

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

**CONDENSED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month period ended
31 March 2022



KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 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 31 March 2022 condensed interim financial statements of AJIL Financial Services Company ("the Company"), which comprises:

- the condensed statement of financial position as at 31 March 2022;
- the condensed statement of profit or loss for the three-month period ended 31 March 2022;
- the condensed statement of other comprehensive income for the three-month period ended 31 March 2022;
- the condensed statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed statement of cash flows for the three-month period ended 31 March 2022; 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 this condensed interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 condensed interim financial statements of AJIL Financial Services Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, 24 Ramadan 1443H
Corresponding to 25 April 2022



AJIL FINANCIAL SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

Expressed in Saudi Arabian Riyals

	<u>Notes</u>	31 March 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents		71,437,199	47,757,136
Net investment in finance leases	4	873,644,004	907,166,890
Murabaha financing receivables	5	643,888,418	617,407,629
Advances, prepayments and other receivables	6	41,453,313	64,961,454
Property and equipment		2,585,799	2,537,660
Right of use assets		5,928,348	6,683,093
Intangible assets		2,451,972	2,346,155
Equity investment at fair value through other comprehensive income		892,850	892,850
Total assets		<u>1,642,281,903</u>	<u>1,649,752,867</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	7	500,000,000	500,000,000
Statutory reserve		100,572,044	100,572,044
Retained earnings		63,286,753	60,264,130
Actuarial losses on employees' defined benefit obligations		(3,025,609)	(3,025,609)
Total equity		<u>660,833,188</u>	<u>657,810,565</u>
Liabilities			
Trade, accrued and other liabilities		72,576,277	81,732,045
Due to related parties	8	12,643,404	7,827,365
Lease liabilities in respect of right of use assets		5,202,409	5,896,647
Term loans	9	873,354,905	879,736,367
Accrued Zakat	10	3,102,512	2,322,923
Employees' defined benefit obligations		14,569,208	14,426,955
Total liabilities		<u>981,448,715</u>	<u>991,942,302</u>
Total equity and liabilities		<u>1,642,281,903</u>	<u>1,649,752,867</u>

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

AJIL FINANCIAL SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

CONDENSED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

	Notes	For the three-month period ended 31 March 2022	For the three-month period ended 31 March 2021
Revenue, net	11	35,870,451	32,121,129
Finance charges, net	12	<u>(3,439,518)</u>	<u>887,202</u>
		32,430,933	33,008,331
General and administrative expenses		(14,437,441)	(13,875,137)
Depreciation of property and equipment		(301,866)	(307,690)
Depreciation of right of use assets		(754,745)	(722,938)
Amortization of intangible assets		<u>(231,127)</u>	<u>(236,553)</u>
Profit before expected credit losses		16,705,754	17,866,013
Expected credit losses on net investment in finance leases	4	(7,092,822)	(33,839,744)
Expected credit losses on financial assets	5	<u>(5,810,720)</u>	<u>(6,826,147)</u>
Profit / (loss) before Zakat		3,802,212	(22,799,878)
Zakat	10	<u>(779,589)</u>	<u>(148,811)</u>
Net profit / (loss) for the period		3,022,623	(22,948,689)
Basic and diluted earnings / (loss) per share		0.060	(0.459)

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

AJIL FINANCIAL SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

	For the three- month period ended 31 March 2022	For the three- month period ended 31 March 2021
Net profit / (loss) for the period	3,022,623	(22,948,689)
Other comprehensive income	<u> -- </u>	<u> -- </u>
Total comprehensive income / (loss) for the period	<u>3,022,623</u>	<u>(22,948,689)</u>

The accompanying notes 1 to 20 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 EQUITY (UNAUDITED)

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Actuarial losses on employees' defined benefit obligations</u>	<u>Total equity</u>
Balance as at 1 January 2022	500,000,000	100,572,044	60,264,130	(3,025,609)	657,810,565
Net profit for the period	--	--	3,022,623	--	3,022,623
Net balance as at 31 March 2022	500,000,000	100,572,044	63,286,753	(3,025,609)	660,833,188
Balance as at 1 January 2021	500,000,000	100,572,044	240,184,861	(3,642,137)	837,114,768
Loss for the period after zakat	--	--	(22,948,689)	--	(22,948,689)
Net balance as at 31 March 2021	500,000,000	100,572,044	217,236,172	(3,642,137)	814,166,079

The accompanying notes 1 to 20 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 three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

	<u>Notes</u>	For the three- month period ended 31 March 2022	For the three- month period ended 31 March 2021
Operating activities:			
Net profit / (loss) for the period before zakat		3,802,212	(22,799,878)
Adjustments for:			
Depreciation of property and equipment		301,866	307,690
Amortization of right of use assets		754,745	722,938
Amortization of intangible assets		231,127	236,553
Expected credit losses	4&5	12,903,542	40,665,891
Employees' defined benefit obligations		804,063	740,838
Gain on disposal of property and equipment		--	(115)
Finance charges		3,439,518	(887,202)
Gain on SAMA deposit		(835,830)	--
Operating profit before changes in operating assets and liabilities		21,401,243	18,986,715
<i>Changes in operating assets and liabilities</i>			
Net investment in finance leases		26,430,064	34,221,970
Murabaha financing receivables		(32,291,509)	(29,074,012)
Advances, prepayments and other receivables		23,508,141	16,692,171
Due from a related party		--	102,262
Net servicing liability for sold finance lease receivables		--	(57,239)
Trade, accrued and other liabilities		(9,053,880)	5,117,582
Due to related parties		4,816,039	(6,620,485)
Cash generated from operations		34,810,098	39,368,964
Zakat paid		--	--
Finance charges paid		(2,524,870)	(1,122,614)
Employee's terminal benefits paid		(661,810)	(300,640)
Cash generated from operating activities		31,623,418	37,945,710
Investing activities:			
Purchase of property and equipment and intangible assets		(686,949)	(160,902)
Proceeds from disposal of property and equipment		--	115
Net cash used in investing activities		(686,949)	(160,787)
Financing activity:			
Proceeds from term loans		223,723,557	131,000,000
Repayments of term loans		(230,246,566)	(155,035,718)
Repayment of lease liabilities		(733,397)	(269,690)
Net cash used in financing activity		(7,256,406)	(24,305,408)
Net increase in cash and cash equivalents		23,680,063	13,479,515
Cash and cash equivalents at the beginning of the period		47,757,136	30,765,788
Cash and cash equivalents at the end of the period		71,437,199	44,245,303

The accompanying notes 1 to 20 form an integral part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

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

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

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

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

The results for the three-month period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed interim financial statements of the Company as at and for the period ended 31 March 2022 have been prepared:

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

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's financial statements for the year ended 31 December 2021.

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

2. BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected by the revision. The key areas requiring significant management judgements and estimates are consistent with those disclosed in the annual financial statements for the year ended 31 December 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021.

New IFRS pronouncements, effective 1 January 2022 (refer note 18) did not have any effect on the condensed interim financial statements.

At the date of authorization of these condensed interim financial statements, various Standards and Interpretations (including amendments thereto) were in issue but not yet effective. The management anticipates that adoption of these Standards and Interpretations in future periods will have no material impact on these condensed interim financial statements (refer note 18).

4. NET INVESTMENT IN FINANCE LEASES

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Gross investment in finance leases (note 4.1)	1,138,390,164	1,243,948,133
Less: unearned finance income and modification losses	(74,690,440)	(81,127,261)
Net investment in finance leases (before allowance for expected credit losses on finance leases)	1,063,699,724	1,162,820,872
Less: allowance for expected credit losses on finance leases (note 4.3)	(190,055,720)	(255,653,982)
Net investment in finance leases	873,644,004	907,166,890

- 4.1 The gross investment in finance leases include SR 0.4 million (31 December 2021: SR 0.5 million) receivable from related parties (note 8).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

4. NET INVESTMENT IN FINANCE LEASES (continued)

4.2 Unearned finance income as at 31 March 2022 includes modification loss amounting to SR 5.9 million (31 December 2021: SR 9.1 million).

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

	For the three- month period ended 31 March 2022 (Unaudited)	For the three- month period ended 31 March 2021 (Unaudited)
At the beginning of the period	255,653,982	118,493,303
Charge for the period	7,092,822	33,839,744
Written off during the period	(72,691,084)	--
At the end of the period	190,055,720	152,333,047

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

5. MURABAHA FINANCING RECEIVABLES

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Gross murabaha financing receivables	788,519,158	761,239,455
Less: unearned finance income	(70,189,844)	(75,201,650)
Murabaha financing receivables (before allowance for expected credit losses on murabaha financing receivables)	718,329,314	686,037,805
Less: allowance for expected credit losses on murabaha financing receivables (note 5.1)	(74,440,896)	(68,630,176)
Murabaha financing receivables	643,888,418	617,407,629

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

5. MURABAHA FINANCING RECEIVABLES (continued)

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

	For the three- month period ended 31 March 2022 (Unaudited)	For the three- month period ended 31 March 2021 (Unaudited)
At the beginning of the period	68,630,176	15,455,338
Net charge for the period	5,810,720	6,826,147
At the end of the period	74,440,896	22,281,485

6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Advance payments (note 6.1)	21,923,090	34,684,115
Trade and other receivables (note 6.2)	15,294,095	26,030,495
Prepaid expenses	1,169,477	1,545,822
Advances to employees	3,066,651	2,701,022
	41,453,313	64,961,454

- 6.1 Advance payments primarily represent advance payment to suppliers amounting to SR 17.3 million (31 December 2021: SR 30.1 million) and payment of SR 4.5 million (31 December 2021: SR 4.5 million) made to a musharika partner under musharika arrangements.
- 6.2 Trade and other receivables include insurance paid on behalf of customers amounting to SR 17.9 million (31 December 2021: SR 19.6 million), against which an expected credit loss allowance of SR 12.6 million (31 December 2021: SR 12.6 million) has been maintained.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

7. SHARE CAPITAL

The share capital of the Company is divided into 50,000,000 shares (31 December 2021: 50,000,000) of SR 10 each.

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

<u>Name of shareholders</u>	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	<u>Percentage holding</u>		<u>Number of shares</u>	
Riyad Bank	48.46%	48.46%	24,230,769	24,230,769
Zahid Group Holding Company Limited	34.62%	34.62%	17,307,692	17,307,692
Al – Yemni Investments	6.92%	6.92%	3,461,539	3,461,539
Hussein Alireza Sons Company Limited	5%	5%	2,500,000	2,500,000
Khaled Ahmed Al Juffali Company	5%	5%	2,500,000	2,500,000
Total			<u>50,000,000</u>	<u>50,000,000</u>

8. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions, which are undertaken at arm's length, mainly pertain to finance leases, agency services, real estate development and technical advisory and approved by the Company's management.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

8.1. Due from related parties

1.1.1 Amount due from related parties [included in net investment in finance leases]

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance</u>	
			31 March 2022 (Unaudited)	31 March 2021 (Unaudited)	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Khaled Ahmed Al Juffali Industrial Company	Other related party	Gross investment in finance lease	--	--	301,808	335,335
Khaled Ahmed Al Juffali Company	Shareholder	Gross investment in finance lease	--	--	20,939	29,747
Khaled Ahmed Juffali Construction Company	Other related party	Gross investment in finance lease	--	--	--	--
Nihad Abdullah Arab & Sons Limited Company	Other related party	Gross investment in finance lease	--	--	121,898	160,760
					444,645	525,842

AJIL FINANCIAL SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**8.1 Due from related parties (continued)****8.1.1 Other Related parties balances [included under cash and bank balances]**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Closing balance</u>	
			31 March 2022 (Unaudited)	31December 2021 (Audited)
Riyad Bank	Shareholder	Bank account	70,676,431	29,634,884

8.1.2 Other Related parties balances [included under Advances, prepayments and other receivables]

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Closing balance</u>	
			31 March 2022 (Unaudited)	31December 2021 (Audited)
Juffali Industrial Product Company	Other related party	Advance to Supplier	--	2,270,100
Haji Hussein Ali Reza Company Limited	Other related party	Advance to Supplier	12,535,000	--
			12,535,000	2,270,100

AJIL FINANCIAL SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

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

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance</u>	
			<u>31 March 2022</u> (Unaudited)	<u>31 March 2021</u> (Unaudited)	<u>31 March 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Saudi Company of Site Technology Limited	Other related party	GPS installation services	11,040	--	--	10,764
Zahid Tractor & Heavy Machinery Company Limited	Other related party	Purchase of leasing equipment	40,672,970	65,792,880	9,841,404	5,975,810
		Services received	498,346	247,842	--	--
OCS Arabia Company LLC	Other related party	Services received	--	--	--	1,328
The Machinery Group LLC (TAMGO)	Other related party	Purchase of leasing equipment	2,411,550	7,469,400	--	228,206
Juffali Industrial Product Company	Other related party	Purchase of leasing equipment	3,133,750	1,759,500	--	17,507
EJAR Machinery Rental Alternative Co. Ltd.	Other related party	Purchase of leasing equipment	414,000	--	390,000	--
AL TAAQA Iternative Solutions Company Limited	Other related party	Purchase of leasing equipment	465,750	--	465,750	--
Board of Directors	Key management personnel	Remuneration to Board of Directors	300,000	--	1,800,000	1,500,000
Members of Audit Committee	Key management personnel	Remuneration to Members of Audit Committee	52,500	--	146,250	93,750
					<u>12,643,404</u>	<u>7,827,365</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

8.2 Due to related parties (continued)

8.2.1 Amount due to related parties [included in term loan]

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance</u>	
			31 March <u>2022</u>	31 March <u>2021</u>	31 March <u>2022</u> (Unaudited)	31 December <u>2021</u> (Audited)
Riyad Bank	Shareholder	Short term loan borrowing	30,000,000	85,000,000		
		Short term loan repayment	74,666,667	--	<u>105,667,000</u>	<u>150,333,000</u>

AJIL FINANCIAL SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

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

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>		<u>Closing balance</u>	
			31 March 2022	31 March 2021	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Riyad Bank	Shareholder	Financial charges on term loan	727,867	164,447	539,758	863,911
Wared Transport Company	Other related party	Services received	1,187	791	--	--
Haji Hussein Ali Reza Company Limited	Other related party	Purchase of leasing equipment	15,400,960	--	--	--
Arabian Company for Marketing Services LLC	Other related party	Services received	--	10,350	--	--
Zahid Travel Group	Other related party	Services received	33,641	12,467	--	--
Al-Yemni Motors Company Limited	Other related party	Purchase of leasing equipment	782,000	--	--	--
Juffali Printing Systems Company	Other related party	Purchase of leasing equipment	34,773	--	--	--
Nihad Abdullah Arab & Sons Limited Company	Other related party	Services received	55,200	52,613	--	--
					539,758	863,911

8.2.2 Amount due to related parties [included in right of use and lease liabilities]

<u>Name</u>	<u>Relationship</u>	<u>Closing balance</u>	
		31 March 2021 (Unaudited)	31 December 2021 (Audited)
Zahid Tractor & Heavy Machinery Co Limited	Other related party	1,077,240	859,722

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

NOTES TO THE FINANCIAL STATEMENTS

For the three-month period ended 31 March 2022

Expressed in Saudi Arabian Riyals

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

8.2.3 Included in employee related costs and key management remuneration

<u>Name</u>	<u>Nature of transactions</u>	<u>Amount of transaction during the period</u>	
		31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Key management personnel	Key management remuneration	1,443,354	1,446,502

Compensation of key management personnel of the Company

	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Short-term employee benefits	1,686,151	1,306,552
Post-employment benefits	179,573	139,950
	1,443,354	1,446,502

8.3 No payments have been made to Board of Directors and sub-committees during the three-month period ended 31 March 2022.

9. TERM LOANS

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Short term loans	120,000,000	235,000,000
Long term loans	591,390,153	506,582,048
SAMA profit free deposit (note 15)	161,964,752	138,154,319
	873,354,905	879,736,367

9.1 In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) and accordingly the Company was required to defer payments on lending facilities by eligible MSMEs for the designated periods. In response, the Company was eligible for the deferral of its loan instalment payment to the banks. Accordingly, the Company has recognised total modification gains of SR 24.2 million as of 31 March 2022 (31 December 2021: SR 24.2 million) out of which modification gains amounting to SR 24.1 million were unwound as of 31 March 2022 (31 December 2021: SR 24 million) (note 17).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended 31 March 2022

Expressed in Saudi Arabian Riyals

10. ZAKAT

The Company is calculating Zakat accruals for the three months period ended 31 March 2022 based on the new Zakat rules for financing companies.

Status of assessments

The Company has filled Zakat return for all years up to and including the year ended 31 December 2020. Zakat and tax assessment have been finalized up to the year ended 31 December 2017.

The Zakat return for year ended 31 December 2021 is under progress and would be submitted before the due date.

11. REVENUES, NET

	For the three- month period ended 31 March 2022	For the three- month period ended 31 March 2021
Finance income from finance leases (note 11.1)	19,026,368	21,844,215
Finance income from murabaha financing	12,783,143	7,874,512
Modification losses, net (note 11.3 and 19)	3,225,110	959,048
Grant income (note 17)	835,830	--
Income from servicing arrangements, net	--	1,443,354
	<u>35,870,451</u>	<u>32,121,129</u>

11.1 Income is net of the insurance expense of SR 3.3 million (2021: SR 3.49 million).

11.2 The finance and related income, net is generated entirely from within the Kingdom of Saudi Arabia.

11.3 This represents modification losses arising due to payment deferral granted to lease customers pursuant to SAMA support program (note 17) and subsequent unwinding of these modification losses.

12. FINANCE CHARGES, NET

	For the three- month period ended 31 March 2022	For the three- month period ended 31 March 2021
Finance charges	3,384,847	551,057
Modification gains, net (note 12.1 and 19)	54,671	(1,438,259)
	<u>3,439,518</u>	<u>(887,202)</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended 31 March 2022

Expressed in Saudi Arabian Riyals

12. FINANCE CHARGES, NET (continued)

- 12.1 This represents modification gain arising due to payment deferral granted to the Company by lenders pursuant to SAMA Support Program (note 17) and subsequent unwinding of such modification gains.

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.

The principal or the most advantageous market must be accessible to the Company. The Company's financial assets consist of bank balances, net investment in finance lease, murabaha financing receivables and other receivables, its financial liabilities consist of trade payables, term loans, due to related parties, net servicing liability for sold finance lease receivables, lease liabilities in respect of right of use assets and other liabilities.

14. CONTINGENCIES AND COMMITMENTS

There were no material contingencies, outstanding letters of credit or commitments and guarantees at 31 March 2022 and 31 December 2021.

15. FINANCIAL RISK MANAGEMENT

a) Credit risk management

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

b) Liquidity risk management

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended 31 March 2022

Expressed in Saudi Arabian Riyals

15. FINANCIAL RISK MANAGEMENT(continued)

c) Operational risk management

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

16. BASIC AND DILUTED EARNINGS PER SHARE

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

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

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date. During the year ended 31 December 2020, management performed a detailed assessment to ascertain the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio.

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

The prevailing economic conditions which have been materially affected by the ongoing pandemic, have necessitated the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting macroeconomic factors used by the Company in the estimation of expected credit losses and revisions to the scenario probabilities currently being used by the Company in ECL estimation. The Company has carried out a rigorous reassessment of key assumptions, ECL models as well as specific credit impaired exposures to ensure that these continue to comprehensively capture the expected credit losses pertaining to the lease and murabaha portfolios. The assessment comprised of granular analysis of those non-performing exposures which continue to be impacted by the COVID 19 pandemic and are reflective of significantly higher credit risk and therefore warrant individual assessment.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended 31 March 2022

Expressed in Saudi Arabian Riyals

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

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

SAMA support programs and initiatives

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

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

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Company is required to defer payments on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. 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 to date. Out of these modification losses, during the period ended 31 March 2022, SR 3.2 million (31 March 2021: SR 4.4 million) has been unwound.

Furthermore, in accordance with the PSFSP, the Company was also eligible for the deferral of its loan instalment payment to the banks. Accordingly, the Company has recognised total modification gains of SR 24.2 million as of 31 March 2022 (31 December 2021: SR 24.2 million) out of which modification gains amounting to SR 24.1 million were unwound until 31 March 2022 (including SR 0.1 million unwound during the period ended 31 March 2022).

Under Loan Guarantee Program by SAMA, the Company has received medium term loans of SR 388 million until 31 December 2021 (including SR 125 million received during the period ended 31 March 2022). This amount has been utilized by the Company to finance MSME loans qualifying under criteria approved by Kafalah.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended 31 March 2022

Expressed in Saudi Arabian Riyals

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

Furthermore, during the period ended 31 March 2022, in order to compensate for the costs that the Company has incurred under the SAMA’s deferred payments program, the Company received a profit free deposit from SAMA amounting to SR 23.7 million, carrying a maturity of 18 months (included under Term loans facilities) on the statement of financial position. The profit free element on this deposit qualifies as government grant (representing the difference between the fair value and the face value of the profit free deposit upon initial recognition and amounting to SR 0.8 million) based on communication from SAMA and the nature and purpose of the facility. Accordingly, it has been included under Revenue, net, on the condensed statement of profit or loss wherein the modification losses, net arising due to lease payment deferrals are also included.

18. PRONOUNCEMENTS ISSUED

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2022. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Company.

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
1-Jan-22	A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	<p>Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.</p> <p>Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.</p>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended 31 March 2022

Expressed in Saudi Arabian Riyals

18. PRONOUNCEMENTS ISSUED (continued)

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
1-Jan-24	Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.
1-Jan-23	Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
1-Jan-23	Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
1-Jan-23	IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

AJIL FINANCIAL SERVICES COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month periods ended 31 March 2022

Expressed in Saudi Arabian Riyals

19. PRESENTATION IMPROVEMENT

During the year ended 31 December 2021, the Company, based on an internal analysis, determined had that the presentation of modification losses (note 11) separately from modification gains (note 12), that have arisen in relation to the SAMA support program, results in a better and enhanced disclosure of relevant information for the users of the financial statements. Accordingly, for all periods presented in these financial statements, the modification losses (net of unwinding impact) arising in relation to deferral of lease payments have been presented as a deduction from revenue, while modification gain (net of unwinding impact) in relation to deferral of term loan payments granted to the Company, have been presented as a deduction from finance charges.

20. BOARD OF DIRECTORS' APPROVAL

These condensed interim financial statements were approved by the Board of Directors on 23 Ramadan 1443H, corresponding to 24 April 2022.