

AJIL FINANCIAL SERVICES COMPANY
(A Saudi Closed Joint Stock Company)

**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and nine-month periods ended
30 September 2021



KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of AJIL Financial Services Company

Introduction

We have reviewed the accompanying 30 September 2021 condensed interim financial statements of AJIL Financial Services Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2021;
- the condensed statement of profit or loss for the three-month and nine-month periods ended 30 September 2021;
- the condensed statement of other comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed statement of changes in equity for the nine-month periods ended 30 September 2021;
- the condensed statement of cash flows for the nine-month periods ended 30 September 2021; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2021 condensed interim financial statements of AJIL Financial Services Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454



Jeddah, 26 October 2021
Corresponding to 20 Rabi Al Awal 1443H

KPMG Professional Services a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR 15,000,000. Previously known as KPMG Al Fozan & Partners Certified Public Accountants. A member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

كي بي إم جي للاستشارات المهنية، شركة مهنية مساهمة مغلقة مسجلة في المملكة العربية السعودية رأس مالها (15000000) ريال سعودي مدفوع بالكامل، بوقت تم تغيير اسم الشركة من الاسم السابق "شركة كي بي إم جي الفوزان وشركاه محاسبين ومراجعون قانونيون" إلى الاسم الحالي بتاريخ 2021/03/21. وهي شركة عضو غير شريك في شبكة شركات كي بي إم جي المنتظمة والتابعة لـ كي بي إم جي العالمية، شركة مسجلة في بريطانيا

Commercial Registration of the headquarter in Riyadh is 1010425494.

AJIL FINANCIAL SERVICES COMPANY
(A Saudi Closed Joint Stock Company)
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021
Expressed in Saudi Arabian Riyals

	<u>Notes</u>	30 September 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Cash and cash equivalents		167,337,865	30,765,788
Net investment in finance leases	4	1,063,982,867	1,211,856,960
Murabaha financing receivables	5	493,493,556	389,201,408
Advances, prepayments and other receivables	6	26,084,053	69,592,263
Margin deposits		3,271,962	12,098,349
Due from a related party		--	102,262
Property and equipment		1,965,902	2,549,011
Right of use assets		7,811,948	9,980,762
Intangible assets		2,253,883	2,429,743
Equity investment at fair value through other comprehensive income		892,850	892,850
Total assets		1,767,094,886	1,729,469,396
EQUITY AND LIABILITIES			
Equity			
Share capital	7	500,000,000	500,000,000
Statutory reserve		100,572,044	100,572,044
Retained earnings		202,696,025	240,184,861
Actuarial losses on employees' defined benefit obligations		(3,642,137)	(3,642,137)
Total equity		799,625,932	837,114,768
Liabilities			
Trade, accrued and other liabilities		73,360,165	100,815,665
Due to related parties	8	30,530,470	16,175,628
Net servicing liability for sold finance lease receivables		494,405	1,500,593
Lease liabilities in respect of right of use assets		6,154,565	8,675,255
Term loans	9	841,424,038	747,840,231
Accrued Zakat	10	473,622	351,941
Employees' defined benefit obligations		15,031,689	16,995,315
Total liabilities		967,468,954	892,354,628
Total equity and liabilities		1,767,094,886	1,729,469,396

The accompanying notes 1 to 17 form an integral part of these condensed interim financial statements.

AJIL FINANCIAL SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021

Expressed in Saudi Arabian Riyals

	<i>Notes</i>	For the three-month period ended 30 September 2021	For the three-month period ended 30 September 2020	For the nine-month period ended 30 September 2021	For the nine-month period ended 30 September 2020
Revenue		29,247,524	31,392,875	87,181,063	100,642,834
Operating expenses:					
Expected credit losses, net	4,5&6	(4,916,844)	(7,609,753)	(81,751,626)	(51,600,358)
General and administrative expenses		(13,897,690)	(14,647,884)	(41,597,477)	(42,089,555)
Depreciation of property and equipment		(295,282)	(360,170)	(909,532)	(1,146,126)
Amortization of right of use assets		(722,938)	(142,952)	(2,168,814)	(1,008,270)
Amortization of intangible assets		(218,024)	(235,669)	(689,324)	(709,063)
Modification gain / (loss), net	15	5,674,462	(3,682,900)	6,514,585	(11,584,021)
Finance charges		(1,977,779)	(1,809,408)	(3,621,276)	(9,318,698)
Total operating expenses		<u>(16,354,095)</u>	<u>(28,488,736)</u>	<u>(124,223,464)</u>	<u>(117,456,091)</u>
Net profit / (loss) before zakat		12,893,429	2,904,139	(37,042,401)	(16,813,257)
Zakat		(148,812)	(386,542)	(446,435)	(604,352)
Net profit / (loss) for the period after zakat		<u>12,744,617</u>	<u>2,517,597</u>	<u>(37,488,836)</u>	<u>(17,417,609)</u>
Basic and diluted earning / (loss) per share	14	<u>0.255</u>	<u>0.050</u>	<u>(0.750)</u>	<u>(0.348)</u>

AJIL FINANCIAL SERVICES COMPANY

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CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021

Expressed in Saudi Arabian Riyals

	For the three- month period ended 30 September <u>2021</u>	For the three- month period ended 30 September <u>2020</u>	For the nine- month period ended 30 September <u>2021</u>	For the nine- month period ended 30 September <u>2020</u>
Net profit / (loss) for the period after zakat	12,744,617	2,517,597	(37,488,836)	(17,417,609)
Other comprehensive income	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Total comprehensive (loss)/ income for the period	<u>12,744,617</u>	<u>2,517,597</u>	<u>(37,488,836)</u>	<u>(17,417,609)</u>

The accompanying notes 1 to 17 form an integral part of these condensed interim financial statements.

AJIL FINANCIAL SERVICES COMPANY
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CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine-month period ended 30 September 2021

Expressed in Saudi Arabian Riyals

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Actuarial losses on employees' defined benefit obligations</u>	<u>Total equity</u>
Balance as at 1 January 2021	500,000,000	100,572,044	240,184,861	(3,642,137)	837,114,768
Loss for the period after zakat	--	--	(37,488,836)	--	(37,488,836)
Balance as at 30 September 2021 (Unaudited)	<u>500,000,000</u>	<u>100,572,044</u>	<u>202,696,025</u>	<u>(3,642,137)</u>	<u>799,625,932</u>
Balance as at 1 January 2020	500,000,000	100,572,044	284,673,643	(2,911,214)	882,334,473
Loss for the period after zakat	--	--	(17,417,609)	--	(17,417,609)
Balance as at 30 September 2020 (Unaudited)	<u>500,000,000</u>	<u>100,572,044</u>	<u>267,256,034</u>	<u>(2,911,214)</u>	<u>864,916,864</u>

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AJIL FINANCIAL SERVICES COMPANY
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CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2021

Expressed in Saudi Arabian Riyals

	<i>Notes</i>	For the nine-month period ended 30 September 2021	For the nine-month period ended 30 September 2020
Operating activities:			
Net loss for the period before zakat		(37,042,401)	(16,813,257)
Adjustments for:			
Depreciation of property and equipment		909,532	1,146,126
Amortization of right of use assets		2,168,814	1,008,270
Amortization of intangible assets		689,324	709,063
Expected credit losses, net	4,5&6	81,751,626	51,600,358
Employees' defined benefit obligations		2,241,502	1,107,657
Gain on disposal of property and equipment		(115)	(115)
Finance charges		3,621,276	9,297,697
Intangible assets written off		12,000	-
Modification (gain)/ loss, net	15	(6,514,585)	11,584,021
Operating profit before changes in operating assets and liabilities		47,836,973	59,639,820
<i>Changes in operating assets and liabilities</i>			
Net investment in finance leases		91,497,725	92,402,630
Murabaha financing receivables		(124,069,680)	(123,363,577)
Advances, prepayments and other receivables		43,096,315	(5,129,896)
Due from a related party		102,262	--
Net servicing liability for sold finance lease receivables		(1,006,188)	(1,195,238)
Trade, accrued and other liabilities		(25,215,151)	7,313,055
Due to related parties		14,354,842	15,524,327
Margin deposits		8,826,387	2,560,184
Cash generated from operations		55,423,485	47,751,305
Zakat paid		(324,754)	(6,650,661)
Finance charges paid		(5,861,625)	(1,919,951)
Employee's terminal benefits paid		(4,205,128)	(566,286)
Cash generated from operating activities		45,031,978	38,614,407
Investing activities:			
Purchase of property and equipment and intangible assets		(851,887)	(583,257)
Proceeds from disposal of property and equipment		115	115
Net cash used in investing activities		(851,772)	(583,142)
Financing activity:			
Proceeds from term loans		885,345,375	240,260,643
Repayments of term loans		(790,432,814)	(275,338,960)
Repayment of lease liabilities		(2,520,690)	(841,267)
Net cash generated from / (used in) financing activity		92,391,871	(35,919,584)
Net increase in cash and cash equivalents		136,572,077	2,111,681
Cash and cash equivalents at the beginning of the period		30,765,788	37,184,787
Cash and cash equivalents at the end of the period		167,337,865	39,296,468

The accompanying notes 1 to 17 form an integral part of these condensed interim financial statements.

AJIL FINANCIAL SERVICES COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

Expressed in Saudi Arabian Riyals

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

AJIL Financial Services Company (the “Company” or “AJIL”) is registered in the Kingdom of Saudi Arabia under commercial registration number 4030122889, dated 30 Rajab 1418H (corresponding to 30 November 1997). The legal status of the Company was changed from a Limited Liability Company to a Closed Joint Stock Company under Ministerial Declaration number 206/Q, dated 18 Jumada Thani 1429H (corresponding to 22 June 2008), and according to Companies Law Provisions issued by Royal Decree number M/6 dated 27 Thul Quada 1417H (corresponding to 5 April 1997).

A new commercial registration certificate under the same number was issued by the Ministry of Commerce on 11 Rajab 1429H (corresponding to 14 July 2008). The unified number of Company as per commercial registration certificate is 7001457873.

The Company’s objectives are to carry out financial leasing transactions and to finance productive assets in small and medium enterprises including:

- i. Financing of fixed and moveable assets, peripherals, accessories and spare parts thereof, including but not limited to industrial, agricultural, commercial, artisanal, professional, therapeutic, educational, recreational, energy, water and sewage facilities and projects; equipment used in warehouses, production equipment and machinery, equipment used in the medical field, in construction, transportation, airport, railroads and stations associated therewith; cranes and vehicles (Including Trucks, buses, trains, cars, whether manufactured or retrofitted for civil defense, airports or other such purposes), office equipment, stationery and computers; and
- ii. Buying, selling, leasing and renting commercial real estate, lands and buildings of all kinds, transferring them and disposing thereof for the purposes of finance leasing and signing finance lease contracts for all the foregoing; including registering and transferring commercial and residential real estate, lands and buildings used as collateral for financing operations related to the Company’s financing activities.

The Company’s Head Office is located at the following address:

AJIL Financial Services Company
Jeddah 101 Building
Sari Street
P.O. Box 13624, Jeddah 21414
Kingdom of Saudi Arabia

On 21 Rajab 1435H (corresponding to 20 May 2014), the Company received a license from the Saudi Central Bank (“SAMA”) to conduct lease financing business in the Kingdom of Saudi Arabia. The Finance Companies Control Law was issued by the Saudi Council of Ministers through its publication No. 259 dated 12 Shaban 1433H (corresponding to 2 July 2012) and the Royal Decree No. 51 dated 13 Shaban 1433H (corresponding to 3 July 2012) and their implementing regulations were issued by SAMA for conducting lease financing business in the Kingdom of Saudi Arabia.

On 1 Muharram 1439H (corresponding to 21 September 2017), the Company received a no objection certificate from SAMA to conduct commodity murabaha business in the Kingdom of Saudi Arabia.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

These condensed interim financial statements include the results, assets and liabilities of the following branches:

<u>Commercial Registration Number</u>	<u>Location</u>
2050044861	Dammam
2051031244	Al-Khobar
5850027895	Abha
1010194653	Riyadh
4030612980	Jeddah

The results for the nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 30 September 2021 have been prepared:

- in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”).
- in compliance with the Companies’ Law in the Kingdom of Saudi Arabia and Company’s By-laws.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s financial statements for the year ended 31 December 2020.

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

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention using accrual basis of accounting, except for the measurement at fair value of ‘Investment classified as fair value through other comprehensive income’ (FVOCI)’.

2.3 Functional and presentation currency

These condensed interim financial statements have been presented in Saudi Riyals (SR) which is also the Company’s functional and presentation currency.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

Expressed in Saudi Arabian Riyals

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions

The preparation of condensed interim financial statements requires management to make judgements, 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 accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by the revision. The key areas requiring significant management judgements and estimates are consistent with those disclosed in the annual financial statements for the year ended 31 December 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020.

New IFRS pronouncements, effective 1 January 2021 (refer note 16) did not have any effect on the condensed interim financial statements.

At the date of authorization of these condensed interim financial statements, various Standards and Interpretations (including amendments thereto) were in issue but not yet effective. The management anticipates that adoption of these Standards and Interpretations in future periods will have no material impact on these condensed interim financial statements (refer note 16).

4. NET INVESTMENT IN FINANCE LEASES

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Gross investment in finance leases (note 4.1)	1,288,001,802	1,444,691,418
Less: unearned finance income and modification losses	<u>(77,197,850)</u>	<u>(114,341,155)</u>
Net investment in finance leases (before allowance for expected credit losses on finance leases)	1,210,803,952	1,330,350,263
Less: allowance for expected credit losses on finance leases (note 4.3)	<u>(146,821,085)</u>	<u>(118,493,303)</u>
Net investment in finance leases	<u>1,063,982,867</u>	<u>1,211,856,960</u>

4.1 The gross investment in finance leases include SR 0.6 million (31 December 2020: SR 0.9 million) receivable from related parties (refer note 8).

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4. NET INVESTMENT IN FINANCE LEASES (continued)

4.2 Unearned finance income as at 30 September 2021 includes modification loss amounting to SR 10.9 million (31 December 2020: SR 16.9 million).

4.3 The movement in allowance for expected credit losses on finance leases is given below:

	For the nine- month period ended 30 September 2021 (Unaudited)	For the nine- month period ended 30 September 2020 (Unaudited)
At the beginning of the period	118,493,303	303,201,852
Net charge for the period	61,562,199	52,336,474
Written off during the period	(33,234,417)	(264,351,068)
At the end of the period	146,821,085	91,187,258

As per management's established policy, finance lease and murabaha receivables are written off when there is no realistic prospect of recovery. However, such receivables when written off, would still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

During the period ended 30 September 2021, expected credit loss allowance amounting to SR nil (September 2020: SR 6 million) in respect of margin deposits maintained against securitised finance leases has been reversed due to realisation of such deposits.

5. MURABAHA FINANCING RECEIVABLES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Gross murabaha financing receivables	579,340,148	446,043,432
Less: unearned finance income	(50,613,722)	(41,386,686)
Murabaha financing receivables (before allowance for expected credit losses on murabaha financing receivables)	528,726,426	404,656,746
Less: allowance for expected credit losses on murabaha financing receivables (note 5.1)	(35,232,870)	(15,455,338)
Murabaha financing receivables	493,493,556	389,201,408

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

Expressed in Saudi Arabian Riyals

5. MURABAHA FINANCING RECEIVABLES (continued)

- 5.1 The movement in allowance for expected credit losses on murabaha financing receivables is given below:

	For the nine- month period ended 30 September 2021 (Unaudited)	For the nine- month period ended 30 September 2020 (Unaudited)
At the beginning of the period	15,455,338	10,666,641
Net charge for the period	19,777,532	5,349,849
Written off during the period	--	(3,226,293)
	35,232,870	12,790,197

6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Advance payments (note 6.1)	6,760,494	17,324,938
Trade and other receivables (note 6.2)	12,348,760	28,660,355
Receivable from a musharika partner	--	15,558,610
Prepaid expenses	4,085,137	4,620,540
Advances to employees	2,889,662	3,427,820
	26,084,053	69,592,263

- 6.1 Advance payments represent payments made to foreign musharika partner under various musharika arrangements.
- 6.2 Trade and other receivables include insurance paid on behalf of customers amounting to SR 19.4 million (31 December 2020: SR 15.9 million), against which an expected credit loss allowance of SR 12.6 million (31 December 2020: SR 12.2 million) has been maintained.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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Expressed in Saudi Arabian Riyals

7. SHARE CAPITAL

The share capital of the Company is divided into 50,000,000 shares (31 December 2020: 50,000,000) of SR 10 each.

The shares of the Company are owned by the following shareholders:

<u>Name of shareholders</u>	30 September	31 December	30 September	31 December
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>Percentage holding</u>		<u>Number of shares</u>	
Riyad Bank	48.46%	48.46%	24,230,769	24,230,769
Zahid Group Holding Company Limited	34.62%	34.62%	17,307,692	17,307,692
Al – Yemni Investments	6.92%	6.92%	3,461,539	3,461,539
Hussein Alireza Sons Company Limited	5%	5%	2,500,000	2,500,000
Khaled Ahmed Al – Juffali Company	5%	5%	2,500,000	2,500,000
Total			<u>50,000,000</u>	<u>50,000,000</u>

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions mainly pertain to finance leases, agency services, technical advisory and other services which are undertaken at mutually agreed terms and conditions and approved by the Company's management.

During the period, the Company transacted with the following related parties:

<u>Name</u>	<u>Relationship</u>
Riyad Bank	Shareholder
Haji Hussein Ali Reza Company Limited	Other related party
Al -Wasilah Rent A Car Company Limited	Other related party
Al-Yemni Motors Company Limited	Other related party
Zahid Tractor and Heavy Machinery Company Limited	Other related party
Wared Transport Company	Other related party
Wared Express Company Limited	Other related party
Saudi Company of Site Technology Limited	Other related party
Arabian Company for Marketing Services LLC	Other related party
Altaaqa Alternative Solutions company Limited	Other related party
Juffali Printing Systems Company	Other related party
The Machinery Group LLC (TAMGO)	Other related party
Juffali Industrial Product Company	Other related party
Khaled Ahmed Al Juffali Industrial Company	Other related party
Khaled Ahmed Al Juffali Holding Company	Other related party
Zahid Travel Group	Other related party
OCS Arabia Company LLC	Other related party
Al Taaqa Alternative Solutions Company Limited	Other related party
Ejar Machinery Rental Alternative Co. Ltd.	Other related party
Juffali Printing Systems Company	Other related party
Khaled Ahmed Juffali Construction Company	Other related party
Nihad Abdullah Arab & Sons Limited Company	Other related party
Board of Directors	Key management personnel
Members of Audit Committee	Key management personnel
Executive Management of the Company	Key management personnel

AJIL FINANCIAL SERVICES COMPANY

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NOTES TO THE FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Significant related party transactions and balances arising therefrom are described as under:

8.1. Due from related parties**1.1.1 Amount due from related parties [included in net investment in finance leases]**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance</u>	
			30 September 2021	30 September 2020	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Khaled Ahmed Al Juffali Industrial Company	Other related party	Gross investment in finance lease	--	--	386,849	644,705
Khaled Ahmed Al Juffali Company	Shareholder	Gross investment in finance lease	345	--	29,747	35,669
Khaled Ahmed Juffali Construction Company	Other related party	Gross investment in finance lease	--	--	2,755	27,550
Nihad Abdullah Arab & Sons Limited Company	Other related party	Gross investment in finance lease	1,178	--	199,622	236,128
					618,973	944,052

AJIL FINANCIAL SERVICES COMPANY

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NOTES TO THE FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

Expressed in Saudi Arabian Riyals

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**8.1 Due from related parties (continued)****8.1.1 Amount due from related parties**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance</u>	
			30 September 2021	30 September 2020	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Saudi Company of Site Technology Limited	Other related party	GPS installation services	--	--	--	102,262

8.1.2 Other Related parties balances [included under cash and bank balances]

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Closing balance</u>	
			30 September 2021 (Unaudited)	31 December 2020 (Audited)
Riyad Bank	Shareholder	Bank account	15,268,335	21,661,520

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8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**8.2 Due to related parties**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance</u>	
			30 September 2021	30 September 2020	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Saudi Company of Site Technology Limited	Other related party	GPS installation services	314,582	600,053	--	--
Zahid Tractor & Heavy Machinery Co Limited	Other related party	Purchase of leasing equipment	199,211,480	217,428,943	19,262,176	--
		Services received	689,897	921,945	--	15,781,878
OCS Arabia Company LLC	Other related party	Services received	--	19,413	--	--
The Machinery Group LLC (TAMGO)	Other related party	Purchase of leasing equipment	8,477,950	669,862	680,960	--
Juffali Industrial Product Company	Other related party	Purchase of leasing equipment	43,068,650	17,576,750	9,387,334	--
Board of Directors	Key management personnel	Remuneration to Board of Directors	900,000	--	1,200,000	300,000
Members of Audit Committee	Key management personnel	Remuneration to Members of Audit Committee	281,250	--	--	93,750
					30,530,470	16,175,628

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8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**8.2 Due to related parties (continued)****8.2.1 Amount due to related parties [included in term loan]**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance</u>	
			30 September 2021	30 September 2020	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Riyad Bank	Shareholder	Short term loan borrowing	306,000,000	160,000,000	<u>265,000,000</u>	<u>50,000,000</u>

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8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**8.2.2 Amount due to related parties [included in trade, accrued and other payable]**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance</u>	
			<u>30 September 2021</u>	<u>30 September 2020</u>	<u>30 September 2021 (Unaudited)</u>	<u>31 December 2020 (Audited)</u>
Riyad Bank	Shareholder	Financial charges on term loan	1,403,678	684,591	881,345	499,810
Wared Transport Company	Other related party	Services received	3,560	--	--	--
Haji Hussein Ali Reza Company Limited	Other related party	Purchase of leasing equipment	2,208,000	1,690,500	--	--
EJAR Machinery Rental Alternative Co. Ltd.	Other related party	Purchase of leasing equipment	407,906	2,197,500	--	--
Arabian Company for Marketing Services LLC	Other related party	Services received	20,700	52,722	--	--
Zahid Travel Group	Other related party	Services received	33,642	78,913	--	--
AL TAAQA Iternative Solutions Company Limited	Other related party	Purchase of leasing equipment	--	241,500	--	--
Al -Wasilah Rent A Car Company Limited	Other related party	Leasing transactions	--	3,435,505	--	--
Al-Yemni Motors Company Limited	Other related party	Purchase of leasing equipment	--	2,655,650	--	--
Juffali Printing Systems Company	Other related party	Purchase of leasing equipment	--	7,210,484	--	--
Nihad Abdullah Arab & Sons Limited Company	Other related party	Services received	153,353	143,463	--	--
					881,345	499,810

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8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

8.2.3 Included in employee related costs and key management remuneration

<u>Name</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>	
		<u>30 September 2021</u> <u>(Unaudited)</u>	<u>30 September 2020</u> <u>(Unaudited)</u>
Key management personnel	Key management remuneration	<u>4,838,668</u>	<u>4,405,240</u>

Compensation of key management personnel of the Company

	<u>30 September 2021</u> <u>(Unaudited)</u>	<u>30 September 2020</u> <u>(Unaudited)</u>
Short-term employee benefits	<u>4,244,503</u>	3,903,990
Post-employment benefits	<u>475,410</u>	419,850
Non-monetary benefits	<u>118,755</u>	81,400
	<u>4,838,668</u>	<u>4,405,240</u>

8.3 No payments have been made to Board of Directors during the nine-month period ended 30 September 2021.

9. TERM LOANS

	<u>30 September 2021</u> <u>(Unaudited)</u>	<u>31 December 2020</u> <u>(Audited)</u>
Short term loans	<u>270,000,000</u>	666,530,443
Long term loans	<u>434,093,790</u>	81,309,788
SAMA profit free deposit (note 15)	<u>137,330,248</u>	--
	<u>841,424,038</u>	<u>747,840,231</u>

9.1 In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") and accordingly the Company was required to defer payments on lending facilities by eligible MSMEs for the designated periods. In response, the Company was eligible for the deferral of its loan instalment payment to the banks. Accordingly, the Company has recognised total modification gains of SR 23.48 million as of 30 September 2021 out of which modification gains amounting to SR 23.23 million were unwound as of 30 September 2021 (note 15).

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10. ZAKAT

The Company is calculating Zakat accruals for the nine months period ended 30 September 2021 based on the new Zakat rules for financing companies.

Status of assessments

Zakat and tax assessments have been finalised up to the years ended 31 December 2017.

The Company has submitted Zakat and tax return for the year ended 31 December 2018 in accordance with the settlement agreement with Zakat, Tax and Customer Authority (“ZATCA”). Furthermore, the Company has submitted the zakat returns for the year ended 31 December 2019 and 2020 and ZATCA’s review is awaited.

11. FAIR VALUE 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. 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 the Company. The Company's financial assets consist of cash and bank balances, murabaha financing receivables, margin deposits, due from a related party and other receivables, its financial liabilities consist of trade payables, term loans, due to related parties, net servicing liability for sold finance lease receivables, lease liabilities in respect of right of use assets and other liabilities.

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies, outstanding letters of credit or commitments and guarantees at 30 September 2021 and 31 December 2020.

13. FINANCIAL RISK MANAGEMENT

a) Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of concentrations at granular economic sector, region, counterparty level including consideration of impacts of government and SAMA support, collateral protection, timely review and rating action and appropriately restructuring loans where required. All such measures are discussed and approved by the Risk Committee.

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13. FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk management

The Company is aware of the need to keep a close focus on liquidity management during this period and has further enhanced its daily monitoring of liquidity. The Company acknowledges the timely action of SAMA and other government bodies in providing support and assurance to the financial markets.

c) Operational risk management

The Company responded quickly to the crisis and established an internal group to focus on the impacts of the pandemic and the effects on the Company. Furthermore, it put in place contingency plans allowing a significant proportion of employees to work from home. On need basis, employees were also permitted to visit the Company's offices on a restricted basis whilst following government guidelines at all times. The Company's investment in its IT and digital infrastructure has allowed clients to use the Company's facilities at minimal inconvenience during this period of Company closure whilst employees were able to work from home with minimal impact on effectiveness. Existing processes and controls have operated as normal throughout this period.

14. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the total comprehensive income for the period by the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share is not applicable to the Company.

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

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date. During 2020, management performed a detailed assessment to ascertain the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio.

The Company continues to evaluate the current situation through conducting stress-testing scenarios on expected movements of oil prices and other macroeconomic variables and their impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the impact of COVID-19 outbreak has had on its normal operations and financial performance. The steps taken by management includes ongoing review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The credit reviews also take into consideration the impact of the Government and SAMA support relief programs.

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15. **IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS (continued)**

The prevailing economic conditions which are severely affected by the ongoing pandemic, require the Company to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These primarily revolve around either adjusting macroeconomic factors used by the Company in the estimation of expected credit losses and revisions to the scenario probabilities currently being used by the Company in ECL estimation. During the period ended 30 September 2021, the Company made certain adjustments to the macroeconomic factors and scenario weightings used for the determination of ECL.

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

SAMA support programs and initiatives

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises (“MSME”) as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Company is required to defer payments on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Company has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 30 June 2021, and increasing the facility tenors accordingly. The Company continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk.

Further to the above, SAMA on 22 June 2021 announced the extension of the DPP for three additional months from 1 July 2021 to 30 September 2021, for MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard. On 29 September 2021, for these effected MSME customers, a further extension of three additional months was announced by SAMA i.e., for the instalments falling due from 1 October 2021 to 31 December 2021. The Company has performed an assessment to determine the pool of customers eligible for continued deferment and accordingly deferred the instalments falling due from 1 July 2021 to 31 December 2021 amounting to SR 128.4 million and extended the tenure of the applicable loans at no additional costs to the customer.

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15. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”) AND SAMA PROGRAMS (continued)

The accounting impact of the above changes in terms of the credit facilities was assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to SR 31.8 million to date of which SR 1.76 million has been recorded during the nine-month period ended 30 September 2021 (30 September 2020: SR 18.6 million).

During the nine months period ended 30 September 2021, SR 6.94 million (30 September 2020: SR 3.69 million) has been recognized in the condensed statement of profit or loss relating to unwinding of modification losses.

Furthermore, in accordance with the PSFSP, the Company was also eligible for the deferral of its loan instalment payment to the banks. Accordingly, the Company has recognised total modification gains of SR 23.48 million as of 30 September 2021 out of which modification gains amounting to SR 23.23 million were unwound as of 30 September 2021 (including SR 3.69 million recognized in the condensed statement of profit or loss relating to unwinding of modification gain).

Under Loan Guarantee Program by SAMA, the Company received a medium term loan of SR 147.5 million (including SR 116.5 million received during the nine month period ended 30 September 2021). This amount has been utilized by the Company to finance MSME loans approved by Kafalah.

In order to compensate for the related costs that the Company incurred under the SAMA’s deferred payments program, during the period ended 30 September 2021, the Company received profit free deposit from SAMA amounting to SR 142.3 million carrying a maturity of 18 months, and included under Term loans on the condensed statement of financial position. The profit free element on this deposit qualify as government grant based on communication from SAMA.

The day one gain of SR 5.02 million, representing the difference between the fair value and the face value of the profit free deposit upon initial recognition (i.e. the grant income) has been presented under modification gain / (loss), net on the condensed statement of profit or loss. It will be un-winded over the period of eighteen months as the deposit is payable on 30 March 2023.

16. AMENDMENTS TO EXISTING STANDARDS AND PRONOUNCEMENTS ISSUED

The adoption of the following amendments to the existing standards had no significant impact on the condensed interim financial statements for the current period or prior periods and is expected to have no significant effect in future periods:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- Extension to COVID-19 Related Rent Concession (Amendments to IFRS 16).

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16. AMENDMENTS TO EXISTING STANDARDS AND PRONOUNCEMENTS ISSUED (continued)

PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after January 1, 2021 and earlier application is permitted; however, the entity has not early adopted the new or amended standards in preparing these condensed interim financial statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);
- Amendments to update a reference to “References to Conceptual Framework (Amendment to IFRS 3)”.
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds from Intended Use (Amendment to IAS 16);
- IFRS 17 Insurance Contracts and amendments to IFRS 17;
- Definition of Accounting Estimates (Amendments to IAS 8);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).

17. BOARD OF DIRECTORS’ APPROVAL

These condensed interim financial statements were approved by the Board of Directors on 26 October 2021, corresponding to 20 Rabi Al Awal 1443H.