AJIL FINANCIAL SERVICES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND REVIEW REPORT

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2023

INDEX	**PAGE**

EY
Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 664 4408

ey.ksa@sa.ey.com
ey.com

Independent Auditor's Review Report on the Interim Condensed Financial Statements

To the shareholders of AJIL Financial Services Company
(a Saudi Closed Joint Stock Company)

Introduction
We have reviewed the accompanying interim condensed statement of financial position of AJIL Financial Services Company (a Saudi Closed Joint Stock Company) (the "Company") as at 30 September 2023, and the related interim condensed statement of comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed statements of changes in shareholders' equity and cash flows for the nine-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

J14
CR.4030276644
Ernst & Young Professional Services
(Professional LLC)

Ahmed Ibrahim Reda
Certified Public Accountant
License No. (356)

Jeddah: 11 Rabi Al-Thani 1445H
(26 October 2023G)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the three-month and nine-month periods ended 30 September 2023

	Note	***For the three-month period ended 30 September 2023***	*For the three-month period ended 30 September 2022*	***For the nine-month period ended 30 September 2023***	*For the nine-month period ended 30 September 2022*
		Unaudited	*Unaudited*	***Unaudited***	*Unaudited*
		SR	*SR*	***SR***	*SR*
Revenue, net	3	**39,839,181**	31,773,899	**115,672,399**	94,754,049
Finance cost, net	4	**(804,479)**	(2,483,442)	**(3,942,592)**	(8,982,797)
		39,034,702	29,290,457	**111,729,807**	85,771,252
General and administrative expenses		**(22,750,460)**	(14,968,727)	**(68,288,792)**	(44,310,941)
Depreciation of equipment, furniture and vehicles		**(284,200)**	(284,328)	**(835,133)**	(896,630)
Depreciation of right of use assets		**(943,599)**	(892,386)	**(2,475,952)**	(2,455,541)
Amortization of intangibles		**(188,709)**	(175,555)	**(511,207)**	(637,919)
PROFIT BEFORE EXPECTED CREDIT LOSSES		**14,867,734**	12,969,461	**39,618,723**	37,470,221
Expected credit losses on financial assets	6, 7 & 8	**(6,183,551)**	(11,082,645)	**(18,792,607)**	(34,685,213)
Recovery of debts previously written-off		**1,560,597**	1,938,426	**6,348,294**	9,220,100
PROFIT FOR THE PERIOD BEFORE ZAKAT		**10,244,780**	3,825,242	**27,174,410**	12,005,108
Zakat	5	**(2,112,625)**	(1,412,921)	**(5,603,645)**	(2,972,099)
NET PROFIT FOR THE PERIOD		**8,132,155**	2,412,321	**21,570,765**	9,033,009
OTHER COMPREHENSIVE INCOME		**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**8,132,155**	2,412,321	**21,570,765**	9,033,009

The attached notes 1 to 15 form part of these unaudited interim condensed financial statements.

AJIL FINANCIAL SERVICES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 September 2023

	Note	***30 September 2023 Unaudited SR***	*31 December 2022 Audited SR*
ASSETS			
Cash and cash equivalents		**113,158,835**	182,349,318
Advances, prepayments and other receivables, net	6	**32,181,050**	32,097,110
Net investment in finance leases	7	**638,158,489**	734,924,317
Murabaha financing receivables, net	8	**901,309,840**	817,285,884
Equipment, furniture and vehicles		**4,228,912**	2,576,899
Right of use assets		**6,467,692**	3,067,838
Intangible assets		**2,737,213**	2,348,424
Equity investment at fair value through other comprehensive income		**892,850**	892,850
TOTAL ASSETS		**1,699,134,881**	1,775,542,640
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	9	**500,000,000**	500,000,000
Statutory reserve		**101,897,113**	101,897,113
Retained earnings		**87,160,520**	72,189,755
Actuarial losses on employees' defined benefit liabilities		**(3,893,335)**	(3,893,335)
TOTAL SHAREHOLDERS' EQUITY		**685,164,298**	670,193,533
LIABILITIES			
Accounts payables, accrued and other liabilities		**73,016,384**	103,624,587
Due to related parties	10	**8,034,932**	19,927,177
Lease liabilities		**4,662,517**	2,562,781
Term loans	11	**905,455,419**	959,679,788
Provision for zakat	5	**5,603,645**	3,979,813
Employees' defined benefit liabilities		**17,197,686**	15,574,961
TOTAL LIABILITIES		**1,013,970,583**	1,105,349,107
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,699,134,881**	1,775,542,640

The attached notes 1 to 15 form part of these unaudited interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the nine-month period ended 30 September 2023

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Actuarial losses on employees' defined benefit liabilities SR*	*Total SR*
Balance as at 1 January 2023	500,000,000	101,897,113	72,189,755	(3,893,335)	670,193,533
Net profit for the period	-	-	21,570,765	-	21,570,765
Dividend (note 9)	-	-	(6,600,000)	-	(6,600,000)
Balance as at 30 September 2023 (Unaudited)	**500,000,000**	**101,897,113**	**87,160,520**	**(3,893,335)**	**685,164,298**
Balance as at 1 January 2022	500,000,000	100,572,044	60,264,130	(3,025,609)	657,810,565
Net profit for the period	-	-	9,033,009	-	9,033,009
Balance as at 30 September 2022 (Unaudited)	500,000,000	100,572,044	69,297,139	(3,025,609)	666,843,574

The attached notes 1 to 15 form part of these unaudited interim condensed financial statements.

AJIL FINANCIAL SERVICES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 30 September 2023

	Note	***For the nine-month period ended 30 September 2023 Unaudited SR***	*For the nine-month period ended 30 September 2022 Unaudited SR*
OPERATING ACTIVITIES			
Profit for the period before zakat		**27,174,410**	12,005,108
Adjustments for:			
Depreciation of equipment, furniture and vehicles		**835,133**	896,630
Amortization of right of use assets		**2,475,952**	2,455,541
Amortization of intangibles		**511,207**	637,919
Gain on disposal of equipment, furniture and vehicles		**(94,666)**	(1,937)
Unwinding of modification loss on net investment in finance lease	3	**(1,359,433)**	(5,594,256)
Grant income on SAMA profit free deposits	3	**-**	(1,994,363)
Finance costs	4	**3,942,592**	8,982,797
Unwinding of modification gain on term loans from banks	4	**-**	136,356
Expected credit losses on financial assets	6,7 & 8	**18,792,607**	34,685,213
Employees' defined benefit liabilities		**2,633,579**	2,395,213
Gain on modification of lease liabilities		**(1,186,462)**	-
Operating profit before changes in operating assets and liabilities		**53,724,919**	54,604,221
Changes in operating assets and liabilities			
Net investment in finance leases		**83,061,667**	116,869,838
Murabaha financing receivables		**(86,783,168)**	(52,955,083)
Advances, prepayments and other receivables		**(1,053,741)**	30,702,121
Accounts payables, accrued and other liabilities		**(30,608,203)**	(20,412,103)
Due to related parties		**(11,892,245)**	10,307,304
Cash from operations		**6,449,229**	139,116,298
Zakat paid	5	**(3,979,813)**	(4,391,786)
Finance costs paid		**(2,382,798)**	(7,124,790)
Employee's terminal benefits paid		**(1,010,854)**	(1,793,344)
Net cash (used in) / from operating activities		**(924,236)**	125,806,378
INVESTING ACTIVITIES			
Purchase of equipment, furniture and vehicles		**(2,399,450)**	(900,826)
Purchase of intangibles		**(987,692)**	(721,090)
Proceeds from disposal of equipment, furniture and vehicles		**94,666**	10,370
Net cash used in investing activities		**(3,292,476)**	(1,611,546)
FINANCING ACTIVITIES			
Dividend paid	9	**(6,600,000)**	-
Proceeds from term loans		**463,000,000**	412,001,043
Repayments of term loans		**(518,675,162)**	(508,164,522)
Repayment of principal portion of lease liabilities		**(2,698,609)**	(2,879,787)
Net cash used in financing activities		**(64,973,771)**	(99,043,266)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(69,190,483)**	25,151,566
Cash and cash equivalents at the beginning of the period		**182,349,318**	47,757,136
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**113,158,835**	72,908,702
NON-CASH TRANSACTIONS			
Right of use assets and corresponding lease liabilities recognised		**5,986,742**	-

The attached notes 1 to 15 form part of these unaudited interim condensed financial statements.

1 ORGANIZATION AND 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 Al-Akhirah 1429H (corresponding to 22 June 2008), and according to Companies Law Provisions issued by Royal Decree number M/6 dated 27 Dhul-Qi'dah 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 objectives of the Company are to engage in financing activities via finance leasing, productive assets financing, financing the activity of small and medium enterprises and consumer finance.

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 Sha'ban 1433H (corresponding to 2 July 2012) and the Royal Decree No. 51 dated 13 Sha'ban 1433H (corresponding to 3 July 2012) and its implementing regulations were issued by SAMA for conducting lease financing business in the Kingdom of Saudi Arabia.

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

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

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

The results for the nine-month period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of measurement

These interim condensed financial statements have been prepared on a historical cost convention using accrual basis of accounting, except for the equity investments measured at fair value through other comprehensive income ("FVOCI").

These interim condensed financial statements have been prepared on going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business.

2.2 Statement of compliance

The interim condensed financial statements of the Company as at and for the period ended 30 September 2023 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 Chartered and Professional Accountants ("SOCPA").

The interim condensed statement of financial position is presented in descending order of liquidity, as this presentation is more appropriate to the Company's operations.

These interim condensed 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 annual financial statements for the year ended 31 December 2022.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Functional and presentational currency

These interim condensed financial statements have been presented in Saudi Riyals ("SR"), which is also the functional and presentation currency of the Company, except as otherwise indicated.

2.4 Significant accounting judgments, estimates and assumptions

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

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2022.

2.5 Significant accounting policies

The accounting policies, used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2022, except for the change in accounting policies due to adoption of new standards or amendment to the relevant existing standard effective as of 1 January 2023 and voluntary change in accounting policy for estimation of expected credit losses against net investment in finance leases as disclosed below.

2.5.1 Impact of changes in accounting policies due to adoption of new standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed financial statements of the Company.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the interim condensed financial statements of the Company.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the interim condensed financial statements of the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments had no impact on the interim condensed financial statements of the Company but are expected to affect the accounting policy disclosures in the Company's annual financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the interim condensed financial statements of the Company.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting policies (continued)

2.5.2 Impact of change in accounting policy for measurement of expected credit loss on net investment in finance leases

The Company has changed its accounting policy to measure the expected credit loss on net investment in finance leases from the Simplified approach to the General approach, both of which are permissible under IFRS 9 - "Financial Instruments". Full accounting policy description of General approach was disclosed in the financial statements of the Company for the year ended 31 December 2022.

Third interim condensed statement of financial position as at the beginning of the preceding period (i.e. 1 January 2022) is not presented as per the requirements of "IAS 1 - Presentation of Financial Statements" since the change in accounting policy does not have a material impact on the interim condensed statement of financial position as at 1 January 2022 (note 7).

Impairment of financial instruments - Measurement of ECL

Policy applicable as of 1 January 2023 (applied retrospectively)
The Company recognizes loss allowances for Expected Credit Loss ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued, if any.

No impairment loss is recognized on equity investments.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses ("12-month ECL").

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

Both lifetime ECL and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company assesses whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

When estimating the ECL, the Company considers five scenarios (a base case, a moderate downside, severe downside and a moderate upside and severe upside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the net investment in finance leases will cure and the value of collateral or the amount that might be received for selling the asset. Considering the Company does not have balance of a revolving nature, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

The Company groups its investment in finance leases into Stage 1, Stage 2, Stage 3 and Purchased or Originated Credit Impaired ("POCI"), as described below:

- Stage 1: When net investment in finance leases are first recognised, the Company recognises an allowance based on 12-month ECL. Stage 1 net investment in finance leases also include facilities where the credit risk has improved, and the balance has been reclassified from Stage 2.
- Stage 2: When a net investment in finance leases has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECL. Stage 2 balances also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Net investment in finance leases considered credit-impaired. The Company records an allowance for the lifetime ECL.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting policies (continued)

2.5.2 Impact of change in accounting policy for measurement of expected credit loss on net investment in finance leases (continued)

Impairment of financial instruments - Measurement of ECL (continued)

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Company calculates ECL based on a probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive. Key components to calculate the ECL are outlined below:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

2.6 Standards issued not yet effective

As at the date of authorization of these financial statements, the following Standards, Amendments to Standards and Annual Improvements have been issued by the International Accounting Standards Board but are not yet effective and have not been adopted by the Company:

Amendments to Standards	Description	Effective for annual periods beginning on or after
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

3 REVENUE, NET

	For the three-month period ended 30 September 2023 Unaudited SR	*For the three-month period ended 30 September 2022 Unaudited SR*	***For the nine-month period ended 30 September 2023 Unaudited SR***	*For the nine-month period ended 30 September 2022 Unaudited SR*
Finance income from finance leases (note 3.1)	**21,604,128**	16,901,872	**62,441,751**	46,826,631
Finance income from murabaha financing	**17,984,926**	13,498,759	**51,871,215**	40,338,799
Unwinding of modification losses on investment in finance leases (note 3.2)	**250,127**	1,373,268	**1,359,433**	5,594,256
Grant income on SAMA profit free deposits (note 14.3)	**-**	-	**-**	1,994,363
	39,839,181	31,773,899	**115,672,399**	94,754,049

3.1 Finance lease income is net of the insurance expense of SR 8.7 million (30 September 2022: SR 6.8 million).

3.2 This represents unwinding of modification losses arising due to payment deferral granted to lease customers pursuant to SAMA support program (note 14.1).

4 FINANCE COST, NET

	For the three-month period ended 30 September 2023 Unaudited SR	*For the three-month period ended 30 September 2022 Unaudited SR*	***For the nine-month period ended 30 September 2023 Unaudited SR***	*For the nine-month period ended 30 September 2022 Unaudited SR*
Finance charges	**615,475**	1,277,598	**2,271,277**	5,556,804
Unwinding of deferred gain on SAMA profit free deposit (not 14.3)	**189,004**	1,169,595	**1,671,315**	3,289,637
Unwinding of modification gains on term loans from banks (note 14.2)	**-**	36,249	**-**	136,356
	804,479	2,483,442	**3,942,592**	8,982,797

5 ZAKAT

The movement in the zakat provision for the period is as follows:

	For the three-month period ended 30 September 2023 Unaudited SR	*For the three-month period ended 30 September 2022 Unaudited SR*	***For the nine-month period ended 30 September 2023 Unaudited SR***	*For the nine-month period ended 30 September 2022 Unaudited SR*
At the beginning of the period	**3,491,020**	1,410,078	**3,979,813**	2,322,923
Charge for the period	**2,112,625**	1,412,921	**5,603,645**	2,972,099
Payment during the period	**-**	(1,919,763)	**(3,979,813)**	(4,391,786)
At the end of the period	**5,603,645**	903,236	**5,603,645**	903,236

Status of assessments

The Company has filed Zakat declarations up to 31 December 2022. Zakat, Tax and Customs Authority ("ZATCA") have finalized assessments till 31 December 2017. The assessments for the year ended 31 December 2018 to 31 December 2022 have not yet been raised by the ZATCA. The Company has a certificate valid up to 30 April 2024.

6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	30 September 2023 Unaudited SR	*31 December 2022 Audited SR*
Insurance claims receivable, net (note 'a')	**5,938,727**	8,397,486
Prepaid expenses	**3,104,145**	6,800,722
Advances to employees	**2,983,152**	2,554,876
Advance payments	**2,798,585**	1,508,286
Other receivables	**17,356,441**	12,835,740
	32,181,050	32,097,110

a. It represents insurance paid on behalf of customers amounting to SR 19.3 million (31 December 2022: SR 21 million), against which an allowance for expected credit losses of SR 13.4 million (31 December 2022: SR 12.6 million) has been maintained. During the period ended 30 September 2023, an amount of SR 0.16 million (30 September 2022: SR nil) was written off.

7 NET INVESTMENT IN FINANCE LEASES

	30 September 2023 Unaudited SR	*31 December 2022 Audited SR*
Gross investment in finance leases (note 'a')	**835,605,220**	923,515,670
Less: unearned finance income	**(61,241,233)**	(64,711,193)
Less: modification losses (note 'b')	**(271,663)**	(1,631,096)
Net investment in finance leases (before allowance for expected credit losses)	**774,092,324**	857,173,381
Less: allowance for expected credit losses (note 'c')	**(135,933,835)**	(122,249,064)
Net investment in finance leases	**638,158,489**	734,924,317

a. The gross investment in finance leases include SR nil (31 December 2022: SR 0.1 million) receivable from related parties.

b. This represents modification losses arising due to payment deferral granted by the Company to the eligible customers pursuant to SAMA Support Program (note 14.1) and subsequent (unwinding) of such modification losses.

c. The movement in allowance for expected credit losses on investment in finance leases is given below:

	For the three-month period ended 30 September 2023 Unaudited SR	*For the three-month period ended 30 September 2022 Unaudited SR*	***For the nine-month period ended 30 September 2023 Unaudited SR***	*For the nine-month period ended 30 September 2022 Unaudited SR*
At the beginning of the period	**132,209,098**	195,371,305	**122,249,064**	255,653,982
Charge for the period	**5,025,339**	9,944,300	**15,063,594**	34,979,661
Amounts written off	**(1,300,602)**	(17,808,911)	**(1,378,823)**	(103,126,949)
At the end of the period	**135,933,835**	187,506,694	**135,933,835**	187,506,694

8 MURABAHA FINANCING RECEIVABLES, NET

	30 September 2023 Unaudited SR	*31 December 2022 Audited SR*
Gross murabaha financing receivables	**1,056,729,769**	958,104,462
Less: unearned finance income	**(101,799,832)**	(89,957,693)
Murabaha financing receivables (before allowance for expected credit losses)	**954,929,937**	868,146,769
Less: credit loss on murabaha financing receivables (note 8.1)	**(53,620,097)**	(50,860,885)
Murabaha financing receivables	**901,309,840**	817,285,884

8.1 The movement in credit loss on murabaha financing receivables is given below:

	For the three-month period ended 30 September 2023 Unaudited SR	*For the three-month period ended 30 September 2022 Unaudited SR*	***For the nine-month period ended 30 September 2023 Unaudited SR***	*For the nine-month period ended 30 September 2022 Unaudited SR*
At the beginning of the period	**53,431,686**	67,197,383	**50,860,885**	68,630,176
Charge for the period	**188,411**	1,138,345	**2,759,212**	(294,448)
At the end of the period	**53,620,097**	68,335,728	**53,620,097**	68,335,728

Murabaha financing are Islamic mode of financing provided to customers for the purposes of working capital funding requirements. Murabaha financing earn commission at commercial rates.

9 SHARE CAPITAL AND DIVIDEND DISTRIBUTION

The share capital of the Company is divided into 50,000,000 shares (31 December 2022: 50,000,000) of SR 10 each. As at 30 September 2023 and 31 December 2022, the share capital of the Company was owned as follows:

	No. of shares of SR 10 each	***30 September 2023 Unaudited SR***	*31 December 2022 Audited SR*	***Percentage of ownership %***
Riyad Bank	**24,230,769**	**242,307,690**	242,307,690	**48.46**
Zahid Group Holding Company Limited	**17,307,692**	**173,076,920**	173,076,920	**34.62**
Al – Yemni Investments	**3,461,539**	**34,615,390**	34,615,390	**6.92**
Hussein Alireza Sons Company Limited	**2,500,000**	**25,000,000**	25,000,000	**5**
Khaled Ahmed Al Juffali Company	**2,500,000**	**25,000,000**	25,000,000	**5**
	50,000,000	**500,000,000**	500,000,000	**100**

The Company is ultimately owned by Saudi shareholders.

The shareholders of the Company, in their ordinary general meeting held on 21 June 2023 (corresponding to 3 Dhu Al-Hijjah 1444H), approved and subsequently paid a dividend of SR 6.6 million (SR 0.132 per share) out of the profit for the year ended 31 December 2022. No dividend was declared and paid during the period ended 30 September 2022 and the year ended 31 December 2022.

10 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties (other related parties). Related party transactions are undertaken at mutually agreed terms and conditions and approved by the Company's management.

10.1 Following are the details of major related party transactions entered during the period:

Related party	*Nature of transaction*	***For the three-month period ended 30 September 2023 Unaudited SR***	*For the three-month period ended 30 September 2022 Unaudited SR*	***For the nine-month period ended 30 September 2023 Unaudited SR***	*For the nine-month period ended 30 September 2022 Unaudited SR*
Riyad Bank	Financial charges on term loan	**281,860**	494,203	**724,397**	1,936,271
	Repayment of term loans, net	**9,666,667**	34,666,667	**29,000,000**	79,000,000
	Repayment against Musharaka arrangements	**30,545,608**	28,195,414	**88,529,184**	69,067,619
	Dividend Paid	**3,198,462**	-	**3,198,462**	-
Zahid Tractor and Heavy Machinery	Purchase of leasing equipment	**64,629,955**	49,848,935	**271,587,647**	144,940,057
Company Limited	Services received	**70,135**	55,198	**391,345**	525,968
Wared Transport Company	Services received	**-**	396	**3,560**	1,978
Saudi Company of Site Technology Limited	Purchase of leasing equipment	**29,187**	153,577	**29,187**	201,423
The Machinery Group LLC (TAMGO)	Purchase of leasing equipment	**17,449,657**	3,053,862	**24,376,820**	8,585,362
Juffali Industrial Product Company	Purchase of leasing equipment	**-**	-	**33,525,305**	7,144,628
Haji Hussein Ali Reza Company Limited	Purchase of leasing equipment	**-**	-	**3,449,085**	15,400,960
Zahid Travel Group	Services received	**41,135**	-	**106,546**	33,641
AL TAAQA Alternative Solutions Company Limited	Purchase of leasing equipment	**-**	652,050	**831,910**	1,117,800
EJAR Machinery Rental Alternative Company Limited	Purchase of leasing equipment	**218,500**	177,394	**570,055**	2,723,494
Juffali Printing Systems Company	Purchase of leasing equipment	**-**	252,122	**-**	338,453
Nihad Abdullah Arab & Sons Limited Company	Services received	**67,467**	55,200	**159,467**	165,600
Al-Yemni Motors Company Limited	Purchase of leasing equipment	**877,450**	1,558,250	**3,407,450**	3,783,500
Board of Directors	Remuneration to Board of Directors	**300,000**	300,000	**900,000**	900,000
Members of Audit Committee	Remuneration of member of Audit Committee	**52,500**	52,500	**157,500**	157,500

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

10.2 Due to related parties comprise the following:

	30 September 2023 Unaudited SR	*31 December 2022 Audited SR*
Zahid Tractor and Heavy Machinery Company Limited	**6,011,432**	15,364,552
The Machinery Group LLC (TAMGO)	**966,000**	4,476,375
Board of Directors	**900,000**	-
Members of Audit Committee	**157,500**	-
Al-Yemni Motors Company Limited	**-**	86,250
	8,034,932	19,927,177

10.3 Cash and cash equivalents include an amount of SR 97.1 million (31 December 2022: SR 43.3 million) that is kept with a related party.

10.4 Lease liabilities include an amount of SR nil (31 December 2022: SR 0.23 million) with respect to lease agreement entered with a related party.

10.5 Term loans include SR 32.67 million (31 December 2022: SR 61.98 million) payable to a related party.

10.6 Accounts and other payables include SR 6.1 million (31 December 2022: SR 21.6 million) in respect of musharaka arrangements payable to a related party.

Key management Remuneration

Remuneration of the key management personnel of the Company is as follows:

	30 September 2023 Unaudited SR	*30 September 2022 Unaudited SR*
Short term employee benefits	**6,358,653**	5,102,370
Post-employment benefit	**668,756**	540,428
Non-monetary benefits	**164,622**	152,180
	7,192,031	5,794,978

11 TERM LOANS

	30 September 2023 Unaudited SR	*31 December 2022 Audited SR*
Long term loans (note 11.1 & 11.2)	**885,240,523**	775,067,275
SAMA profit free deposit (note 14.3)	**20,214,896**	184,612,513
	905,455,419	959,679,788

11.1 It includes long term loans from various local banks amounting to SR 70.9 million (31 December 2022: SR 138.5 million), carrying applicable market rates and repayable in fixed quarterly instalments with last instalment due in July 2024.

11.2 It also includes long term loans from SAMA under "Loan Guarantee Program" amounting to SR 814.3 million (31 December 2022: SR 625.5 million) and from Social Development Bank ("SDB") under "Monsha'at Program" amounting to SR nil (31 December 2022: SR 11 million). The purpose of these interest free loans is to finance small and medium enterprises subject to certain terms and conditions stipulated under the respective programs (note 14.4). These long-term loans are repayable in fixed monthly instalments with last instalment due in February 2026.

12 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 by the Company. The Company's financial assets consist of cash and cash equivalents, net investment in finance leases, murabaha financing receivables and other receivables. Its financial liabilities consist of trade payables, term loans, due to related parties, lease liabilities and other liabilities.

13 FINANCIAL RISK MANAGEMENT

Credit Risk

It is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company has established procedures to manage credit exposure including, credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines. The carrying amount of financial assets recorded in the interim condensed financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

An analysis of gross exposure of investment in finance leases before ECL allowance and the corresponding ECL allowance as at 30 September 2023 and 31 December 2022 is as follows:

	Stage 1	***Stage 2***	***Stage 3***	***Total***
30 September 2023	***SR***	***SR***	***SR***	***SR***
Gross investment in finance leases	**610,594,639**	**27,632,138**	**197,378,443**	**835,605,220**
Allowance for expected credit losses	**33,835,911**	**4,590,266**	**97,507,658**	**135,933,835**
31 December 2022				
Gross investment in finance leases	563,765,562	57,067,402	302,682,706	923,515,670
Allowance for expected credit losses	19,920,391	5,096,117	97,232,556	122,249,064

An analysis of gross exposure of murabaha financing receivables before ECL allowance and the corresponding ECL allowance as at 30 September 2023 and 31 December 2022 is as follows:

30 September 2023	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
	SR	***SR***	***SR***	***SR***
Gross murabaha financing receivables	**951,026,267**	**22,073,176**	**83,630,326**	**1,056,729,769**
Allowance for expected credit losses	**20,211,867**	**879,648**	**32,528,582**	**53,620,097**
31 December 2022				
Gross murabaha financing receivables	804,971,235	74,125,530	79,007,697	958,104,462
Allowance for expected credit losses	20,724,993	5,967,531	24,168,361	50,860,885

13 FINANCIAL RISK MANAGEMENT (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, profit rate risk and other price risk, such as equity price risk and commodity risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, the management manages assets with liquidity in mind, maintaining an appropriate balance of cash and cash equivalents and credit lines and monitors future cash flows and liquidity on regular basis.

Capital management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the nine-month period ended 30 September 2023.

The Company monitors capital on the basis of the regulatory requirements of Regulations for Companies and SAMA minimum capital requirements for financing companies.

	30 September 2023 Unaudited	*31 December 2022 Audited*
Capital adequacy ratio	**2.25**	2.32

(Net investment in finance leases and murabaha financing receivables divided by total shareholders' equity).

14 IMPACT OF COVID-19 ON THE FINANCIAL POSITION OF THE COMPANY

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 ("MSMEs") as per Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

14.1 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. As part of the deferred payments program, and with further extensions to the program till March 2022 announced subsequently, the Company has accordingly deferred payments and extended maturities on lending facilities to all eligible MSMEs. 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.

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 35.7 million as at 30 September 2023 out of which SR 35.5 million has been unwound as of 30 September 2023 including unwinding of SR 1.4 million during the period ended 30 September 2023 (30 September 2022: SR 5.6 million) (note 3.2).

14 IMPACT OF COVID-19 ON THE FINANCIAL POSITION OF THE COMPANY (continued)

14.2 Furthermore, in accordance with the PSFSP, the Company was also eligible for the deferral of its term loan instalment payment to the banks (note 11). Accordingly, the Company has recognised total modification gains of SR 24.2 million as of 30 September 2023 (31 December 2022: SR 24.2 million) out of which modification gains amounting to SR 24.2 million were unwound until 30 September 2023 including SR nil unwound during the period ended 30 September 2023 (30 September 2022: SR 0.14 million) (note 4).

14.3 Furthermore, in order to compensate for the costs that the Company has incurred under the SAMA's deferred payments program, in prior years the Company received profit free deposits from SAMA amounting to SR 186.3 million, carrying a maturity of 18 months (classified under term loans facilities) in the interim condensed statement of financial position out of which SR 166.1 million has been repaid during the period ended 30 September 2023 (30 September 2022: SR nil) (note 11). Based on communication from SAMA and the nature and purpose of the facility, the profit free element on these deposits amounting to SR 7 million qualified as government grant (representing the difference between the fair value and the face value of the profit free deposit upon initial recognition) accordingly, it was included under Revenue, net in respective years (note 3). As at 30 September 2023, modification gains related to government grant amounting to SR 6.9 million has been unwound including SR 1.7 million unwound during the period ended 30 September 2023 (30 September 2022: SR 3.3 million) and accordingly, it has been included under Finance costs, net (note 4).

14.4 Under Loan Guarantee Program by SAMA, the Company has received total long-term loans amounting to SR 1,211 million out of which SR 396.7 million has been repaid until 30 September 2023 (31 December 2022: SR 748 million received out of which SR 122.5 million has been repaid) (note 11). This amount has been utilized by the Company to finance MSME loans qualifying under criteria approved by SAMA. The net impact of the interest free deposit from SAMA and interest charged on financing to MSME customers with a low interest rate is not significant to the interim condensed financial statements (note 11.2).

15 BOARD OF DIRECTORS' APPROVAL

These interim condensed financial statements were approved by the Board of Directors on 25 October 2023G (corresponding to 10 Rabi Al-Thani 1445H).