

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

CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

with

INDEPENDENT AUDITOR'S REVIEW REPORT
For the six-month period ended 30 June 2024

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

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

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KPMG Professional Services

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Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص. ب. 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

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 June 2024 condensed interim financial statements of AJIL Financial Services Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 June 2024;
- the condensed statements of comprehensive income for the three-month and six-month periods ended 30 June 2024;
- the condensed statement of changes in equity for the six-month period ended 30 June 2024;
- the condensed statement of cash flows for the six-month period ended 30 June 2024; 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 condensed interim financial statements 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 June 2024 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.

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

To the shareholders of AJIL Financial Services Company (continued)

Other Matter

The condensed interim financial statements of the Company for the three-month and six-month periods ended 30 June 2023, and three-month ended 31 March 2024 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial statements on 08 Muharram 1445H corresponding to 26 July 2023 and 23 Shawwal 1445H corresponding to 02 May 2024, respectively. In addition, the financial statements of the Company as at and for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 22 Sha'ban 1445H corresponding to 03 March 2024.

KPMG Professional Services



Nasser Ahmed Al Shutairy
License No: 454



Jeddah, 25 July 2024
Corresponding to 19 Muharram 1446H

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

		For the three-month period ended 30 June		For the six-month period ended 30 June	
	Note	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
		Unaudited SR	Unaudited SR	Unaudited SR	Unaudited SR
Revenue, net	3	48,405,636	37,880,011	94,940,530	75,833,218
Finance cost, net	4	(6,723,191)	(1,118,404)	(10,811,213)	(3,138,113)
		41,682,445	36,761,607	84,129,317	72,695,105
General and administrative expenses		(22,071,966)	(22,633,079)	(41,320,766)	(45,538,332)
Depreciation / amortization of:					
- equipment, furniture and vehicles		(368,114)	(285,182)	(719,687)	(550,933)
- right of use assets		(960,572)	(794,778)	(1,801,613)	(1,532,353)
- intangible assets		(240,083)	(164,323)	(479,984)	(322,498)
Profit before expected credit losses		18,041,710	12,884,245	39,807,267	24,750,989
Expected credit losses on financial assets		(6,784,674)	(6,472,959)	(16,098,231)	(12,609,056)
Recovery of debt previously written off		4,667,171	2,211,159	6,826,724	4,787,697
Profit before zakat		15,924,207	8,622,445	30,535,760	16,929,630
Zakat	5	(3,292,802)	(1,802,340)	(6,314,174)	(3,491,020)
Net profit for the period		12,631,405	6,820,105	24,221,586	13,438,610
Other comprehensive income		--	--	--	--
Total comprehensive income for the period		12,631,405	6,820,105	24,221,586	13,438,610

The accompanying notes 1 to 16 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF FINANCIAL POSITION

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Note</u>	30 June 2024 Unaudited SR	31 December 2023 Audited SR
ASSETS			
Cash and cash equivalents		24,972,953	34,812,408
Advances, prepayments and other receivables	6	37,904,914	45,541,652
Net investment in finance leases	7	742,821,411	672,625,339
Murabaha financing receivables, net	8	953,955,644	917,562,595
Equipment, furniture and vehicles		5,382,579	4,719,066
Right of use assets		6,450,946	5,229,574
Intangible assets		3,310,325	2,926,234
Equity investment at fair value through other comprehensive income		892,850	892,850
Total assets		<u>1,775,691,622</u>	<u>1,684,309,718</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	9	500,000,000	500,000,000
Statutory reserve		105,404,330	105,404,330
Retained earnings		103,840,210	97,154,710
Actuarial loss on employees' defined benefit liabilities		(4,162,635)	(4,162,635)
Total shareholders' equity		<u>705,081,905</u>	<u>698,396,405</u>
Liabilities			
Trade payables, accrued and other liabilities		51,203,708	76,605,148
Due to related parties	11	37,750,055	1,446,700
Lease liabilities		5,940,874	4,055,399
Term loans	12	951,183,620	877,972,866
Provision for zakat	5	6,314,174	9,111,276
Employees' defined benefit liabilities		18,217,286	16,721,924
Total liabilities		<u>1,070,609,717</u>	<u>985,913,313</u>
Total shareholders' equity and liabilities		<u>1,775,691,622</u>	<u>1,684,309,718</u>

The accompanying notes 1 to 16 form an integral part of these condensed interim financial statements.

AJIL FINANCIAL SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Share capital</u> SR	<u>Statutory reserve</u> SR	<u>Retained earnings</u> SR	<u>Actuarial loss on employees' defined benefit liabilities</u> SR	<u>Total</u> SR
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	--	--	24,221,586	--	24,221,586
Other comprehensive income	--	--	--	--	--
<i>Total comprehensive income</i>	--	--	24,221,586	--	24,221,586
Dividend (note 9)	--	--	(17,536,086)	--	(17,536,086)
Balance as at 30 June 2024 (Unaudited)	500,000,000	105,404,330	103,840,210	(4,162,635)	705,081,905
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	--	--	13,438,610	--	13,438,610
Other comprehensive income	--	--	--	--	--
<i>Total comprehensive income</i>	--	--	13,438,610	--	13,438,610
Dividend (note 9)	--	--	(6,600,000)	--	(6,600,000)
Balance as at 30 June 2023 (Unaudited)	500,000,000	101,897,113	79,028,365	(3,893,335)	677,032,143

The accompanying notes 1 to 16 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

	<u>Note</u>	30 June 2024 Unaudited SR	30 June 2023 Unaudited SR
Cashflow from operating activities			
Profit before zakat for the period		30,535,760	16,929,630
<i>Adjustments for non-cash items:</i>			
Depreciation of equipment, furniture and vehicles		719,687	550,933
Amortization of right of use assets		1,801,613	1,532,353
Amortization of intangibles		479,984	322,498
Gain on disposal of equipment, furniture and vehicles		--	(93,696)
Modification gains on investment in finance lease, net	3	--	(1,109,306)
Finance costs, net	4	10,811,213	3,138,113
Expected credit losses on financial assets		16,098,231	12,609,056
Provision for employees' defined benefit liabilities		2,098,824	1,949,214
Gain on modification of lease contracts		--	(832,888)
Operating profit before changes in operating assets and liabilities		62,545,312	34,995,907
<i>Changes in operating assets and liabilities</i>			
Advances, prepayments and other receivables		3,695,571	6,108,690
Net investment in finance leases		(57,984,619)	(19,556,390)
Murabaha financing receivables, net		(60,761,567)	(59,261,698)
Trade payables, accrued and other liabilities		(25,401,440)	(45,090,007)
Due to related parties		36,303,355	12,347,416
Net cash used in operations		(41,603,388)	(70,456,082)
Zakat paid		(9,111,276)	(3,979,813)
Finance costs paid		(7,792,935)	(1,764,791)
Employee's defined benefits paid		(603,461)	(298,691)
Net cash used in operating activities		(59,111,060)	(76,499,377)
Cashflow from investing activities			
Purchase of equipment, furniture and vehicles		(1,383,200)	(1,635,597)
Purchase of intangibles		(864,075)	(945,750)
Proceeds from disposal of equipment, furniture and vehicles		--	93,696
Net cash used in investing activities		(2,247,275)	(2,487,651)
Cashflow from financing activities			
Dividends paid		(17,536,086)	--
Proceeds from term loans		515,129,832	463,000,000
Repayments of term loans		(444,788,896)	(374,057,354)
Repayment of principal portion of lease liabilities		(1,285,970)	(664,320)
Net cash generated from financing activities		51,518,880	88,278,326
Net (decrease) / increase in cash and cash equivalents		(9,839,455)	9,291,298
Cash and cash equivalents at the beginning of the period		34,812,408	182,349,318
Cash and cash equivalents at the end of the period		24,972,953	191,640,616

The accompanying notes 1 to 16 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 (UNAUDITED)

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

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

<u>Commercial Registration No.</u>	<u>Location</u>
2050044861	Dammam
2051031244	Al-Khobar
5850027895	Abha
1010194653	Riyadh
4030612980	Jeddah

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accrual basis of accounting and the going concern concept.

2.2 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 30 June 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 issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and in compliance with the Companies’ Law in the Kingdom of Saudi Arabia and Company’s By-laws.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as “the Law”) came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the By-laws to the provisions of the Law. Consequently, the Company shall present the amended By-Laws to the shareholders in their Annual General Assembly meeting for their ratification.

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 annual financial statements for the year ended 31 December 2023. The results for the six-month period ended 30 June 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

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

2.3 Functional and presentational currency

These condensed interim 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 the Company’s condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In preparing these condensed interim 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.5 Material accounting policies

The accounting policies, used in the preparation of these condensed interim 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.

New standards, interpretations and amendments adopted by the Company

The following amendments to existing standards and framework have been applied by the Company in preparation of these condensed interim financial statements. The adoption of the below did not result in changes to the previously reported net profit or equity of the Company.

<i>Standard / amendments / interpretation</i>	<i>Description</i>	<i>Effective date</i>
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants and classification of liabilities as current or non-current	<p>These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.</p> <p>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.</p>	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024

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

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.5 Material accounting policies (continued)

Standards issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of these condensed interim financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

<i>Standard / amendments / interpretation</i>	<i>Description</i>	<i>Effective date</i>
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 Ventures	Available for optional adoption / effective date deferred indefinitely

3. REVENUE, NET

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	Unaudited	Unaudited	Unaudited	Unaudited
Finance income from finance leases	20,739,786	19,811,810	44,601,880	40,837,623
Finance income from Murabaha financing	27,665,850	17,641,921	50,338,650	33,886,289
Unwinding of modification losses on investment in finance leases	--	426,280	--	1,109,306
	48,405,636	37,880,011	94,940,530	75,833,218

4. FINANCE COST, NET

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	Unaudited	Unaudited	Unaudited	Unaudited
Finance charges	6,723,191	790,307	10,811,213	1,655,802
Unwinding of deferred gain on SAMA profit free deposit	--	328,097	--	1,482,311
	6,723,191	1,118,404	10,811,213	3,138,113

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

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

5. ZAKAT

The movement in the provision for zakat is as follows:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	Unaudited	Unaudited	Unaudited	Unaudited
At the beginning of the period	12,132,648	5,668,493	9,111,276	3,979,813
Charge for the period	3,292,802	1,802,340	6,314,174	3,491,020
Payment during the period	(9,111,276)	(3,979,813)	(9,111,276)	(3,979,813)
At the end of the period	<u>6,314,174</u>	<u>3,491,020</u>	<u>6,314,174</u>	<u>3,491,020</u>

Status of assessments

The Company has filed Zakat declarations up to 31 December 2023. 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 2023 have not yet been raised by the ZATCA.

6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	30 June	31 December
	<u>2024</u>	<u>2023</u>
	Unaudited	Audited
Insurance claims receivable, net (note 'a')	9,598,913	7,969,277
Advance payments	11,438,841	18,144,668
Prepaid expenses	4,266,707	2,599,960
Advances to employees	2,366,957	2,807,310
Other receivables (note 'b')	10,233,496	14,020,437
	<u>37,904,914</u>	<u>45,541,652</u>

- It represents insurance paid on behalf of customers amounting to SR 23.4 million (31 December 2023: SR 21.2 million), against which an allowance for expected credit loss of SR 13.8 million (31 December 2023: SR 10.6 million) has been maintained. During the period ended 30 June 2024, SR 16,027 (30 June 2023: SR 83,789) was written off.
- It includes other receivables paid on behalf of customers amounting to SR 6.7 million (2023: SR 6 million), against which an allowance for expected credit loss of SR 3.5 million (2023: SR 2.7 million) has been maintained.

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

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

7. NET INVESTMENT IN FINANCE LEASES

	30 June 2024 Unaudited	31 December 2023 Audited
Gross investment in finance leases	872,075,549	816,190,618
Less: unearned finance income	(91,444,972)	(70,757,065)
Net investment in finance leases before allowance for expected credit loss	780,630,577	745,433,553
Less: allowance for expected credit loss (note 'a')	(37,809,166)	(72,808,214)
Net investment in finance leases	742,821,411	672,625,339

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024	2023	2024	2023
	Unaudited	Unaudited	Unaudited	Unaudited
At the beginning of the period	70,362,154	127,084,171	72,808,214	122,249,064
(Reversal) / charge for the period	(10,128,257)	5,129,795	(12,211,453)	10,038,255
Written off during the period	(22,424,731)	(4,868)	(22,787,595)	(78,221)
At the end of the period	37,809,166	132,209,098	37,809,166	132,209,098

- b. An analysis of gross exposure of investment in finance leases before ECL allowance and the corresponding ECL allowance as at 30 June 2024 and 31 December 2023 is as follows:

	Stage 1	Stage 2	Stage 3	Total
30 June 2024				
Gross investment in finance leases	781,621,475	38,954,999	51,499,075	872,075,549
Allowance for expected credit loss	17,531,905	2,811,111	17,466,150	37,809,166
31 December 2023				
Gross investment in finance leases	693,177,413	28,108,009	94,905,196	816,190,618
Allowance for expected credit loss	30,524,433	3,769,825	38,513,956	72,808,214

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2024

(Expressed in Saudi Arabian Riyals, unless otherwise stated)

8. MURABAHA FINANCING RECEIVABLES, NET

	30 June 2024 Unaudited	31 December 2023 Audited
Gross murabaha financing receivables	1,168,870,694	1,088,623,185
Less: unearned finance income	(129,123,288)	(109,321,740)
Murabaha financing receivables before allowance for expected credit loss	1,039,747,406	979,301,445
Less: allowance for expected credit loss (note 'a')	(85,791,762)	(61,738,850)
Murabaha financing receivables, net	953,955,644	917,562,595

- a. The movement in allowance for expected credit loss on murabaha financing receivables is given below:

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2024	2023	2024	2023
	Unaudited	Unaudited	Unaudited	Unaudited
At the beginning of the period	71,330,627	52,088,522	61,738,850	50,860,885
Charge for the period	14,508,283	1,343,164	24,368,517	2,570,801
Written off during the period	(47,148)	--	(315,605)	--
At the end of the period	85,791,762	53,431,686	85,791,762	53,431,686

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.

- b. An analysis of gross exposure of murabaha financing receivables before ECL allowance and the corresponding ECL allowance as at 30 June 2024 and 31 December 2023 is as follows:

	Stage 1	Stage 2	Stage 3	Total
30 June 2024				
Gross murabaha financing receivables	1,000,651,739	78,876,023	89,342,932	1,168,870,694
Allowance for expected credit loss	28,646,315	10,644,133	46,501,314	85,791,762
31 December 2023				
Gross murabaha financing receivables	982,093,254	22,106,040	84,423,891	1,088,623,185
Allowance for expected credit loss	24,180,693	1,471,655	36,086,502	61,738,850

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9. SHARE CAPITAL AND DIVIDEND DISTRIBUTION

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 30 June 2024 and 31 December 2023, the share capital of the Company was owned as follows:

	No. of shares of SR 10 each	Percentage of ownership %	30 June 2024 Unaudited	31 December 2023 Audited
Riyad Bank	24,230,769	48.46	242,307,690	242,307,690
Zahid Group Holding Company Limited	17,307,692	34.62	173,076,920	173,076,920
Al – Yemni Investments Company	3,461,539	6.92	34,615,390	34,615,390
Hussein Alireza Sons Company Limited	2,500,000	5	25,000,000	25,000,000
Khaled Ahmed Al Juffali Company	2,500,000	5	25,000,000	25,000,000
	50,000,000	100	500,000,000	500,000,000

The Company is ultimately owned by Saudi shareholders.

The shareholders of the Company, in their ordinary general meeting held on 30 May 2024 (corresponding to 22 Dhul Qadah, 1445H), approved a dividend of SR 17.54 million (SR 0.35 per share) (30 June 2023: SR 6.6 million) out of the profit for the year ended 31 December 2023. As at 30 June 2024 the dividend is fully paid.

10. STATUTORY RESERVE

In accordance with the Company's by-law, the Company is required to transfer 10% of its net profit each year to a statutory reserve, after any accumulated deficit is absorbed, until such reserve equals 30% of its share capital. This reserve is not currently available for distribution to the shareholders.

11. 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 in the normal course of business at mutually agreed terms and conditions and approved by the Company's management. Following are the details of major related party transactions entered during the period:

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11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<u>Name</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>For the three-month period ended 30 June</u>		<u>For the six-month period ended 30 June</u>	
			<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
			Unaudited	Unaudited	Unaudited	Unaudited
Riyad Bank	Shareholder	Financial charges on term loan	2,309,355	82,153	2,795,604	442,537
		Borrowing of term loans	100,000,000	--	170,000,000	--
		Repayment of term loans, net	54,583,333	9,666,666	89,250,000	19,333,333
		Repayment against Musharaka arrangements	20,778,551	29,523,690	52,945,318	57,983,576
Zahid Tractor and Heavy Machinery Company Limited	Common shareholders	Purchase of leasing equipment	118,150,071	103,378,186	257,109,687	206,957,692
		Services received	484,335	27,500	555,824	321,210
Riyad Capital	Common shareholders	Services received	6,971,185	--	14,034,256	--
Wared Transport Company Limited	Common shareholders	Services received	--	--	--	3,560
The Machinery Group LLC (TAMGO)	Common shareholders	Purchase of leasing equipment	1,574,252	1,109,968	8,504,924	6,927,163
Juffali Industrial Product Company	Common shareholders	Purchase of leasing equipment	1,006,250	7,048,005	3,593,750	33,525,305
Haji Hussein Ali Reza & Company Limited	Common shareholders	Purchase of leasing equipment	--	--	--	3,449,085
Zahid Travel Group LLC	Common shareholders	Services received	21,628	20,133	57,576	65,411
AL TAAQA Alternative Solutions Company Limited	Common shareholders	Purchase of leasing equipment	--	--	--	831,910
EJAR Machinery Rental Alternative Company Limited	Common shareholders	Purchase of leasing equipment	593,630	--	593,630	351,555
United A Maintenance and Cleaning Company	Common shareholders	Services received	86,595	36,800	171,925	92,000
Al-Yemni Motors Company Limited	Common shareholders	Purchase of leasing equipment	--	--	--	2,530,000
		Remuneration to Board of				
Board of Directors	Board of Directors	Directors	300,000	300,000	600,000	600,000
Members of Audit Committee	Members of Audit Committee	Remuneration of member of Audit Committee	52,500	52,500	105,000	105,000

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11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

11.1 Due to related parties comprise the following:

	30 June 2024 Unaudited	31 December 2023 Audited
Zahid Tractor and Heavy Machinery Company Limited	37,045,055	1,230,500
The Machinery Group LLC (TAMGO)	--	216,200
Board of directors	600,000	--
Members of audit committee	105,000	--
	<u>37,750,055</u>	<u>1,446,700</u>

11.2 Cash and cash equivalents include an amount of SR 8.8 million (31 December 2023: SR 10.8 million) maintained with Riyadh Bank.

11.3 Term loans includes SR 130.04 million (31 December 2023: SR 48.12 million) payable to Riyadh Bank.

11.4 Trade payables, accrued and other liabilities includes nil (31 December 2023: SR 3.8 million) in respect of musharaka arrangements payable to Riyadh Bank.

11.5 Advance, prepayment and other receivables includes SR 7.73 million (31 December 2023: Nil) in respect of musharaka arrangements receivable from Riyadh Bank and Riyadh Capital.

Key management Remuneration

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

	30 June 2024 Unaudited	30 June 2023 Unaudited
Short term employee benefits	7,999,834	6,559,045
Post-employment benefit	439,988	445,838
Non-monetary benefits	127,624	98,695
	<u>8,567,446</u>	<u>7,103,578</u>

12. TERM LOANS

	30 June 2024 Unaudited	31 December 2023 Audited
Short term loans (note 12.1)	253,315,693	100,479,239
Long term loans		
SAMA interest free loans (note 12.2)	483,154,329	698,223,961
Other long term loans (note 12.3)	214,713,598	79,269,666
	<u>951,183,620</u>	<u>877,972,866</u>

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12. TERM LOANS (continued)

- 12.1 These represent short term loans from various local banks carrying applicable market rates and repayable in fixed monthly/quarterly instalments with last instalment due in June 2025.
- 12.2 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 728 million has been repaid until 30 June 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 condensed statement of comprehensive income.
- 12.3 It represents long term loans from various local banks amounting to SR 214.7 million (31 December 2023: SR 79.3 million), carrying applicable market rates and repayable in fixed monthly/quarterly instalments with last instalment due in June 2026.

13. 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.

Level 1: quoted prices in active markets for the same instrument;

Level 2: quoted prices in active markets for similar assets and liabilities or valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

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 trade 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.

14. FINANCIAL RISK MANAGEMENT

- 14.1 The Company's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, interest rate risk and price risk) credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; and therefore, should be read in conjunction with the Company's annual financial statements as at 31 December 2023. There have been no changes in the risk management policies since the year end.

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14. FINANCIAL RISK MANAGEMENT (continued)

14.2 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 six-month period ended 30 June 2024.

As of 30 June 2024 and 31 December 2023, aggregate financing to total equity ratio were as;

	30 June 2024 Unaudited	31 December 2023 Audited
Aggregate financing to total equity ratio	2.41	2.28

Aggregate financing comprises of net investment in finance leases and murabaha financing receivables.

15. 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 encompassed 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.

As of 30 June 2024, all programs stand fully completed.

16. BOARD OF DIRECTORS' APPROVAL

These condensed interim financial statements were approved by the Board of Directors on 23 July 2024 (corresponding to 17 Muharram 1446H).