

**YANAL FINANCE COMPANY
(FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2021**

YANAL FINANCE COMPANY (FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)
Unaudited Condensed Interim Financial Statements
For the three-months period ended March 31, 2021

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Report on Review of Condensed Interim Financial Statements

To the Shareholders of Yanal Finance Company
(Formerly Saudi Orix Leasing Company)
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim statement of financial position of Yanal Finance Company (Formerly Saudi Orix Leasing Company) (A Saudi Closed Joint Stock Company) (the "Company") as of March 31, 2021 and the related interim statements of income and other comprehensive income for the three months period then ended, and the statements of changes in shareholder's equity and cash flows, and a summary of significant accounting policies and other explanatory notes (the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim 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 condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Bader I. Benmohareb
License Number 471
April 26, 2021

YANAL FINANCE COMPANY
(FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts are in Saudi Riyals unless stated otherwise)

	Notes	As at March 31, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Assets			
Non-current assets:			
Property and equipment		622,054	663,845
Intangible assets		221,024	238,476
Equity investment designated at FVOCI		892,850	892,850
Net investment in finance leases	4	427,491,764	451,966,235
Net investment in murabaha finance	5	193,686,900	143,560,678
		<u>622,814,592</u>	<u>597,321,884</u>
Current assets:			
Current maturity of net investment in finance leases	4	556,640,951	459,942,586
Current maturity of net investment in murabaha finance	5	97,401,121	60,100,542
Advances, prepayments and other receivables	6	54,049,733	29,061,510
Term deposits	7	142,000,000	202,000,000
Cash and cash equivalents	7	5,264,256	62,523,908
		<u>855,356,061</u>	<u>813,628,546</u>
Total assets		<u>1,478,170,653</u>	<u>1,410,950,430</u>
Equity and liabilities			
Equity:			
Share capital		550,000,000	550,000,000
Statutory reserve		86,757,029	86,757,029
Retained earnings		228,848,965	215,364,948
Total equity		<u>865,605,994</u>	<u>852,121,977</u>
Liabilities			
Non-current liabilities:			
Long-term loans and grants	8	211,789,412	262,339,144
Zakat and income tax	13	5,265,684	5,265,684
Employees' end of service benefits (EOSB)		19,668,861	19,607,328
		<u>236,723,957</u>	<u>287,212,156</u>
Current liabilities:			
Bank overdraft	7, 16	12,026,157	-
Short term borrowings	10	40,033,700	-
Current maturity of long-term loans, grants and lease liability	8	236,872,123	200,169,556
Accounts payable		50,403,058	32,736,405
Zakat and income tax	13	6,973,471	4,581,892
Accrued expenses and other liabilities	9	29,532,193	34,128,444
		<u>375,840,702</u>	<u>271,616,297</u>
Total liabilities		<u>612,564,659</u>	<u>558,828,453</u>
Total equity and liabilities		<u>1,478,170,653</u>	<u>1,410,950,430</u>
Commitments	15		

The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.


 Chief Executive Officer

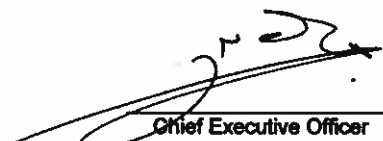

 Director


 Chief Financial Officer

YANAL FINANCE COMPANY
(FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)
CONDENSED INTERIM STATEMENT OF INCOME – UNAUDITED
FOR THE THREE MONTHS PERIOD ENDED MARCH 31,
(All amounts are in Saudi Riyals unless stated otherwise)

	Notes	2021	2020
REVENUE	11	37,421,371	27,962,999
EXPENSES			
Special commission expense		(6,344,738)	(429,154)
Provision for impairment on financial assets	4.2, 5.2	(2,215,231)	(4,656,871)
Modification loss	4.3, 5.3	-	(26,720,037)
Government grant income		-	26,720,037
Salaries and employee related expenses		(9,517,065)	(9,665,893)
General and administrative expenses	12	(2,702,756)	(4,211,419)
Depreciation and amortization		(73,692)	(552,345)
Total expenses		<u>(20,853,482)</u>	<u>(19,515,682)</u>
Income for the period before zakat and income tax		16,567,889	8,447,317
Zakat expense		(2,391,580)	(1,182,624)
Income tax expense		(1,137,836)	(829,131)
Total zakat and income tax expense		<u>(3,529,416)</u>	<u>(2,011,755)</u>
Income for the period after zakat and income tax		<u>13,038,473</u>	<u>6,435,562</u>
Earnings per share - basic and diluted	14	<u>0.24</u>	<u>0.12</u>

The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.


 Chief Executive Officer


 Director


 Chief Financial Officer

**YANAL FINANCE COMPANY
(FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME – UNAUDITED
FOR THE THREE MONTHS PERIOD ENDED MARCH 31,
(All amounts are in Saudi Riyals unless stated otherwise)**

	<u>2021</u>	<u>2020</u>
Income for the period after zakat and income tax	13,038,473	6,435,562
Other comprehensive income		
<i>Items that will not be reclassified to statement of income in subsequent periods</i>		
Actuarial gain / (loss) on employees' end of service benefits	445,544	(408,370)
Total comprehensive income for the period	<u>13,484,017</u>	<u>6,027,192</u>

The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.



Chief Executive Officer



Director



Chief Financial Officer


**YANAL FINANCE COMPANY
(FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31,
(All amounts are in Saudi Riyals unless stated otherwise)**

	Share capital	Statutory reserve	Retained earnings	Proposed dividend	Total equity
Balance as at December 31, 2019 (Audited)	550,000,000	85,349,990	239,187,449	-	874,537,439
Total comprehensive income:					
Income for the period after zakat and income tax	-	-	6,435,562	-	6,435,562
Other comprehensive loss	-	-	(408,370)	-	(408,370)
Proposed dividend (note 18)	-	-	(36,915,406)	36,915,406	-
Balance as at March 31, 2020 (Unaudited)	-	-	(30,888,214)	36,915,406	6,027,192
Balance as at December 31, 2020 (Audited)	550,000,000	85,349,990	208,299,235	36,915,406	880,564,631
Total comprehensive income:					
Income for the period after zakat and income tax	-	-	13,038,473	-	13,038,473
Other comprehensive income	-	-	445,544	-	445,544
Balance as at March 31, 2021 (Unaudited)	-	-	13,484,017	-	13,484,017
Balance as at December 31, 2021 (Unaudited)	550,000,000	86,757,029	215,364,948	-	852,121,977
Total comprehensive income:					
Income for the period after zakat and income tax	-	-	13,038,473	-	13,038,473
Other comprehensive income	-	-	445,544	-	445,544
Balance as at March 31, 2021 (Unaudited)	550,000,000	86,757,029	228,848,965	-	865,605,994

The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

**YANAL FINANCE COMPANY
(FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)**

**CONDENSED INTERIM STATEMENT OF CASH FLOWS - UNAUDITED
FOR THE THREE-MONTH PERIOD ENDED MARCH 31,
(All amounts are in Saudi Riyals unless stated otherwise)**

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the period before zakat and income tax		16,567,889	8,447,317
Adjustments for non-cash items:			
Depreciation of property and equipment		56,240	522,919
Amortisation of intangible assets		17,452	29,426
Government grant, net		4,715,359	-
Special commission expense		6,344,738	429,154
Provision for impairment on financial assets	4.2, 5.2	2,215,231	4,656,871
Gain on disposal of property and equipment		(9,213)	(4,762)
		<u>29,907,696</u>	<u>14,080,925</u>
Changes in operating assets and liabilities:			
Net investment in finance leases and murabaha finance		(161,765,926)	47,859,205
Advances, prepayments and other receivables		(24,064,297)	(1,446,530)
Accounts payable		17,666,653	(12,100,318)
Accrued expenses and other liabilities		(10,597,210)	2,484,584
Employees' end of service benefits, net		507,077	686,460
Income tax paid		(2,068,093)	-
Net cash (used in) / generated from operating activities		<u>(150,414,090)</u>	<u>51,564,326</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of term deposits		60,000,000	-
Additions to property, equipment and intangible assets		(14,649)	(109,329)
Proceeds from disposal of property and equipment		9,213	4,762
Net cash generated from / (used in) investing activities		<u>59,994,564</u>	<u>(104,567)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans		53,834,366	-
Repayments of loans		(31,780,240)	(7,314,704)
Special commission and other bank charges paid		(920,409)	(393,975)
Net cash generated from / (used in) financing activities		<u>21,133,717</u>	<u>(7,708,679)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(69,285,809)</u>	<u>43,751,080</u>
Cash and cash equivalents at the beginning of the period		<u>62,523,908</u>	<u>9,840,190</u>
Cash and cash equivalents at the end of the period	7	<u>(6,761,901)</u>	<u>53,591,270</u>

The accompanying notes (1) through (19) form an integral part of these condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

YANAL FINANCE COMPANY (FORMERLY "SAUDI ORIX LEASING COMPANY")
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2021 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

1. GENERAL INFORMATION

Yanal Finance Company (Formerly Saudi ORIX Leasing Company) (the "Company") is a Saudi closed joint stock company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration number 1010163957 issued in Riyadh on Shawal 21, 1421H (corresponding to January 16, 2001), non-industrial license number 99 dated Safar 27, 1421H (corresponding to May 31, 2000) issued by the Ministry of Commerce and Investment, license number 7/A Sh/201403 dated 27 /04/ 1435H (corresponding to February 27, 2014) issued by the Saudi Central Bank ("SAMA"), through its five branches (December 31, 2020: five branches) in the Kingdom of Saudi Arabia.

The Company's head office is located in Riyadh at the following address:

Yanal Finance Company (Formerly Saudi ORIX Leasing Company)
7690, Al Madhar – As Sulimaniyah
Unit no. 1
Riyadh 12621 – 2692
Kingdom of Saudi Arabia

The Company has the following branches:

Branch commercial registration number	Date	Location
2050046083	9 Jamada Awal 1425H	Dammam
4030150057	9 Jamada Awal 1425H	Jeddah
2055013067	9 Rabi-Al-Awwal 1432H	Jubail
5855036378	9 Rabi-Al-Awwal 1432H	Khamis Mushait
4031090240	26 Rabi-Al-Thanni 1436H	Makkah

The results, assets and liabilities of the branches are included in these condensed interim financial statements.

The objective of the Company is to provide lease financing for movable and immovable assets and murabaha financing to all economic sectors in the Kingdom of Saudi Arabia.

These condensed interim financial statements have been reviewed, not audited.

2. BASIS OF PREPARATION

- 2.1** The condensed interim financial statements of the Company as at and for the period ended March 31, 2021 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 Organisation for Certified Public Accountants ("SOCPA").
- 2.2** The condensed interim financial statements do not include all information and disclosure required in the annual audited financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2020.
- 2.3** The Company has not early adopted any new standards, interpretation or amendments that have been issued but which are not yet effective.
- 2.4** The accounting and risk management policies used in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended December 31, 2020.

YANAL FINANCE COMPANY (FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2021 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of condensed interim 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. The interim results may not represent a proper indication of the annual results of operations. In preparing these condensed interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the statutory financial statements as at and for the year ended December 31, 2020. During the three-months period ended March 31, 2021, there is no significant impact of COVID-19 on the Company's financial position and performance.

4. NET INVESTMENT IN FINANCE LEASES

4.1 Reconciliation between gross and net investment in finance leases is as follows:

		March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Lease receivables		1,340,175,330	1,275,719,150
Residual value		666,005,351	624,157,280
Gross investment in finance leases		2,006,180,681	1,899,876,430
Non-refundable security deposits		(658,953,284)	(617,105,213)
Prepaid lease rentals		(56,909,313)	(56,201,514)
Net receivables		1,290,318,084	1,226,569,703
Unearned lease finance income		(146,709,662)	(151,028,776)
Sub-total		1,143,608,422	1,075,540,927
Modification loss	4.3	(50,834,797)	(50,834,797)
Income on modified finance lease	11	19,877,207	13,825,982
		(30,957,590)	(37,008,815)
Net investment in finance leases		1,112,650,832	1,038,532,112
Provision for impairment	4.2	(128,518,117)	(126,623,291)
		984,132,715	911,908,821
Current maturity		(556,640,951)	(459,942,586)
		427,491,764	451,966,235

4.2 The movement in the provision for impairment of lease receivables is as follows:

		March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance as at January 1		126,623,291	195,878,313
Provision for the period / year, net		2,116,416	16,668,287
Bad debt written-off		(221,590)	(85,923,309)
Balance at the end of the period / year	4.2.1	128,518,117	126,623,291

YANAL FINANCE COMPANY (FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2021 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

4. NET INVESTMENT IN FINANCE LEASES (continued)

4.2.1 Portfolio provision analysis for net investment in finance leases:

March 31, 2021 (Unaudited)	Net investment in finance lease	Provision for impairment	Expected Loss rates
Not yet due	908,291,987	1,833,925	0.0%-0.41%
1-90 days	100,434,949	400,172	0.42%-2.10%
91-180 days	-	-	2.20%-7.80%
181-365 days	407,148	302,811	7.90%-47.94%
366 days – 730 days	22,909,408	14,877,944	47.95%-95.78%
Above 730 days and Specific accounts*	111,564,930	111,103,265	77.87%-100%
	1,143,608,422	128,518,117	

December 31, 2020 (Audited)	Net investment in finance lease	Provision for impairment	Expected Loss rates
Not yet due	913,799,394	3,143,549	0.0%-0.41%
1-90 days	25,853,030	174,025	0.42%-2.10%
91-180 days	149,854	3,430	2.20%-7.80%
181-365 days	407,148	187,583	7.90%-47.94%
366 days – 730 days	23,905,242	13,002,092	47.95%-95.78%
Above 730 days and Specific accounts*	111,426,259	110,112,612	77.87%-100%
	1,075,540,927	126,623,291	

*Includes provision for impairment against specific accounts where net investment in finance lease of SR 52 million is fully provided (December 31, 2020: SR 51 million).

4.3 Modification loss was recognised in respect of deferral of cash flows under Deferred Payment Program announced by SAMA and Small and Medium Enterprises General Authority ("Monsha'at"). Against the deferral, the Company received profit free deposits from SAMA and loan moratorium from Monsha'at. Government grant benefit was recognized in the financial statements as a difference in the book value and present value of repayments.

During March 2021, SAMA announced an extension of deferral program for an additional three-months for qualifying MSMEs for the period April 01, 2021 to June 30, 2021. The implementation of new deferral is in process, accordingly, these financials do not account for the modification impact.

4.4 Generating the term structure of Probability of Default (PD)

Loss rates are calculated using a 'flowrate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates, average of past thirty-six months (2020: twenty-four months), adjusted by the outlook of the economy.

4.5 Sensitivity Analysis

Assuming all other factors remain constant, the sensitivity analysis of the expected credit loss allowance of finance lease as on March 31, 2021 is as follows:

	Increase in ECL as on March 31, 2021
Use of maximum of forward flow rates instead of average flow rates	7,609,583
Increase in economic factor by 10%	3,236,509
Increase in loss given default by 10%	821,911

YANAL FINANCE COMPANY (FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2021 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

5. NET INVESTMENT IN MURABAHA FINANCE

5.1 Reconciliation between gross and net murabaha finance is as follows:

	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Murabaha finance receivables		334,576,975	240,141,135
Unearned murabaha finance income		(38,432,259)	(30,412,585)
Sub-total		296,144,716	209,728,550
Modification loss	5.3	(7,502,130)	(7,502,130)
Income on modified murabaha finance	11	2,970,157	2,065,951
		(4,531,973)	(5,436,179)
Net investment in murabaha finance		291,612,743	204,292,371
Provision for impairment	5.2	(624,722)	(631,151)
		290,988,021	203,661,220
Current maturity		(97,401,121)	(60,100,542)
		193,586,900	143,560,678

5.2 The movement in the provision for impairment on murabaha receivables was as follows:

	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance as at January 1		631,151	61,414
Provision for the period / year, net		98,815	569,737
Bad debt written-off		(105,244)	-
Balance at the end of the period / year	5.2.1	624,722	631,151

5.2.1 Stage wise analysis of murabaha finance receivables and provision for impairment is as follow:

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
March 31, 2021 (Unaudited)				
Net investment in murabaha finance	285,560,006	9,616,940	967,770	296,144,716
Provision for impairment	(60,929)	(97,343)	(466,450)	(624,722)
Net receivables	285,499,077	9,519,597	501,320	295,519,994
December 31, 2020 (Audited)				
Net investment in murabaha finance	208,760,781	-	967,769	209,728,550
Provision for impairment	(345,630)	-	(285,521)	(631,151)
Net receivables	208,415,151	-	682,248	209,097,399

YANAL FINANCE COMPANY (FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2021 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

5. NET INVESTMENT IN MURABAHA FINANCE (continued)

5.3 Modification loss was recognised, and netted off against government grant, in these condensed interim financial statements. (Refer note 4.3 for details).

5.4 Generating the term structure of Probability of Default (PD)

Loss rates are calculated using a 'flowrate' method as disclosed in note 4.4 in these condensed interim financial statements.

5.5 Sensitivity Analysis

Assuming all other factors remain constant, the sensitivity analysis of the expected credit loss allowance on murabaha finance as on March 31, 2021 is as follows:

	Increase in ECL as on March 31, 2021
Use of maximum of forward flow rates instead of average flow rates	<u>685,388</u>
Increase in economic factor by 10%	<u>195,127</u>
Increase in loss given default by 10%	<u>41,817</u>

6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Receivable from Saudi shareholders for prior period zakat settlement	10,531,367	10,531,367
Advance to suppliers	26,748,076	7,886,190
Prepaid expenses	2,829,164	2,789,431
Loans and advances to staff	1,665,331	1,877,522
Deferred VAT	5,001,406	1,805,943
VAT refund	-	983,812
Other	7,274,389	3,187,245
	<u>54,049,733</u>	<u>29,061,510</u>

7. CASH AND BANK BALANCES

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash at banks	5,254,334	13,511,770
Cash in hand	9,922	12,138
Term deposits of less than three months maturity	-	49,000,000
	<u>5,264,256</u>	<u>62,523,908</u>
Bank overdraft	<u>(12,026,157)</u>	-
Cash and cash equivalents at the end of the year	<u>(6,761,901)</u>	62,523,908
Term deposits of more than three months maturity	7.1 <u>142,000,000</u>	<u>202,000,000</u>
	<u>142,000,000</u>	<u>202,000,000</u>

7.1 This represents commission bearing term deposit held with local banks with a maturity between 90 - 180 days at prevailing market rate.

YANAL FINANCE COMPANY (FORMERLY SAUDI ORIX LEASING COMPANY)
(A Saudi Closed Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED MARCH 31, 2021 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

8. LOANS, GRANTS AND LEASE LIABILITY

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Long-term loans – Monsha'at	121,621,607	126,242,438
Profit-free deposit payable to SAMA	351,506,115	364,831,158
Government grant on Monsha'at loan and SAMA	<u>(43,791,233)</u>	<u>(42,505,634)</u>
Total loans and deposits, net of grant	429,336,489	448,567,962
Accrued special commission expense	<u>18,353,878</u>	<u>12,990,130</u>
	447,690,367	461,558,092
Lease liability	<u>1,079,167</u>	<u>1,079,167</u>
	448,769,534	462,637,259
Less: unamortised fee	<u>(107,999)</u>	<u>(128,559)</u>
	448,661,535	462,508,700
Less: current maturity	<u>(236,872,123)</u>	<u>(200,169,556)</u>
Non-current portion for long-term loans	<u>211,789,412</u>	<u>262,339,144</u>

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Proposed lease related payables	8,164,189	8,809,946
Employee related payables	4,795,484	4,647,766
Leased assets insurance claims to be settled	2,929,576	3,819,861
Leased assets insurance premium payable	4,832,704	5,174,139
Charity payable	3,863,528	3,730,026
Other	<u>4,946,712</u>	<u>7,946,706</u>
	<u>29,532,193</u>	<u>34,128,444</u>

10. SHORT-TERM BORROWING

Short-term borrowings carries special commission rate equal to SIBOR plus bank margin. The facilities are secured by the assignment of lease and murabaha contract receivables. Under the terms of the arrangements, the Company has to adhere to certain financial and non-financial covenants.

11. REVENUE

Finance lease income is stated net of insurance cost and it includes reversal of SR 6,051,225 and SR 904,206 against modification loss on finance leases and murabaha finance contracts, respectively

Revenue also includes front-end fees and income earned on short-term time deposits

12. GENERAL AND ADMINISTRATIVE EXPENSES

Expenses for three-months period ended March 31, 2020 included a provision for legal claim amounting to SR 1.5 million.

13. ZAKAT AND INCOME TAX

There is no change in the status of zakat and income tax assessment since December 31, 2020.

14. BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

The basic and diluted earnings per share are calculated by dividing the profit for the period attributable to the shareholders by weighted average number of shares (55,000,000) at the end of the period.

15. COMMITMENTS

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Finance lease and murabaha contracts not yet executed	<u>22,388,540</u>	<u>20,598,548</u>
Bank guarantees issued on behalf of the Company	<u>2,000,000</u>	<u>2,000,000</u>

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16. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Company transacts business with related parties, which are related to its shareholders. The Company obtains technical assistance from ORIX Corporation, Japan and ORIX Leasing Pakistan Limited at no cost under an arrangement. Significant related party transactions and balances are as follows:

	For the three- months ended March 31, 2021 (Unaudited)	For the three- months ended March 31, 2020 (Unaudited)
Transactions:		
The Saudi Investment Bank – <i>shareholder</i>		
Special commission and other bank charges paid	32,340	20,038
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- <i>affiliate</i>		
Premium for insurance and other related payments-net	2,830,444	2,581,015
Key Management Personnel		
Salaries and other short-term employee benefits	2,767,393	2,926,065
Termination benefits	198,464	241,528
Balances:		
The Saudi Investment Bank – <i>shareholder</i>		
Current accounts	546,862	11,971,946
Bank overdraft	12,026,157	-
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- <i>affiliate</i>		
Advance / Payable against insurance premium, net	3,506,794	1,132,440
Key Management Personnel		
Employees' end of service benefits	3,180,904	2,657,002
Loans to key management of the Company	132,670	281,273
Directors' meeting attendance fee payable	1,125,000	900,000

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17. RISK MANAGEMENT

Liquidity risk and going concern

The Company is aware of the need to keep a close focus on liquidity management during this period and has 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.

From the perspective of liquidity risk and going concern, no changes were made in the objectives, policies and processes for managing capital and management monitors the maturity profile to ensure adequate liquidity is maintained. The table below summarizes the maturity profile of the Company's liabilities based on contractual undiscounted cash flows:

	Within 3 months	4 to 12 months	1 to 5 years	No fixed maturity	Total
March 31, 2021 (Unaudited)					
Accounts payable	50,403,058	-	-	-	50,403,058
Accrued expenses and other liabilities	29,532,193	-	-	-	29,532,193
Zakat and income tax	4,340,629	2,632,842	5,265,684	-	12,239,155
Long-term loans, grants and lease liabilities	59,449,378	194,754,873	219,825,099	-	474,029,350
Employees' EOSB	-	-	-	19,668,861	19,668,861
	143,725,258	197,387,715	225,090,783	19,668,861	585,872,617
December 31, 2020 (Audited)					
Accounts payable	32,736,405	-	-	-	32,736,405
Accrued expenses and other liabilities	34,128,444	-	-	-	34,128,444
Zakat and income tax	62,619	4,519,273	5,265,684	-	9,847,576
Long-term loans, grants and lease liabilities	29,349,688	191,526,854	273,061,036	-	493,937,578
Employees' EOSB	-	-	-	19,607,328	19,607,328
	96,277,156	196,046,127	278,326,720	19,607,328	590,257,331

As at condensed interim statement of financial position date, current ratio and gearing ratio, supporting going concern assumption analysis was as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Equity	865,605,994	852,121,977
Liabilities	612,564,659	558,828,453
Total capital structure	1,478,170,653	1,410,950,430
Gearing ratio	41.44%	39.61%
Current ratio (times)	2.28	3.00

18. DIVIDENDS

The Board of Directors proposed an annual dividend of SR 0.15 per share (2019: SR 0.671 per share) for the year ended December 31, 2020 amounting to SR 8.25 million (2019:SR 36.9 million). The proposal shall be presented for approval to shareholders in general assembly meeting.

19. DATE OF APPROVAL OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying condensed interim financial statements were approved by the Board of directors on April 26, 2021.