impairment losses on financial assets recognized in profit or loss is SAR 99,367 (2020: SAR 190,137).

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and sector in which customers operate.

Trade and other receivables are mainly due from local customers and are stated at their estimated realizable values. The Company trades only with recognised, creditworthy third parties. The granting of credit is controlled by well-established criteria, which are reviewed and updated on an ongoing basis. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

*Expected credit loss assessment as at 31 December 2021.*

The Company uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics such as geographic region, age of customer relationship and type of product purchased.

Loss rates are based on actual historic credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast gross domestic product growth and unemployment rates.

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**16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

**Credit risk (Continued)**

As at 31 December 2021, the exposure to credit risk for trade receivables by type of counterparty was as follows:

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers as at 31 December 2021:

<b><u>31 December 2021</u></b>	<b>Gross carrying amount</b>	<b>Weighted-average loss</b>	<b>Loss allowance (%)</b>
Trade receivable	<u>785,470</u>	<u>289,504</u>	

<b><u>31 December 2021</u></b>	<b>Gross carrying amount</b>	<b>Weighted-average loss</b>	<b>Loss allowance (%)</b>
1–90 days past due	61,639	2,643	4%
91–180 days past due	35,694	2,419	7%
181–270 days past due	10,905	2,467	23%
271–360 days past due	154,367	60,270	39%
More than 360 days past due	522,865	221,705	42%
	<u>785,470</u>	<u>289,504</u>	

<b><u>31 December 2020</u></b>	<b>Gross carrying amount</b>	<b>Weighted-average loss</b>	<b>Loss allowance (%)</b>
1–90 days past due	440,685	41,847	9%
91–180 days past due	201,055	37,452	19%
181–270 days past due	203,560	57,708	28%
271–360 days past due	115,500	53,130	46%
More than 360 days past due	--	--	
	<u>960,800</u>	<u>190,137</u>	

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**16 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

**Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

Following are the contractual maturities at the end of the reporting period of financial liabilities.

	<b>31 December 2021</b>			
	<i>Carrying amount</i>	<i>Less than 1 year</i>	<i>1 year to 5 years</i>	<i>More than 5 years</i>
<b>Liabilities</b>				
Accrued expenses and other liabilities	2,403,753	2,403,753	--	--
Due to a related party	477,563	477,563	--	--
Lease Liability	639,830	639,830	--	--
<b>TOTAL</b>	<b>3,521,146</b>	<b>3,521,146</b>	--	--
	<b>31 December 2020</b>			
	<i>Carrying amount</i>	<i>Less than 1 year</i>	<i>1 year to 5 years</i>	<i>More than 5 years</i>
<b>Liabilities</b>				
Accrued expenses and other liabilities	1,152,699	1,152,699	--	--
Due to a related party	566,971	566,971	--	--
Lease Liability	369,748	369,748	--	--
<b>TOTAL</b>	<b>1,719,670</b>	<b>1,719,670</b>	--	--

**17 CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may return capital to the shareholder, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the year ended 31 December 2021 and 31 December 2020.

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**18 SUBSEQUENT EVENTS**

No events subsequent to the reporting period have been identified which require an adjustment or disclosure in the financial statements.

**19 APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by management on 29<sup>th</sup> March 2022 (corresponding to 26 Sha'ban 1443H).