

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED
30 SEPTEMBER 2022 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER
2022

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM FINANCIAL STATEMENTS

To the Shareholders of
Saudi Finance Company
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Saudi Finance Company (the "Company"), a Saudi Closed Joint Stock Company as of 30 September 2022 and the related interim condensed statement of comprehensive income for the three and nine months periods then ended, and the interim condensed statements of changes in equity and cash flows for the nine months period then ended, and notes to the interim condensed financial statements, including a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard No 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" that is endorsed in the Kingdom of Saudi Arabia. A review of 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 interim financial statements are not prepared, in all material respects, in accordance with IAS 34 that is 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 unmodified opinion on those financial statements on 6 March 2022.

Further, the interim condensed financial statements of the Company for the three months and nine months periods ended 30 September 2021 were reviewed by another auditor who expressed unmodified review conclusion on those interim condensed financial statements on 28 October 2021.

For Dr. Mohamed Al-Amri & Co.

Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on: 2 Rabi' al-Thani 1444 (H)
Corresponding to: 27 October 2022 (G)

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

		30 September 2022	31 December 2021
	Notes	(Unaudited)	(Audited)
ASSETS			
Cash and cash equivalents	6	101,442,864	37,761,086
Restricted cash deposit	6	3,186,884	5,895,513
Prepayments and other receivables		3,688,158	2,639,736
Due from a related party	7	1,008,134	38,453
Shari'a alternatives for financial derivative instruments		41,098	-
Net investment in Islamic financings	8	1,054,305,491	1,144,882,979
Investment carried at fair value through other comprehensive income (FVOCI)		892,850	892,850
Assets repossessed held for sale	9	5,897,514	5,897,514
Property and equipment		6,489,593	7,440,631
Intangible assets		5,392,586	5,632,906
Right-of-use assets		3,857,328	6,252,263
TOTAL ASSETS		<u>1,186,202,500</u>	<u>1,217,333,931</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	200,000,000	100,000,000
Statutory reserve		13,357,581	13,357,581
Retained earnings		159,179,108	123,733,277
Actuarial reserve on end of service indemnities		(188,080)	(188,080)
TOTAL EQUITY		<u>372,348,609</u>	<u>236,902,778</u>
LIABILITIES			
Due to a related party	7	49,360	30,080
Trade payables		4,082,476	776,863
Other payables and accruals		12,441,483	14,594,853
Lease liabilities		2,523,299	6,436,255
Provision for zakat	11	11,397,692	14,201,279
Shari'a alternatives for financial derivative instruments		-	168,230
Financial facilities	12, 7	779,259,239	940,585,153
End of service indemnities		4,100,342	3,638,440
TOTAL LIABILITIES		<u>813,853,891</u>	<u>980,431,153</u>
TOTAL EQUITY AND LIABILITIES		<u>1,186,202,500</u>	<u>1,217,333,931</u>

The accompanying notes 1 to 18 form part of these interim condensed financial statements

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE-MONTHS PERIODS ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the three-months period ended 30 September		For the nine-months period ended 30 September	
		2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Income from Islamic financings		33,984,078	33,615,250	107,646,385	98,534,394
Operating (expenses) / income					
Finance cost	13	(8,988,286)	(8,008,689)	(29,197,238)	(24,108,436)
General and administrative expenses		(11,420,981)	(11,402,433)	(31,629,561)	(31,958,062)
Selling and marketing expenses		(3,391,974)	(3,391,251)	(9,848,924)	(9,301,099)
Reversal / (charge) of impairment on Islamic financings, net	14	(88,751)	(1,554,667)	1,515,935	(4,039,490)
Unrealized gain on Shari'a alternatives for financial derivative instruments		69,593	115,698	209,328	437,727
Write off of financial asset	8	-	-	(1,860,000)	-
Other income, net	15	2,333,350	(136,232)	4,109,906	509,906
Profit before zakat		12,497,029	9,237,676	40,945,831	30,074,940
Zakat	11	(1,500,000)	(2,030,442)	(5,500,000)	(4,592,011)
Profit for the period		10,997,029	7,207,234	35,445,831	25,482,929
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		10,997,029	7,207,234	35,445,831	25,482,929

The accompanying notes 1 to 18 form part of these interim condensed financial statements

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

For the nine-months period ended

30 September 2021

	Share capital	Statutory reserve	Retained Earnings	Actuarial reserve on end of service indemnities	Total equity
Balance as at 1 January 2021 – (Audited)	100,000,000	9,352,352	87,686,215	51,278	197,089,845
Total comprehensive income for the period	-	-	25,482,929	-	25,482,929
Balance as at 30 September 2021 (Unaudited)	<u>100,000,000</u>	<u>9,352,352</u>	<u>113,169,144</u>	<u>51,278</u>	<u>222,572,774</u>

For the nine-months period ended

30 September 2022

	Share capital	Statutory reserve	Retained Earnings	Actuarial reserve on end of service indemnities	Total equity
Balance as at 1 January 2022 (Audited)	100,000,000	13,357,581	123,733,277	(188,080)	236,902,778
Total comprehensive income for the period	-	-	35,445,831	-	35,445,831
Capital contribution (note 10)	100,000,000	-	-	-	100,000,000
Balance as at 30 September 2022 (Unaudited)	<u>200,000,000</u>	<u>13,357,581</u>	<u>159,179,108</u>	<u>(188,080)</u>	<u>372,348,609</u>

The accompanying notes 1 to 18 form part of these interim condensed financial statements

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the nine-months period ended	
		30 September 2022	30 September 2021
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		40,945,831	30,074,940
Adjustments for:			
Depreciation of right of use assets		1,149,858	2,477,214
Depreciation of property and equipment		1,774,696	1,664,424
Amortization of intangible assets		1,470,139	1,560,315
Finance cost	13	29,197,238	24,108,436
Impairment on Islamic financings	14	1,960,000	8,179,558
Net loss on modification of financial instruments	8	300,478	2,324,359
Loss on the fair value of financial assets	8	6,816,412	22,520,189
Government grant for SAMA funding for lending program	12.3,12.4	(9,023,764)	(23,513,207)
Unrealized gain on Shari'a alternatives for financial derivative instruments		(209,328)	(437,727)
Write-off of financial asset	8	1,860,000	-
Income on contract termination	15	(953,802)	-
Provision for end of service indemnities		810,000	881,045
(Increase) / decrease in operating assets		(1,048,422)	(1,213,948)
Prepayments and other receivables		(1,048,422)	(1,213,948)
Due from a related party		(969,681)	-
Net investment in Islamic financing		79,640,598	(185,004,861)
Restricted cash deposit		2,708,629	(92,097)
(Decrease) / increase in operating liabilities		3,305,613	312,644
Trade payables		3,305,613	312,644
Other payables and accruals		(2,153,370)	1,546,466
Due to a related party		19,280	70,295
Cash from / (used in) operations		157,600,405	(114,541,955)
Zakat paid	11	(8,303,587)	(2,479,883)
End of service indemnities paid		(348,098)	(623,044)
Net cash from / (used in) operating activities		148,948,720	(117,644,882)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(823,658)	(926,835)
Purchase of intangible assets		(1,229,819)	(397,489)
Net cash used in investing activities		(2,053,477)	(1,324,324)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial facilities		191,351,221	362,132,452
Repayment of financial facilities		(369,357,782)	(225,690,901)
Finance cost paid		(3,377,804)	(4,091,707)
Capital contribution	10	100,000,000	
Lease liabilities paid		(1,829,100)	(1,731,000)
Net cash (used in) / from financing activities		(83,213,465)	130,618,844
Net increase in cash and cash equivalents		63,681,778	11,649,638
Cash and cash equivalents at beginning of the period		37,761,086	30,714,105
Cash and cash equivalents at end of the period	6	101,442,864	42,363,743

The accompanying notes 1 to 18 form part of these interim condensed financial statement

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

Saudi Finance Company (the “Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010078374 and unified number 7001351779 dated 23 Muharram 1411H (corresponding to 14 August 1990).

The Company is engaged in leasing, commercial financing, small and medium business financing, and retail financing in accordance with the Saudi Central Bank (“SAMA”) approval number 351000071328 dated 3 Jumad Thani 1435H and license number 114102 dated 27 Muharram 1436H.

The activities of the Company are conducted in accordance with Islamic Shari’a, which prohibits usury as determined by the Shari’a Supervisory Board of the Company. The Company carries out financing activities through various Shari’a-compliant instruments.

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

Saudi Finance Company
Sultan Center, Prince Sultan St, Alma’athar
P.O. Box 18331
Riyadh 11415
Kingdom of Saudi Arabia

The Company has the following branches:

S. No	Branch	C.R. No.	Date
1	Khurais, Riyadh	7006384437	17 Rabi Thani 1416H
2	Buraidah	7012640483	26 Dhul-Hijjah 1417H
3	Dammam	7011934028	24 Rabi Awal 1423H
4	Jeddah	7006393552	23 Rabi Thani 1434H
5	Al-Ahsa	7007700193	16 Jumad Awal 1435H
6	Medina	7006257864	11 Sha’aban 1435H

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

These interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

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

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 financial statements for the year ended 31 December 2021.

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

SAUDI FINANCE COMPANY
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FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared under the historical cost method except for the following:

- a) Shari'a alternatives for financial derivative instruments measured at fair value;
- b) Investment in equity instruments measured at fair value;
- c) Assets repossessed held for sale measured at lower of carrying value and fair value less cost to sell; and
- d) End of service indemnities recognized at the present value of future obligations using the Projected Unit Credit method.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed financial statements have been presented in Saudi Riyals (SR) which is the Company's functional currency. All financial information presented in SR has been rounded to the nearest SR, unless otherwise mentioned.

3. SIGNIFICANT ACCOUNTING POLICIES

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these interim condensed financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

5. NEW AMENDED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

New standards, interpretations and amendments adopted by the Company

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2021, except for the following amendments which apply for the first time in 2022. However, not all are expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

5. NEW AMENDED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE (CONTINUED)

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

These amendments had no impact on the interim condensed financial statements of the Company as there are no such transactions under the above amendments during the current period.

Impact of accounting standards to be applied in future periods

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2022 (the date of the Company's next annual financial statements) that the Company has decided not to adopt early. The Company does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

6. CASH AND CASH EQUIVALENTS

	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Cash in hand	11,500	18,500
Cash at banks	101,431,364	37,742,586
	101,442,864	37,761,086

Restricted cash deposits

The Company has placed the funds in restricted bank accounts as a margin deposit for certain financing facilities granted to the Company by counterparty finance providers. The Company also earns a profit on these balances.

7. RELATED PARTY TRANSACTIONS AND BALANCES

<u>Transactions during the period</u>			For the nine-months period ended	
Names of Related Party	Nature of Relationship	Nature of transactions	30 September 2022	30 September 2021
			(Unaudited)	(Unaudited)
		Financial facilities obtained	70,000,000	71,000,000
		Financial facilities repaid	(56,000,000)	(78,000,000)
		Finance cost	(1,987,524)	(1,572,931)
Abu Dhabi Islamic Bank (ADIB), UAE	Shareholder	Finance cost repaid	(1,267,083)	(2,136,861)
		Reimbursed for expenses paid on behalf of associates	66,435	70,125
		Expenses paid on behalf of associates	(1,036,116)	(70,125)
Abdullah Ibrahim Al Khorayef Sons Company, KSA	Shareholder	Collection on behalf of a shareholder	49,360	90,295
		Repaid to shareholder	(30,080)	(20,000)

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(All amounts in Saudi Riyals unless otherwise stated)

7. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	For the nine-months period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
<u>Key management personnel</u>		
Salaries and other short-term employee benefits	9,112,744	4,901,762
<u>Balances with related parties</u>		
	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Due from related parties		
Abu Dhabi Islamic Bank (ADIB), UAE	1,008,134	38,453
Due to a related party		
Abdullah Ibrahim Al Khorayef Sons Company, KSA	49,360	30,080
	30 September 2022 (Unaudited)	31 December 2021 (Audited)
<u>Financial Facilities</u>		
ADIB, UAE	98,000,000	84,000,000
Accrued finance cost	1,927,308	1,206,687
	99,927,308	85,206,687
	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Advance to Staff	205,103	88,987

8. NET INVESTMENT IN ISLAMIC FINANCINGS

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Gross investment in Islamic financings	1,258,293,786	1,360,642,934
Unearned / deferred Islamic financings income	(185,540,206)	(199,271,866)
Net investment in Islamic financings before provision for impairment	1,072,753,580	1,161,371,068
Less: provision for impairment	(18,448,089)	(16,488,089)
Net investment in Islamic financings	1,054,305,491	1,144,882,979

- 8.1. The Company in the ordinary course of its business holds collateral in respect of Islamic financings (being the title of assets leased out) including real-estate collaterals in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults.

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(All amounts in Saudi Riyals unless otherwise stated)

8. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)

8.2. The Company has assigned Islamic financings receivables amounting to SR 70.2 million (31 December 2021: SR 117 million) to local commercial banks for obtaining financial facilities. These Islamic financings receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk

8.3. 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”) as per the definition issued by SAMA. As part of the Deferred Payment Program (“DPP”), the Company deferred payments for 6 months to contracts that qualify as MSME with extending the tenure of the facility.

During March 2022, SAMA further extended the same for additional 3 months for qualifying MSME. The accounting impact of these changes in terms of the net investment in Islamic financing has been assessed and accounted for as per the requirements of IFRS 9 as a modification in terms of the arrangements. Modification loss has been recognized under other income / (expenses) in the statement of comprehensive income.

8.4. During the period, the Company has provided financing amounting to SR 114. 77 million to Small and Medium-Sized Entities (SMEs) that qualify for the facility under SAMA funding for financing program on profit rates below-market. These facilities are secured in the range of 45% to 95% under the Kafala program and these facilities are repayable in 30 monthly installments with the first installment is due after 6 months’ grace period from the date of the contract, which is discounted using average market prevailing profit rates for similar financing facilities to determine the fair value. The difference between financing provided and its fair value is recorded in the statement of profit or loss as per the requirements of IFRS- 9.

8.5. During the period, the Board of Directors of the Company approved a write-off of net investment in Islamic financings receivable amounting to SR 1.86 million.

8.6. The movement in the provision for impairment of Islamic financings during the period is as follows:

	For the nine-months period ended 30 September 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at beginning of the period / year	16,488,089	16,053,055
Provided during the period / year	1,960,000	4,729,558
Written off during the period / year	-	(4,294,524)
Balance at the end of the period / year	18,448,089	16,488,089

9. ASSET REPOSSESSED HELD FOR SALE

During 2016, the Company acquired certain real estate properties in the satisfaction of a claim in order to achieve an orderly realization of a Murabaha receivable. The Company filed a legal case against the erstwhile owner for possession of the properties.

As of 30 September 2022, the case has been closed and it was in the favor of the Company. Accordingly, these properties are legally owned by one of the board members of the Company for the sole benefit of the Company and the Company is now under the process of marketability and sale.

SAUDI FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

10. SHARE CAPITAL

In General Assembly Meeting held on 28 April 2022 (G) corresponding to 27 Ramadan 1443 (H), shareholders of the Company agreed to inject further share capital amounting to SR 100 million in the existing percentage of shareholding. Accordingly, on 10 May 2022 (G) corresponding to 9 Shawwal 1443 (H), payments of SR 100 million with respect to the proposed share capital increase were made. During September 2022, the legal documentation was completed and accordingly share capital was registered.

The Company's subscribed and paid-up share capital of SR 200,000,000 (31 December 2021: SR 100,000,000) is divided into 20,000,000 (31 December 2021: 10,000,000) equity shares of SR 10 each, and distributed among shareholders as follows:

Shareholders	Holding %	30 September 2022 (Unaudited)		31 December 2021 (Audited)	
		No. of Shares	Amount	No. of Shares	Amount
ADIB Two Financial Invest LLC, UAE	51%	10,200,000	102,000,000	5,100,000	51,000,000
Abdullah Ibrahim Al Khorayef Sons Company, KSA	46%	9,200,000	92,000,000	4,600,000	46,000,000
Mohamed Abdullah Al Khorayef	1%	200,000	2,000,000	100,000	1,000,000
Saad Abdullah Al Khorayef	1%	200,000	2,000,000	100,000	1,000,000
Hamad Abdullah Al Khorayef	1%	200,000	2,000,000	100,000	1,000,000
	100%	20,000,000	200,000,000	10,000,000	100,000,000

11. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the nine-months period ended 30 September 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at the beginning of the period / year	14,201,279	8,975,505
Provided during the period / year	5,500,000	8,226,673
Payment during the period / year	(8,303,587)	(3,000,899)
Balance at the end of the period / year	11,397,692	14,201,279

STATUS OF ASSESSMENTS

During 2016, zakat assessments have been raised by the Zakat, Tax and Customs Authority (ZATCA) for the years 2005 to 2007 assessing additional zakat of SR 2,621,509 against which the Company has filed an appeal. No provision has been recorded in these financial statements in this respect, as the Company is confident of a favorable outcome on this matter. During 2018 the Company received certain queries related to appeal filed for 2005 to 2007 and the response was submitted to ZATCA.

During 2019, ZATCA provided a settlement assessment for the year 2014 to 2017 with zakat liability of SR 3,256,349 based on the methodology of 10% zakat calculated on the net profit before zakat. This resulted in the reversal of the excess zakat provision of SR 12,382,326 held by the Company for these years.

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(All amounts in Saudi Riyals unless otherwise stated)

11. PROVISION FOR ZAKAT (CONTINUED)

STATUS OF ASSESSMENTS (CONTINUED)

During the year the Company has paid an installment with the amount of SR 521,016. As of 31 December 2021, the remaining installments amounted SR 1,042,031 (2 installments of SR 521,016 each).

During the period, ZATCA again assessed 2005 to 2007 additional liability for which the company is in process for an appeal to General Secretariat of the Tax Committees (GSTC).

Additionally, ZATCA has raised additional information query with related to 2017 and 2018 for which the company is in process to file the requested information.

Currently, there are open assessments from the years 2008 to 2013 by ZATCA, for which the Company had provided for additional provision amounting to SR 4,939,350. No demand from ZATCA has been received till the date of these financial statements.

The Company has submitted its Zakat declaration to ZATCA for the year ended 31 December 2021 and has obtained the certificate valid until 10 Shawwal 1444 (H) corresponding to 30 April 2023.

12. FINANCIAL FACILITIES

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Short-term financial facilities	7	98,000,000	84,000,000
Term financial facilities	12.1	616,239,033	815,305,807
Finance cost payable		65,020,206	41,279,346
		<u>779,259,239</u>	<u>940,585,153</u>

12.1. Long-term financial facilities

	30 September 2022 (Unaudited)	31 December 2021 Restated (*)
Current portion		
Term financial facilities	432,710,273	383,057,658
Non-current portion		
Term financial facilities	183,528,760	432,248,149
	<u>616,239,033</u>	<u>815,305,807</u>

(*) During the period, management identified that due to a breach of certain financial covenants at 31 December 2021 for which respective waivers were received only subsequent to the year end, a balance of SR 31.7 million was classified within non-current rather than current portion of term financial facilities. This was reclassified in the table above accordingly.

12.2. The Company has obtained bank financial facilities from local Islamic banks for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates and also have restricted cash deposits (note 6).

12.3 During the period, the Company has obtained government financing amounting to SR 110.4 million from SAMA at a zero-profit rate to finance the Small and Medium-Sized Entities (SME) under SAMA funding for a financing program. These financings are repayable in 30 monthly installments with the first installment is due after 6 months' grace period from the date of the contract, which is discounted using average market prevailing profit rates for similar financing facilities. The difference between financing received and its present value is recorded as a government grant and has been accounted for as per the requirements of IFRS.

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12. FINANCIAL FACILITIES (CONTINUED)

The facility agreements include financial covenants which, among other things, require the Company to maintain certain financial ratios. As of 30 September 2022, the Company was not in compliance with a financial covenant associated with the term financing agreements for which outstanding facility balances were classified within current portion of financial facilities. However, the management is communicating with the bank on this matter and believes that they will not exercise their right to demand accelerated / immediate repayment of respective facilities.

- 12.4.** During the period, the Company has received government financing amounting to SR 0.91 million from SAMA at a zero-profit rate under SAMA liquidity support program. These financings are repayable at the end of 18 months which is discounted using average market prevailing profit rates for similar financing facilities. The present value of these amounts to SR 0.83 million. The difference between financing received and its present value is recorded as a government grant in other income.

13. FINANCE COST

	For the nine-months period ended	
	30 September 2022	30 September 2021
	(Unaudited)	(Unaudited)
Islamic financial facilities:		
- Murabaha	2,074,568	2,174,231
- Tawarruq	1,950,118	4,251,106
- Non-profit bearing financing	25,057,529	17,469,375
Lease liabilities	115,023	213,724
	29,197,238	24,108,436

14. IMPAIRMENT ON ISLAMIC FINANCINGS, NET

	Note	For the nine-months period ended	
		30 September 2022	30 September 2021
		(Unaudited)	(Unaudited)
Impairment on Islamic financings	8.6	1,960,000	8,179,558
Write-off recoveries		(3,475,935)	(4,140,068)
		(1,515,935)	4,039,490

15. OTHER INCOME, NET

	Note	For the nine-months period ended	
		30 September 2022	30 September 2021
		(Unaudited)	(Unaudited)
Government grant on SAMA funding for lending program	12.3,12.4	9,023,764	23,513,207
Modification gain on financial liabilities		-	1,354,709
Management fees and other income		1,249,230	1,841,247
Income on contract termination		953,802	-
Modification loss on financial assets	8.3	(300,478)	(3,679,068)
Loss on the fair value of financial assets	8.4	(6,816,412)	(22,520,189)
		4,109,906	509,906

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16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, investment, net investment in Islamic financings, restricted cash deposits and other receivables, its financial liabilities consist of trade payables, financial facilities, due to related party and other liabilities.

The Company's management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement.

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI and Shari'a alternatives for financial derivative instruments. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

30 September 2022 (Unaudited)	Fair value hierarchy			Total
	1	2	3	
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
Fair value through profit or loss (FVTPL)				
Shari'a alternatives for financial derivative instruments	-	41,098	-	41,098

31 December 2021 (Audited)	Fair value hierarchy			Total
	1	2	3	
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
Fair value through profit or loss (FVTPL)				
FINANCIAL LIABILITIES				
FVTPL				
Shari'a alternatives for financial derivative instruments	-	168,230	-	168,230

The above financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

Financial assets / financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Investment carried at FVOCI	Fair value	N/A	N/A

Shari'a alternatives for financial derivative instruments classified as Level 2 fair value hierarchy comprise profit rate swaps. These derivatives are fair valued using widely recognized valuation models. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

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17. SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-ended that would require adjustments or additional disclosures in these interim condensed financial statements.

18. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were approved and authorized for issue on 2 Rabi' al-Thani 1444H (corresponding to 27 October 2022G) by the Board of Directors of the Company.