

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

**UNAUDITED INTERIM CONDENSED FINANCIAL  
STATEMENTS AND REVIEW REPORT**

**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month period ended 31 March 2024

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## 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 31 March 2024, and the related interim condensed statements of comprehensive income, changes in shareholders' equity and cash flows for the three-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

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

Jeddah: 23 Shawwal 1445H  
(02 May 2024G)



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

**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

For the three-month period ended 31 March 2024

		<i>For the three-month period ended 31 March 2024</i>	<i>For the three-month period ended 31 March 2023</i>
	<i>Note</i>	<i>Unaudited SR</i>	<i>Unaudited SR</i>
Revenue, net	3	<b>46,534,894</b>	37,953,207
Finance cost, net	4	<b>(4,088,022)</b>	(2,019,709)
		<b>42,446,872</b>	35,933,498
General and administrative expenses		<b>(19,248,800)</b>	(22,905,253)
Depreciation of equipment, furniture and vehicles		<b>(351,573)</b>	(265,751)
Depreciation of right of use assets		<b>(841,041)</b>	(737,575)
Amortization of intangible assets		<b>(239,901)</b>	(158,175)
<b>PROFIT BEFORE EXPECTED CREDIT LOSSES</b>		<b>21,765,557</b>	11,866,744
Expected credit losses on financial assets	6, 7 & 8	<b>(9,313,557)</b>	(6,136,097)
Recovery of debts previously written-off		<b>2,159,553</b>	2,576,538
<b>PROFIT FOR THE PERIOD BEFORE ZAKAT</b>		<b>14,611,553</b>	8,307,185
Zakat	5	<b>(3,021,372)</b>	(1,688,680)
<b>NET PROFIT FOR THE PERIOD</b>		<b>11,590,181</b>	6,618,505
OTHER COMPREHENSIVE INCOME		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>11,590,181</b>	6,618,505

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 31 March 2024

		<b>31 March 2024 Unaudited SR</b>	<b>31 December 2023 Audited SR</b>
<b>ASSETS</b>	<b>Note</b>		
Cash and cash equivalents		<b>22,934,867</b>	34,812,408
Advances, prepayments and other receivables	6	<b>27,102,765</b>	45,541,652
Net investment in finance leases	7	<b>728,534,312</b>	672,625,339
Murabaha financing receivables, net	8	<b>943,578,738</b>	917,562,595
Equipment, furniture and vehicles		<b>4,984,306</b>	4,719,066
Right of use assets		<b>5,927,713</b>	5,229,574
Intangible assets		<b>3,101,080</b>	2,926,234
Equity investment at fair value through other comprehensive income		<b>892,850</b>	892,850
<b>TOTAL ASSETS</b>		<b>1,737,056,631</b>	1,684,309,718
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	9	<b>500,000,000</b>	500,000,000
Statutory reserve		<b>105,404,330</b>	105,404,330
Retained earnings		<b>108,744,891</b>	97,154,710
Actuarial losses on employees' defined benefit liabilities		<b>(4,162,635)</b>	(4,162,635)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>709,986,586</b>	698,396,405
<b>LIABILITIES</b>			
Accounts payables, accrued and other liabilities		<b>53,093,623</b>	76,605,148
Due to related parties	10	<b>40,728,778</b>	1,446,700
Lease liabilities		<b>4,759,914</b>	4,055,399
Term loans	11	<b>899,146,132</b>	877,972,866
Provision for zakat	5	<b>12,132,648</b>	9,111,276
Employees' defined benefit liabilities		<b>17,208,950</b>	16,721,924
<b>TOTAL LIABILITIES</b>		<b>1,027,070,045</b>	985,913,313
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1,737,056,631</b>	1,684,309,718

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 CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**

For the three-month period ended 31 March 2024

	<i>Share capital SR</i>	<i>Statutory reserve SR</i>	<i>Retained earnings SR</i>	<i>Actuarial losses on employees' defined benefit liabilities SR</i>	<i>Total SR</i>
Balance as at 1 January 2024	500,000,000	105,404,330	97,154,710	(4,162,635)	698,396,405
Net profit for the period	-	-	11,590,181	-	11,590,181
<b>Balance as at 31 March 2024 (Unaudited)</b>	<b>500,000,000</b>	<b>105,404,330</b>	<b>108,744,891</b>	<b>(4,162,635)</b>	<b>709,986,586</b>
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	-	-	6,618,505	-	6,618,505
<b>Balance as at 31 March 2023 (Unaudited)</b>	<b>500,000,000</b>	<b>101,897,113</b>	<b>78,808,260</b>	<b>(3,893,335)</b>	<b>676,812,038</b>

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 three-month period ended 31 March 2024

		<i>For the three-month period ended 31 March 2024 Unaudited SR</i>	<i>For the three-month period ended 31 March 2023 Unaudited SR</i>
	<i>Note</i>		
<b>OPERATING ACTIVITIES</b>			
Profit for the period before zakat		<b>14,611,553</b>	8,307,185
<i>Adjustments for:</i>			
Depreciation of equipment, furniture and vehicles		<b>351,573</b>	265,751
Amortization of right of use assets		<b>841,041</b>	737,575
Amortization of intangibles		<b>239,901</b>	158,175
Modification gains on investment in finance lease, net	3	-	(683,026)
Finance costs	4	<b>4,088,022</b>	2,019,709
Expected credit losses on financial assets	7 & 8	<b>7,777,038</b>	6,136,097
Expected credit losses on insurance claims & other receivable	6	<b>1,536,519</b>	-
Provision for employees' defined benefit liabilities		<b>1,046,909</b>	948,963
Gain on modification of lease contracts		-	(865,263)
		<hr/>	<hr/>
Operating profit before changes in operating assets and liabilities		<b>30,492,556</b>	17,025,166
<i>Changes in operating assets and liabilities</i>			
Net investment in finance leases		<b>(53,825,777)</b>	(30,770,822)
Murabaha financing receivables, net		<b>(35,876,377)</b>	(102,683,940)
Advances, prepayments and other receivables		<b>16,902,368</b>	(1,158,555)
Accounts payables, accrued and other liabilities		<b>(23,511,525)</b>	(37,982,765)
Due to related parties		<b>39,282,078</b>	14,692,612
		<hr/>	<hr/>
Cash used in operations		<b>(26,536,677)</b>	(140,878,304)
Finance costs paid		<b>(1,975,682)</b>	(967,224)
Employee's terminal benefits paid		<b>(559,883)</b>	(165,338)
		<hr/>	<hr/>
Net cash used in operating activities		<b>(29,072,242)</b>	(142,010,866)
		<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>			
Purchase of equipment, furniture and vehicles		<b>(616,814)</b>	(1,597,561)
Purchase of intangibles		<b>(414,748)</b>	(332,881)
		<hr/>	<hr/>
Net cash used in investing activities		<b>(1,031,562)</b>	(1,930,442)
		<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>			
Proceeds from term loans		<b>205,129,832</b>	463,000,000
Repayments of term loans		<b>(186,002,779)</b>	(219,146,907)
Repayment of principal portion of lease liabilities		<b>(900,790)</b>	(648,085)
		<hr/>	<hr/>
Net cash from financing activities		<b>18,226,263</b>	243,205,008
		<hr/>	<hr/>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(11,877,541)</b>	99,263,700
Cash and cash equivalents at the beginning of the period		<b>34,812,408</b>	182,349,318
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>22,934,867</b>	281,613,018
		<hr/> <hr/>	<hr/> <hr/>

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)**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

At 31 March 2024

**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 September 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:

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

The results for the three-month period ended 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

**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 investment 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.



**AJIL FINANCIAL SERVICES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)**

**2.2 Statement of compliance**

The interim condensed financial statements of the Company as at and for the period ended 31 March 2024 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 2023.

**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 2023.

**2.5 New standards, interpretations and amendments adopted by the Company**

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 2023, 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 2024. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2024, but do not have an impact on the interim condensed financial statements of the Company.

**Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Company’s interim condensed financial statements.

**Amendments to IFRS 16: Lease Liability in a Sale and Leaseback**

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**2.5 New standards, interpretations and amendments adopted by the Company (continued)**

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

**2.6 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the reporting date of the Company's interim condensed financial statements are detailed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**Lack of exchangeability – Amendments to IAS 21**

In August 2023, the IASB issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the interim condensed financial statements of the Company.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted but will need to be disclosed.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**3 REVENUE, NET**

	<i>For the three-month period ended 31 March 2024 Unaudited SR</i>	<i>For the three-month period ended 31 March 2023 Unaudited SR</i>
Finance income from finance leases (note 3.1)	<b>23,862,094</b>	21,025,813
Finance income from murabaha financing	<b>22,672,800</b>	16,244,368
Unwinding of modification losses on investment in finance leases (note 3.2)	-	683,026
	<b>46,534,894</b>	<b>37,953,207</b>

3.1 Finance lease income is net of the insurance expense of SR 1.47 million (2023: SR 1.7 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**

	<i>For the three-month period ended 31 March 2024 Unaudited SR</i>	<i>For the three-month period ended 31 March 2023 Unaudited SR</i>
Finance charges	<b>4,088,022</b>	865,495
Unwinding of deferred gain on SAMA profit free deposit (note 14.2)	-	1,154,214
	<b>4,088,022</b>	<b>2,019,709</b>

**5 ZAKAT**

The movement in the provision for zakat is as follows:

	<i>For the three-month period ended 31 March 2024 Unaudited SR</i>	<i>For the three-month period ended 31 March 2023 Unaudited SR</i>
At the beginning of the period	<b>9,111,276</b>	3,979,813
Charge for the period	<b>3,021,372</b>	1,688,680
At the end of the period	<b>12,132,648</b>	<b>5,668,493</b>

**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. Subsequent to period end, the Company has submitted the zakat declaration for the year ended 31 December 2023. The Company has received zakat certificate valid till 30 April 2025.

**AJIL FINANCIAL SERVICES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

	<i>31 March 2024 Unaudited SR</i>	<i>31 December 2023 Audited SR</i>
Insurance claims receivable, net (note 'a')	12,519,295	10,633,224
Advance payments	2,604,858	18,144,668
Prepaid expenses	1,869,860	2,599,960
Advances to employees	2,587,062	2,807,310
Other receivables (note 'b')	7,521,690	11,356,490
	<u>27,102,765</u>	<u>45,541,652</u>

- a. It represents insurance paid on behalf of customers amounting to SR 24.2 million (2023: SR 21.2 million), against which an allowance for expected credit losses of SR 11.7 million (2023: SR 10.6 million) has been maintained. During the period ended 31 March 2024, SR 5,532 (31 March 2023: SR 76,354) was written off.
- b. It includes other receivables paid on behalf of customers amounting to SR 6 million (2023: SR 6 million), against which an allowance for expected credit losses of SR 3.2 million (2023: SR 2.7 million) has been maintained.

**7 NET INVESTMENT IN FINANCE LEASES**

	<i>31 March 2024 Unaudited SR</i>	<i>31 December 2023 Audited SR</i>
Gross investment in finance leases	883,743,247	816,190,618
Less: unearned finance income	(84,846,781)	(70,757,065)
Net investment in finance leases before allowance for expected credit losses	798,896,466	745,433,553
Less: allowance for expected credit losses (note 'a')	(70,362,154)	(72,808,214)
Net investment in finance leases	<u>728,534,312</u>	<u>672,625,339</u>

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

	<i>For the three-month period ended 31 March 2024 Unaudited SR</i>	<i>For the three-month period ended 31 March 2023 Unaudited SR</i>
At the beginning of the period	72,808,214	122,249,064
(Reversal) / charge for the period	(2,083,196)	4,908,460
Amounts written off	(362,864)	(73,353)
At the end of the period	<u>70,362,154</u>	<u>127,084,171</u>

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**8 MURABAHA FINANCING RECEIVABLES, NET**

	<i>31 March 2024 Unaudited SR</i>	<i>31 December 2023 Audited SR</i>
Gross murabaha financing receivables	1,130,523,014	1,088,623,185
Less: unearned finance income	(115,613,649)	(109,321,740)
Murabaha financing receivables before allowance for expected credit losses	1,014,909,365	979,301,445
Less: credit loss on murabaha financing receivables (note 'a')	(71,330,627)	(61,738,850)
Murabaha financing receivables, net	<u>943,578,738</u>	<u>917,562,595</u>

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

	<i>For the three-month period ended 31 March 2024 Unaudited SR</i>	<i>For the three-month period ended 31 March 2023 Unaudited SR</i>
At the beginning of the period	61,738,850	50,860,885
Charge for the period	9,860,234	1,227,637
Written off during the period	(268,457)	-
At the end of the period	<u>71,330,627</u>	<u>52,088,522</u>

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**

The share capital of the Company is divided into 50,000,000 shares (31 December 2023: 50,000,000) of SR 10 each. As at 31 March 2024 and 31 December 2023, the share capital of the Company was owned as follows:

	<i>No. of shares of SR 10 each</i>	<i>31 March 2024 Unaudited SR</i>	<i>31 December 2023 Audited SR</i>	<i>Percentage of ownership %</i>
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
	<u>50,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>	<u>100</u>

The Company is ultimately owned by Saudi shareholders.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**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:

<i>Related party</i>	<i>Nature of transaction</i>	<i>For the three-month period ended 31 March 2024 Unaudited SR</i>	<i>For the three-month period ended 31 March 2023 Unaudited SR</i>
Riyad Bank	Financial charges on term loan	486,249	360,384
	Borrowing of term loans	70,000,000	-
	Repayment of term loans, net	34,666,667	9,666,667
	Repayment against Musharaka arrangements	32,166,767	28,459,886
Zahid Tractor and Heavy Machinery Company Limited	Purchase of leasing equipment	138,959,616	103,579,506
	Services received	71,489	293,710
Riyad Capital	Services received	7,063,071	-
Wared Transport Company	Services received	-	3,560
Saudi Company of Site Technology Limited	GPS installation services	2,691	-
The Machinery Group LLC (TAMGO)	Purchase of leasing equipment	6,930,672	5,817,195
Juffali Industrial Product Company	Purchase of leasing equipment	2,587,500	26,477,300
Haji Hussein Ali Reza Company Limited	Purchase of leasing equipment	-	3,449,085
Zahid Travel Group	Services received	35,948	45,278
AL TAAQA Alternative Solutions Company Limited	Purchase of leasing equipment	-	831,910
EJAR Machinery Rental Alternative Company Limited	Purchase of leasing equipment	-	351,555
United A Maintenance and Cleaning Company (formerly Nihad)	Services received	85,330	55,200
Abdullah Arab & Sons Limited Company)			
Al-Yemni Motors Company Limited	Purchase of leasing equipment	-	2,530,000
Board of Directors	Remuneration to Board of Directors	300,000	300,000
Members of Audit Committee	Remuneration of member of Audit Committee	52,500	52,500

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

10.2 Due to related parties comprise the following:

	<i>31 March 2024 Unaudited SR</i>	<i>31 December 2023 Audited SR</i>
Zahid Tractor and Heavy Machinery Company Limited	<b>39,067,028</b>	1,230,500
The Machinery Group LLC (TAMGO)	<b>1,661,750</b>	216,200
	<b>40,728,778</b>	1,446,700

10.3 Cash and cash equivalents include an amount of SR 4.8 million (31 December 2023: SR 10.8 million) that is kept with a related party.

10.4 Term loans includes SR 83.96 million (31 December 2023: SR 48.12 million) payable to a related party.

10.5 Accounts and other payables includes SR nil million (31 December 2023: SR 3.8 million) in respect of musharaka arrangements payable to a related party.

10.6 Advance, prepayment and other receivables includes SR 2.57 million (31 December 2023: SR Nil) in respect of musharaka arrangements receivable from a related party.

**Key management Remuneration**

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

	<i>31 March 2024 Unaudited SR</i>	<i>31 March 2023 Unaudited SR</i>
Short term employee benefits	<b>5,582,322</b>	3,840,527
Post-employment benefit	<b>219,994</b>	210,919
Non-monetary benefits	<b>60,407</b>	48,643
	<b>5,862,723</b>	4,100,089

**11 TERM LOANS**

	<i>31 March 2024 Unaudited SR</i>	<i>31 December 2023 Audited SR</i>
Short term loans (note 11.1)	<b>177,498,137</b>	100,479,239
<b>Long term loans</b>		
SAMA interest free loans (note 11.2)	<b>587,522,479</b>	698,223,961
Other long-term loans (note 11.3)	<b>134,125,516</b>	79,269,666
	<b>899,146,132</b>	877,972,866

11.1 These represent short term loans from various local banks carrying applicable market rates and repayable in fixed quarterly instalments with last instalment due in September 2024.

11.2 It represents interest free loans obtained by the Company under Loan Guarantee Program by SAMA amounting to SR 1,211 million out of which SR 623.5 million has been repaid until 31 March 2024 (31 December 2023: SR 1,211 million received out of which SR 513 million was repaid) with last instalment due in February 2026. 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 loans from SAMA and interest charged on financing to MSME customers with a low interest rate is not significant to the interim condensed statement of comprehensive income.

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**11 TERM LOANS (continued)**

11.3 It represents long term loans from various local banks amounting to SR 134 million (31 December 2023: SR 79.5 million), carrying applicable market rates and repayable in fixed quarterly instalments with last instalment due in March 2025.

**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 lease, murabaha financing receivables and other receivables. Its financial liabilities consist of accounts payables, term loans, due to related parties, lease liabilities and other liabilities.

The fair values of the financial instruments are not materially different from their carrying amounts except for the net investment in finance leases, murabaha financing receivables since all of the financial instruments carry maturity of less than one year.

**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 31 March 2024 and 31 December 2023 is as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>31 March 2024</b>				
Gross investment in finance leases	<b>760,213,322</b>	<b>37,258,927</b>	<b>86,270,998</b>	<b>883,743,247</b>
Allowance for expected credit losses	<b>29,653,875</b>	<b>4,922,087</b>	<b>35,786,192</b>	<b>70,362,154</b>
<b>31 December 2023</b>				
Gross investment in finance leases	693,177,413	28,108,009	94,905,196	816,190,618
Allowance for expected credit losses	30,524,433	3,769,825	38,513,956	72,808,214



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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**13 FINANCIAL RISK MANAGEMENT (continued)**

An analysis of gross exposure of murabaha financing receivables before ECL allowance and the corresponding ECL allowance as at 31 March 2024 and 31 December 2023 is as follows:

<i>31 March 2024</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Gross murabaha financing receivables	<b>996,511,433</b>	<b>43,192,245</b>	<b>90,819,336</b>	<b>1,130,523,014</b>
Allowance for expected credit losses	<b>28,306,261</b>	<b>4,525,417</b>	<b>38,498,949</b>	<b>71,330,627</b>
<i>31 December 2023</i>				
Gross murabaha financing receivables	982,093,254	22,106,040	84,423,891	1,088,623,185
Allowance for expected credit losses	24,180,693	1,471,655	36,086,502	61,738,850

**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 three-month period ended 31 March 2024.

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

	<i>31 March</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
	<i>Unaudited</i>	<i>Audited</i>
Capital adequacy ratio	<b>2.36</b>	2.28

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

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

At 31 March 2024

**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 which has been entirely unwound as of 31 December 2023 including unwinding of SR Nil during the period ended (31 March 2023: SR 0.7 million) (note 3.2).

14.2 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, which was fully repaid during the year ended 31 December 2023. 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) which was fully unwound by 31 December 2023. As at 31 March 2024, modification gains relating to government grant amounting to SR Nil (31 March 2023: SR 1.2 million) has been unwound and accordingly, it has been included under Finance cost, net (note 4) .

**15 BOARD OF DIRECTORS’ APPROVAL**

These interim condensed financial statements were approved by the Board of Directors on 30 April 2024G (corresponding to 21 Shawwal 1445H).