

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

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

**FOR THE THREE-MONTH AND NINE-MONTH
PERIODS ENDED 30 SEPTEMBER 2022**

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

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of AJIL Financial Services Company (a Saudi Closed Joint Stock Company) (the "Company") as at 30 September 2022, and the related interim condensed statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed statements of changes in shareholders' equity and cash flows for the nine-month period then ended and other explanatory notes. The Company's 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 condensed financial statements consists of making inquiries, primarily of the 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 ("ISAs") as 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.

Other Matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 6 March 2022 (corresponding to 3 Sha'ban 1443H). Further, the interim condensed financial statements for the three-month and nine-month periods ended 30 September 2021 were reviewed by another auditor who expressed their unmodified conclusion on those interim condensed financial statements on 26 October 2021G (corresponding to 20 Rabi Al-Awwal 1443H).

for Ernst & Young Professional Services



Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

Jeddah: 1 Rabi Al-Thani 1444H
26 October 2022G



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

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2022

		<i>For the three-month period ended 30 September 2022</i>	<i>For the three-month period ended 30 September 2021</i>	<i>For the nine-month period ended 30 September 2022</i>	<i>For the nine-month period ended 30 September 2021</i>
	<i>Note</i>	<i>Unaudited SR</i>	<i>Unaudited SR</i>	<i>Unaudited SR</i>	<i>Unaudited SR</i>
Revenue, net	3	33,712,325	34,995,279	103,974,149	93,937,535
Finance cost, net	4	(2,483,442)	(2,051,072)	(8,982,797)	(3,863,163)
		31,228,883	32,944,207	94,991,352	90,074,372
General and administrative expenses		(14,968,727)	(13,897,690)	(44,310,941)	(41,597,477)
Depreciation of property and equipment		(284,328)	(295,282)	(896,630)	(909,532)
Depreciation of right of use assets		(892,386)	(722,938)	(2,455,541)	(2,168,814)
Amortization of intangibles		(175,555)	(218,024)	(637,919)	(689,324)
PROFIT BEFORE EXPECTED CREDIT LOSSES		14,907,887	17,810,273	46,690,321	44,709,225
Expected credit losses on financial assets	6,7 & 8	(11,082,645)	(4,916,844)	(34,685,213)	(81,751,626)
PROFIT / (LOSS) FOR THE PERIOD BEFORE ZAKAT		3,825,242	12,893,429	12,005,108	(37,042,401)
Zakat	5	(1,412,921)	(148,812)	(2,972,099)	(446,435)
NET PROFIT / (LOSS) FOR THE PERIOD		2,412,321	12,744,617	9,033,009	(37,488,836)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		2,412,321	12,744,617	9,033,009	(37,488,836)

The attached notes 1 to 16 form part of these unaudited interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2022

		30 September 2022 Unaudited SR	31 December 2021 Audited SR
ASSETS	Note		
Cash and cash equivalents		72,908,702	47,757,136
Advances, prepayments and other receivables	6	34,259,333	64,961,454
Net investment in finance leases	7	760,911,647	907,166,890
Murabaha financing receivables, net	8	670,657,160	617,407,629
Property and equipment		2,574,116	2,537,660
Right of use assets		4,227,552	6,683,093
Intangible assets		2,388,633	2,346,155
Equity investment at fair value through other comprehensive income		892,850	892,850
TOTAL ASSETS		1,548,819,993	1,649,752,867
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	500,000,000	500,000,000
Statutory reserve		100,572,044	100,572,044
Retained earnings		69,297,139	60,264,130
Actuarial losses on employees' defined benefit liabilities		(3,025,609)	(3,025,609)
TOTAL EQUITY		666,843,574	657,810,565
LIABILITIES			
Trade payables, accrued and other liabilities		61,319,942	81,732,045
Due to related parties	10	18,134,669	7,827,365
Lease liabilities		3,016,860	5,896,647
Term loans	11	783,572,888	879,736,367
Provision for zakat	5	903,236	2,322,923
Employees' defined benefit liabilities		15,028,824	14,426,955
TOTAL LIABILITIES		881,976,419	991,942,302
TOTAL EQUITY AND LIABILITIES		1,548,819,993	1,649,752,867

The attached notes 1 to 16 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 nine-month period ended 30 September 2022

	<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 2022	500,000,000	100,572,044	60,264,130	(3,025,609)	657,810,565
Net profit for the period	-	-	9,033,009	-	9,033,009
Balance as at 30 September 2022 (Unaudited)	500,000,000	100,572,044	69,297,139	(3,025,609)	666,843,574
Balance as at 1 January 2021	500,000,000	100,572,044	240,184,861	(3,642,137)	837,114,768
Net loss for the period	-	-	(37,488,836)	-	(37,488,836)
Balance as at 30 September 2021 (Unaudited)	500,000,000	100,572,044	202,696,025	(3,642,137)	799,625,932

The attached notes 1 to 16 form part of these unaudited interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2022

		<i>For the nine-month period ended 30 September 2022 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2021 Unaudited SR</i>
	<i>Note</i>		
OPERATING ACTIVITIES			
Profit / (loss) for the period before zakat and income tax		12,005,108	(37,042,401)
<i>Adjustments for:</i>			
Depreciation of property and equipment		896,630	909,532
Intangible written off		-	12,000
Amortization of right of use assets		2,455,541	2,168,814
Amortization of intangibles		637,919	689,324
Expected credit losses on financial assets	6, 7 & 8	34,685,213	81,751,626
Employees' defined benefit liabilities		2,395,213	2,241,502
Gain on disposal of property and equipment		(1,937)	(115)
Unwinding of modification gain on deferment of term loans	4	136,356	241,887
Unwinding of modification loss on net investment in finance lease	3	(5,594,256)	(6,756,472)
Finance charges	4	8,846,441	3,621,276
Operating profit before changes in operating assets and liabilities		56,462,228	47,836,973
<i>Changes in operating assets and liabilities</i>			
Net investment in finance leases		116,869,838	91,497,725
Murabaha financing receivables, net		(52,955,083)	(124,069,680)
Advances, prepayments and other receivables		30,702,121	43,096,315
Due from related parties		-	102,262
Net servicing liability for sold finance lease receivables		-	(1,006,188)
Trade, accrued and other liabilities		(20,412,103)	(25,215,151)
Due to related parties		10,307,304	14,354,842
Margin deposits		-	8,826,387
Cash from operations		140,974,305	55,423,485
Zakat paid	5	(4,391,786)	(324,754)
Finance charges paid		(8,982,797)	(5,861,625)
Employee's terminal benefits paid		(1,793,344)	(4,205,128)
Net cash from operating activities		125,806,378	45,031,978
INVESTING ACTIVITIES			
Purchase of property and equipment and intangibles		(1,621,916)	(851,887)
Proceeds from disposal of property and equipment		10,370	115
Net cash used in investing activities		(1,611,546)	(851,772)
FINANCING ACTIVITIES			
Proceeds from term loans		412,001,043	885,345,375
Repayments of term loans		(508,164,522)	(790,432,814)
Repayment of principal portion of lease liabilities		(2,879,787)	(2,520,690)
Net cash (used in) / from financing activities		(99,043,266)	92,391,871
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,151,566	136,572,077
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		72,908,702	167,337,865

The attached notes 1 to 16 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 30 September 2022

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 (and other related products) of projects in the industrial, transportation, agriculture, trading sectors and other skilled professions along with finance leasing of fixed and moveable assets including but not limited to industrial buildings, warehouses, production equipment, machinery, medical equipment, building equipment, transportation equipment, all kinds of vehicles, office equipment and computers.

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

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

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

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

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

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

The results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

At 30 September 2022

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 30 September 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 issued 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 2021.

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 2021.

2.5 Significant accounting policies

The accounting policies, used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021, 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 2022 as explained below.

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 2022, but do not have an impact on the interim condensed financial statements of the Company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the interim condensed financial statements of the Company as there were no onerous contracts identified during the period.

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

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

At 30 September 2022

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.5 Significant accounting policies (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

2.6 Standards issued not yet effective

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

New Standards, Amendments to Standards and	Description	Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 8	Definition of Accounting Estimates	1 January 2023
IAS 1 & IFRS Practice statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

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

At 30 September 2022

3 REVENUE, NET

	<i>For the three-month period ended 30 September 2022 Unaudited SR</i>	<i>For the three-month period ended 30 September 2021 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2022 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2021 Unaudited SR</i>
Finance income from finance leases (note 3.1)	18,840,298	18,105,264	56,046,731	59,487,962
Finance income from murabaha financing	13,498,759	5,564,080	40,338,799	21,142,253
Unwinding of modification losses, net (note 3.2)	1,373,268	5,747,755	5,594,256	6,756,472
Grant income (note 14)	-	5,015,127	1,994,363	5,015,127
Income from servicing arrangements, net	-	563,053	-	1,535,721
	33,712,325	34,995,279	103,974,149	93,937,535

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

3.2 This represents modification losses arising due to payment deferral granted to lease customers pursuant to SAMA support program net off subsequent unwinding of these modification losses (note 14).

4 FINANCE COST, NET

	<i>For the three-month period ended 30 September 2022 Unaudited SR</i>	<i>For the three-month period ended 30 September 2021 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2022 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2021 Unaudited SR</i>
Finance charges	2,447,193	1,977,779	8,846,441	3,621,276
Unwinding of modification gains (note 4.1)	36,249	73,293	136,356	241,887
	2,483,442	2,051,072	8,982,797	3,863,163

4.1 This represents modification gain arising due to payment deferral granted to the Company by lenders pursuant to SAMA Support Program net off subsequent unwinding of such modification gains (note 14).

5 ZAKAT

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

	<i>For the three-month period ended 30 September 2022 Unaudited SR</i>	<i>For the three-month period ended 30 September 2021 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2022 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2021 Unaudited SR</i>
At the beginning of the period	1,410,078	324,810	2,322,923	351,941
Charge for the period	1,412,921	148,812	2,972,099	446,435
Payment during the period	(1,919,763)	-	(4,391,786)	(324,754)
At the end of the period	903,236	473,622	903,236	473,622

Status of assessments

The Company has filled Zakat declarations up to 31 December 2021. 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 2021 have not yet been raised by the ZATCA.

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

At 30 September 2022

6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	<i>30 September 2022 Unaudited SR</i>	<i>31 December 2021 Audited SR</i>
Trade and other receivables (note 6.1)	23,300,382	26,030,495
Advance payments	3,964,477	34,684,115
Prepaid expenses	4,657,589	1,545,822
Advances to employees	2,336,885	2,701,022
	<u>34,259,333</u>	<u>64,961,454</u>

- 6.1 Trade and other receivables include insurance paid on behalf of customers amounting to SR 21.4 million (31 December 2021: SR 19 million), against which an allowance for expected credit losses of SR 12.6 million (31 December 2021: SR 12.6 million) has been maintained. During the period ended 30 September 2022, expected credit losses amounting to SR nil (30 September 2021: SR 411,895) were recognised.

7 NET INVESTMENT IN FINANCE LEASES

	<i>30 September 2022 Unaudited SR</i>	<i>31 December 2021 Audited SR</i>
Gross investment in finance leases (note 7.1)	1,010,913,160	1,243,948,133
Less: unearned finance income	(59,904,509)	(71,944,726)
Less: modification losses	(2,590,310)	(9,182,535)
Net investment in finance leases (before allowance for expected credit losses)	948,418,341	1,162,820,872
Less: allowance for expected credit losses (note 7.2)	(187,506,694)	(255,653,982)
Net investment in finance leases	<u>760,911,647</u>	<u>907,166,890</u>

- 7.1 The gross investment in finance leases include SR 0.1 million (31 December 2021: SR 0.5 million) receivable from related parties (note 10).

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

	<i>For the three-month period ended 30 September 2022 Unaudited SR</i>	<i>For the three-month period ended 30 September 2021 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2022 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2021 Unaudited SR</i>
At the beginning of the period	195,371,305	157,745,023	255,653,982	118,493,303
Charge for the period	9,944,300	1,204,980	34,979,661	61,562,199
Amounts written off	(17,808,911)	(12,128,918)	(103,126,949)	(33,234,417)
At the end of the period	<u>187,506,694</u>	<u>146,821,085</u>	<u>187,506,694</u>	<u>146,821,085</u>

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

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

At 30 September 2022

8 MURABAHA FINANCING RECEIVABLES, NET

	<i>30 September 2022 Unaudited SR</i>	<i>31 December 2021 Audited SR</i>
Gross murabaha financing receivables	803,941,202	761,239,455
Less: unearned finance income	(64,948,314)	(75,201,650)
Murabaha financing receivables (before allowance for expected credit losses)	738,992,888	686,037,805
Less: credit loss on murabaha financing receivables (note 8.1)	(68,335,728)	(68,630,176)
Murabaha financing receivables, net	670,657,160	617,407,629

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

	<i>For the three-month period ended 30 September 2022 Unaudited SR</i>	<i>For the three-month period ended 30 September 2021 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2022 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2021 Unaudited SR</i>
At the beginning of the period	67,197,383	31,932,901	68,630,176	15,455,338
Charge / (reversal) for the period	1,138,345	3,299,969	(294,448)	19,777,532
At the end of the period	68,335,728	35,232,870	68,335,728	35,232,870

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 2021: 50,000,000) of SR 10 each. As at 30 September 2022 and 31 December 2021, the share capital of the Company was owned as follows:

	<i>No. of shares of SR 10 each</i>	<i>30 September 2022 Unaudited SR</i>	<i>31 December 2021 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
	50,000,000	500,000,000	500,000,000	100

The Company is ultimately owned by Saudi shareholders.

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

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

At 30 September 2022

10 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

<i>Related party</i>	<i>Nature of transaction</i>	<i>For the three-month period ended 30 September 2022 Unaudited SR</i>	<i>For the three-month period ended 30 September 2021 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2022 Unaudited SR</i>	<i>For the nine-month period ended 30 September 2021 Unaudited SR</i>
Riyad Bank	Financial charges on term loan	494,203	1,142,359	1,936,271	1,403,678
	Repayment of term loans, net	24,734,286	235,000,000	69,067,619	306,000,000
Zahid Tractor and Heavy Machinery Company Limited	Purchase of leasing equipment	49,848,935	60,227,685	144,940,057	199,211,480
	Services received	55,198	231,602	525,968	689,897
Wared Transport Company	Services received	396	1,186	1,978	3,560
Saudi Company of Site Technology Limited	Purchase of leasing equipment	153,577	314,582	201,423	314,582
The Machinery Group LLC (TAMGO)	Purchase of leasing equipment	3,053,862	1,008,550	8,585,362	8,477,950
Juffali Industrial Product Company	Purchase of leasing equipment	-	20,505,650	7,144,628	43,068,650
Haji Hussein Ali Reza Company Limited	Purchase of leasing equipment	-	-	15,400,960	2,208,000
Zahid Travel Group	Services received	-	13,453	33,641	33,642
AL TAAQA Alternative Solutions Company Limited	Purchase of leasing equipment	652,050	-	1,117,800	-
EJAR Machinery Rental Alternative Company Limited	Purchase of leasing equipment	177,394	407,906	2,723,494	407,906
Juffali Printing Systems Company	Purchase of leasing equipment	252,122	-	338,453	-
Nihad Abdullah Arab & Sons Limited Company	Services received	55,200	50,370	165,600	153,353
Al-Yemni Motors Company Limited	Purchase of leasing equipment	1,558,250	-	3,783,500	-
Arabian Company for Marketing Services LLC	Services received	-	5,175	-	20,700
Board of Directors	Remuneration to Board of Directors	300,000	300,000	900,000	900,000
Members of Audit Committee	Remuneration of member of Audit Committee	52,500	93,750	157,500	281,250

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

At 30 September 2022

10 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

10.2 Due to related parties comprise the following:

	<i>30 September 2022</i>	<i>31 December 2021</i>
	<i>Unaudited</i>	<i>Audited</i>
	<i>SR</i>	<i>SR</i>
Zahid Tractor and Heavy Machinery Company Limited	15,738,119	5,975,810
The Machinery Group LLC (TAMGO)	2,024,000	228,206
Al-Yemni Motors Company Limited	215,050	-
Members of Audit Committee	157,500	93,750
Board of Directors	-	1,500,000
Juffali Printing Systems Company	-	17,507
Saudi Company of Site Technology Limited	-	10,764
OCS Arabia Company LLC	-	1,328
	18,134,669	7,827,365

10.3 Cash and cash equivalents include an amount of SR 66.6 million (31 December 2021: SR 29.6 million) that is kept with a related party.

10.4 Lease liabilities include an amount of SR 0.22 million (31 December 2021: SR 0.85 million) with respect to lease agreement entered with a related party.

Key management Remuneration

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

	<i>30 September 2022</i>	<i>30 September 2021</i>
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>SR</i>	<i>SR</i>
Short term employee benefits	5,102,370	4,244,503
Post-employment benefit	540,428	475,410
Non-monetary benefits	152,180	118,755
	5,794,978	4,838,668

11 TERM LOANS

	<i>30 September 2022</i>	<i>31 December 2021</i>
	<i>Unaudited</i>	<i>Audited</i>
	<i>SR</i>	<i>SR</i>
Short term loans (note 11.1)	-	235,000,000
Long term loans (note 11.2 & 11.3)	600,122,253	506,582,048
SAMA profit free deposit (note 14)	183,450,635	138,154,319
	783,572,888	879,736,367

11.1 These represented short term loans drawn from various local banks against credit lines of SR 1,457 million (31 December 2021: SR 2,182 million). These facilities carried fixed profit rates and were secured against promissory notes issued by the Company and have been settled during the period ended 30 September 2022.

11.2 These represents long term loans from various local banks amounting to SR 160 million (31 December 2021: SR 226 million), loan from Social Development Bank ("SDB") under "Monhsa'at Program" amounting to SR 17 million (31 December 2021: SR 33 million) and SR 423 million from SAMA under "Loan Guarantee Program" (31 December 2021: SR 247 million). The purpose is to finance small and medium enterprises under the respective programs. These long-term loans are repayable in fixed monthly instalments with last instalment due in August 2025.

11.3 Term loans includes SR 71 million (31 December 2021: SR 150.3 million) payable to related parties (note 10).

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

At 30 September 2022

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 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 lease, murabaha financing receivables, net.

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.

Market risk

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

Liquidity risk

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

Capital management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the nine-month period ended 30 September 2022.

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

	<i>30 September 2022 Unaudited</i>	<i>31 December 2021 Audited</i>
Capital adequacy ratio	<u>2.15</u>	<u>2.32</u>

(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 30 September 2022

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.

As part of the deferred payments program launched by SAMA in March 2020 and with a number of extensions to the program subsequently announced, the Company is required to defer payments on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. As part of the deferred payments program, and with further extensions to the program till March 2022 announced subsequently, the Company has accordingly deferred payments and extended maturities on lending facilities to all eligible MSMEs. The Company continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk.

The accounting impact of the above changes in terms of the credit facilities was assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to SR 35.7 million as at 30 September 2022 out of which SR 33.0 million has been unwound as of 30 September 2022 including unwinding of SR 5.6 million during the period ended 30 September 2022 (30 September 2021: SR 6.7 million) (note 3.3).

Furthermore, in accordance with the PSFSP, the Company was also eligible for the deferral of its term loan instalment payment to the banks (note 11). Accordingly, the Company has recognised total modification gains of SR 24.2 million as of 30 September 2022 (31 December 2021: SR 24.2 million) out of which modification gains amounting to SR 24.1 million were unwound until 30 September 2022 including SR 0.14 million unwound during the period ended 30 September 2022 (30 September 2021: SR 0.24 million) (note 4.1).

Under Loan Guarantee Program by SAMA, the Company has received total long-term loans amounting to SR 506 million until 30 September 2022 (including SR 243 million received during the period ended 30 September 2022) out of which SR 83 million has been repaid (note 11). This amount has been utilized by the Company to finance MSME loans qualifying under criteria approved by SAMA. The net impact of the interest free deposit from SAMA and interest charged on financing to MSME customers with a low interest rate is not significant to the interim condensed statement of comprehensive income.

Furthermore, during the period ended 30 September 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 44 million, carrying a maturity of 18 months (included under Term loans facilities) in the interim condensed 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 2 million) based on communication from SAMA and the nature and purpose of the facility. Accordingly, it has been included under Revenue, net (note 3).

15 COMPARATIVE FIGURES

Certain prior period information has been reclassified/represented to conform with the presentation in the current period. As a result of such reclassification, there is no impact on the interim condensed statement of comprehensive income, statement of cashflows and statement of changes in shareholders’ equity.

16 BOARD OF DIRECTORS’ APPROVAL

These interim condensed financial statements were approved by the Board of Directors on 25 October 2022G (corresponding to 29 Rabi Al-Awwal 1444H).