

**YANAL FINANCE COMPANY  
(A SAUDI CLOSED JOINT STOCK COMPANY)**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)  
AND INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**

**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**Interim condensed financial statements - Unaudited**  
**For the six-month period ended 30 June 2022**

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## *Report on review of interim condensed financial statements*

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

### **Introduction**

We have reviewed the accompanying interim condensed statement of financial position of YANAL Finance Company (A Saudi Closed Joint Stock Company) (the "Company") as of 30 June 2022 and the related interim condensed statements of income and comprehensive income for the three-month and six-month periods then ended, and the interim condensed statements of changes in shareholders' equity and cash flows for the six-month period then ended and other explanatory notes. 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 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

### **PricewaterhouseCoopers**

A blue ink signature, appearing to be "Adel F. Alqantani", written in a cursive style.

Adel F. Alqantani  
License Number 614

2 August 2022

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

	Note	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
<b>Assets</b>			
<b>Non-current assets:</b>			
Property and equipment		740,874	601,654
Intangible assets		175,143	215,537
Equity investment designated at fair value through other comprehensive income ("FVOCI")		892,850	892,850
Net investment in finance leases	4	431,901,149	472,661,739
Net investment in murabaha finance	5	282,310,242	266,517,862
		<u>716,020,258</u>	<u>740,889,642</u>
<b>Current assets:</b>			
Current maturity of net investment in finance leases	4	473,426,423	467,180,771
Current maturity of net investment in murabaha finance	5	178,064,384	145,263,644
Advances, prepayments and other receivables	6	45,906,888	42,891,282
Cash and cash equivalents	7	81,313,066	75,811,144
		<u>778,710,761</u>	<u>731,146,841</u>
<b>Total assets</b>		<u><b>1,494,731,019</b></u>	<u><b>1,472,036,483</b></u>
<b>Equity and liabilities</b>			
<b>Equity:</b>			
Share capital		550,000,000	550,000,000
Statutory reserve		92,008,014	92,008,014
Retained earnings		246,948,811	255,324,835
<b>Total equity</b>		<u><b>888,956,825</b></u>	<u><b>897,332,849</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities:</b>			
Long-term loans and grants	8	181,855,210	174,537,997
Zakat and income tax	11	2,632,842	2,632,842
Employees' end of service benefits (EOSB)		21,611,812	20,265,652
		<u>206,099,864</u>	<u>197,436,491</u>
<b>Current liabilities:</b>			
Current maturity of long-term loans and grants	8	257,410,089	277,700,369
Accounts payable		101,245,062	55,650,692
Zakat and income tax	11	9,178,696	13,422,107
Accrued expenses and other liabilities	9	31,840,483	30,493,975
		<u>399,674,330</u>	<u>377,267,143</u>
<b>Total liabilities</b>		<u><b>605,774,194</b></u>	<u><b>574,703,634</b></u>
<b>Total equity and liabilities</b>		<u><b>1,494,731,019</b></u>	<u><b>1,472,036,483</b></u>

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

  
Chief Executive Officer

  
Director


  
Chief Financial Officer

**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM CONDENSED STATEMENT OF INCOME – UNAUDITED**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE**  
(All amounts are in Saudi Riyals unless stated otherwise)

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2022	2021	2022	2021
<b>REVENUE</b>	10	<b>35,108,668</b>	<b>37,079,109</b>	<b>69,754,634</b>	<b>74,500,480</b>
<b>EXPENSES</b>					
Special commission expense	8.2	(6,206,886)	(7,007,326)	(12,745,388)	(13,352,064)
Expected credit losses ("ECL") reversal / (charge) on financial assets	4.2, 5.2	7,944,673	(1,103,077)	10,798,274	(3,318,308)
Modification loss	4.3, 5.3	-	(13,423,553)	(3,723,458)	(13,423,553)
Government grant income	8.1	-	17,816,289	2,779,968	17,816,289
Salaries and employee related expenses		(10,889,486)	(9,794,426)	(21,270,753)	(19,311,491)
General and administrative expenses		(2,811,493)	(1,380,972)	(5,559,844)	(4,083,728)
Depreciation and amortization		(87,996)	(73,706)	(172,864)	(147,398)
<b>Total expenses</b>		<b>(12,051,188)</b>	<b>(14,966,771)</b>	<b>(29,894,065)</b>	<b>(35,820,253)</b>
<b>Income for the period before zakat and income tax</b>		<b>23,057,480</b>	<b>22,112,338</b>	<b>39,860,569</b>	<b>38,680,227</b>
Zakat expense	11	(2,963,676)	(3,197,090)	(5,389,207)	(5,588,670)
Income tax expense	11	(702,228)	(1,646,830)	(1,349,299)	(2,784,666)
<b>Total zakat and income tax expense</b>		<b>(3,665,904)</b>	<b>(4,843,920)</b>	<b>(6,738,506)</b>	<b>(8,373,336)</b>
<b>Income for the period after zakat and income tax</b>		<b>19,391,576</b>	<b>17,268,418</b>	<b>33,122,063</b>	<b>30,306,891</b>
<b>Earnings per share - basic and diluted</b>	12	<b>0.35</b>	<b>0.32</b>	<b>0.60</b>	<b>0.55</b>

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

  
Chief Executive Officer

  
Director

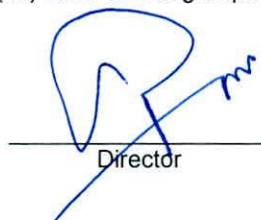
  
Chief Financial  
Officer

**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME – UNAUDITED**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE**  
 (All amounts are in Saudi Riyals unless stated otherwise)

	For the three months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
Income for the period after zakat and income tax	19,391,576	17,268,418	33,122,063	30,306,891
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	403,704	(121,310)	(248,087)	324,234
<b>Total comprehensive income for the period</b>	<b>19,795,280</b>	<b>17,147,108</b>	<b>32,873,976</b>	<b>30,631,125</b>

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

  
 Chief Executive Officer

  
 Director

  
 Chief Financial  
 Officer



**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**  
(All amounts are in Saudi Riyals unless stated otherwise)

	Share capital	Statutory reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2020 (Audited)</b>	550,000,000	86,757,029	215,364,948	852,121,977
<b>Total comprehensive income:</b>				
Income for the period after zakat and income tax	-	-	30,306,891	30,306,891
Other comprehensive income	-	-	324,234	324,234
Dividends paid (Note 15)	-	-	30,631,125	30,631,125
	-	-	(8,250,000)	(8,250,000)
<b>Balance as at 30 June 2021 (Unaudited)</b>	550,000,000	86,757,029	237,746,073	874,503,102
<b>Balance as at 31 December 2021 (Audited)</b>	550,000,000	92,008,014	255,324,835	897,332,849
<b>Total comprehensive income:</b>				
Income for the period after zakat and income tax	-	-	33,122,063	33,122,063
Other comprehensive loss	-	-	(248,087)	(248,087)
Dividends paid (Note 15)	-	-	32,873,976	32,873,976
	-	-	(41,250,000)	(41,250,000)
<b>Balance as at 30 June 2022 (Unaudited)</b>	550,000,000	92,008,014	246,948,811	888,956,825

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

  
Chief Executive Officer

  
Director

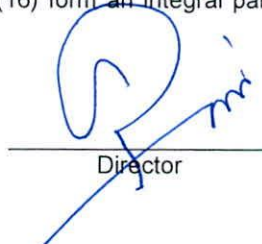
  
Chief Financial Officer

**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS - UNAUDITED**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE**  
(All amounts are in Saudi Riyals unless stated otherwise)

	Note	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income for the period before zakat and income tax		39,860,569	38,680,227
<b>Adjustments for non-cash items:</b>			
Depreciation of property and equipment		132,470	112,494
Amortization of intangible assets		40,394	34,904
Government grant, net		9,422,670	(6,517,556)
Special commission expense		12,745,388	13,352,064
ECL (reversal) / charge on financial assets	4.2, 5.2	(10,798,274)	3,318,308
Employees' end of service benefits		1,454,065	1,534,308
Gain on disposal of property and equipment		-	(9,213)
		52,857,282	50,505,536
<b>Changes in operating assets and liabilities:</b>			
Net investment in finance leases		45,274,940	(62,713,902)
Net investment in murabaha finance		(48,554,848)	(119,568,659)
Advances, prepayments and other receivables		(6,621,451)	(12,669,061)
Employees' end of service benefits paid		(355,992)	(539,079)
Accounts payable		45,594,370	(7,939,062)
Accrued expenses and other liabilities		(10,856,133)	(12,180,421)
Zakat and Income tax paid	11	(12,571,550)	(3,959,681)
<b>Net cash generated from / (used in) operating activities</b>		<b>64,766,618</b>	<b>(169,064,329)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from redemption of term deposits		-	202,000,000
Additions to property, equipment and intangible assets		(271,690)	(14,649)
Proceeds from disposal of property and equipment		-	9,213
<b>Net cash (used in) / generated from investing activities</b>		<b>(271,690)</b>	<b>201,994,564</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans		-	53,834,366
Proceeds from profit-free SAMA deposit	8.1	64,074,967	87,150,698
Repayments of loans		(26,143,251)	(58,431,300)
Repayment of profit-free SAMA deposit		(58,084,213)	(77,822,973)
Special commission and other bank charges paid		(223,351)	(1,178,655)
Dividends paid, net of zakat and income tax recovered		(38,617,158)	(5,617,158)
<b>Net cash used in financing activities</b>		<b>(58,993,006)</b>	<b>(2,065,022)</b>
Net increase in cash and cash equivalents		5,501,922	30,865,213
Cash and cash equivalents at the beginning of the period		75,811,144	62,523,908
<b>Cash and cash equivalents at the end of the period</b>	7	<b>81,313,066</b>	<b>93,389,121</b>

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

  
Chief Executive Officer

  
Director

  
Chief Financial Officer



**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022** (Unaudited)  
 (All amounts are in Saudi Riyals unless stated otherwise)

**1. GENERAL INFORMATION**

YANAL Finance 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 21 Shawal 1421H (corresponding to 16 January 2001), non-industrial license number 99 dated 27 Safar 1421H (corresponding to 31 May 2000) issued by the Ministry of Commerce license number 7/A Sh/201403 dated 27 Rabi-Al-Thanni 1435H (corresponding to 27 February 2014) issued by the Saudi Central Bank ("SAMA"), through its five branches (2021: five branches) in the Kingdom of Saudi Arabia.

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

YANAL Finance 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	Jamada Awal 9, 1425H	Dammam
4030150057	Jamada Awal 9, 1425H	Jeddah
2055013067	Rabi-Al-Awwal 9, 1432H	Jubail
5855036378	Rabi-Al-Awwal 9, 1432H	Khamis Mushait
4031090240	Rabi-Al-Thanni 26, 1436H	Makkah

The results, assets and liabilities of the branches are included in these interim condensed 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 interim condensed financial statements have been reviewed, not audited.

**2. BASIS OF PREPARATION**

- 2.1** The interim condensed financial statements of the Company as at and for the period ended 30 June 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).
- 2.2** The interim condensed 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 31 December 2021.

**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022** (Unaudited)  
 (All amounts are in Saudi Riyals unless stated otherwise)

**2. BASIS OF PREPARATION** (continued)

**2.3** The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2022. The management has assessed that the amendments have no significant impact on the Company's interim condensed financial statements.

- Amendments to IAS 37 - 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.;
- Amendments to IAS 16 - 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.;
- Amendments to IFRS 3 - 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. ; and
- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

The listing of standards and interpretations issued which the Company reasonably expects to be applicable at a future date are as follows. The Company intends to adopt these standards when they become effective.

<b>Standard/ Interpretation</b>	<b>Description</b>	<b>Effective from periods beginning on or after</b>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

**2.4** The accounting and risk management policies used in the preparation of the 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.

**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022** (Unaudited)  
(All amounts are in Saudi Riyals unless stated otherwise)

**3. USE OF JUDGEMENTS AND ESTIMATES**

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 expenses. 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 interim condensed 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 31 December 2021. During the six-month period ended 30 June 2022, there is no significant impact of COVID-19 on the Company's financial position and performance except as related to government grant and modification losses related to deferment of finance lease and murabaha receivables as per the SAMA program. Considering that there is no major impact of COVID-19 on the Company's financial position and performance during the period ended 30 June 2022, the management has revised macroeconomic factors used by the Company in ECL estimation. The adjustments to macroeconomic factors resulted in decrease of ECL amounting to SAR 3.0 million.

**4. NET INVESTMENT IN FINANCE LEASES**

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

	Note	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Lease receivables		1,232,808,094	1,281,816,785
Residual value		648,750,233	660,029,049
Gross investment in finance leases		1,881,558,327	1,941,845,834
Non-refundable security deposits		(641,742,473)	(653,009,289)
Prepaid lease rentals		(58,624,368)	(57,594,971)
Net receivables		1,181,191,486	1,231,241,574
Unearned lease finance income		(135,369,373)	(131,732,272)
Sub-total		1,045,822,113	1,099,509,302
Modification loss	4.3	(70,700,694)	(67,887,938)
Income on modified finance lease	10	51,086,668	40,127,745
		(19,614,026)	(27,760,193)
Net investment in finance leases		1,026,208,087	1,071,749,109
ECL on investment in finance leases	4.2	(120,880,515)	(131,906,599)
		905,327,572	939,842,510
Current maturity		(473,426,423)	(467,180,771)
		431,901,149	472,661,739

**4.2** The movement in the ECL on investment in finance lease receivables is as follows:

	Note	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Balance as at January 1		131,906,599	126,623,291
ECL (reversed) / charged for the period / year		(10,760,002)	5,504,898
Bad debt written-off		(266,082)	(221,590)
Balance at the end of the period / year	4.2.1	120,880,515	131,906,599

**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022** (Unaudited)  
(All amounts are in Saudi Riyals unless stated otherwise)

**4. NET INVESTMENT IN FINANCE LEASES** (continued)

**4.2.1** Portfolio ECL analysis for net investment in finance leases:

<b>30 June 2022 (Unaudited)</b>	<b>Net investment in finance lease</b>	<b>ECL</b>	<b>Expected loss rates</b>
Not yet due	729,840,739	711,062	0.00%-0.03%
1-90 days	176,720,547	890,694	0.04%-1.25%
91-180 days	12,594,393	845,541	1.26%-7.58%
181-365 days	10,927,332	2,728,377	7.59%-42.50%
366 days – 730 days	-	-	42.60%-100%
Above 730 days and specific accounts*	115,739,102	115,704,841	100%
	<b>1,045,822,113</b>	<b>120,880,515</b>	

<b>31 December 2021 (Audited)</b>	<b>Net investment in finance lease</b>	<b>ECL</b>	<b>Expected loss rates</b>
Not yet due	762,829,541	600,013	0.00%-0.05%
1-90 days	189,991,751	6,902,243	0.06%-1.18%
91-180 days	23,811,088	1,547,730	1.19%-5.70%
181-365 days	-	-	5.71%-28.02%
366 days – 730 days	282,480	262,171	28.03%-100%
Above 730 days and specific accounts*	122,594,442	122,594,442	100%
	<b>1,099,509,302</b>	<b>131,906,599</b>	

\*Includes ECL of SAR 59.3 million below 730 days against specific accounts where net investment in finance lease is fully provided (2021: SAR 6.5 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 interim condensed financial statements as a difference in the book value and present value of repayments.

During December 2021, SAMA announced an extension to defer payments for an additional three-months to those companies that qualify as MSMEs and those that continue to be affected by the COVID-19 precautionary measures and have instalments falling due within the period from 1 January 2022 to 31 March 2022. The accounting impact of these changes in terms of the finance lease and murabaha contracts has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Company recognising a day 1 modification loss of SAR 2.8 million and SAR 0.9 million on finance lease and murabaha contracts, respectively, during the period ended 30 June 2022.

**YANAL FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022** (Unaudited)  
 (All amounts are in Saudi Riyals unless stated otherwise)

**4. NET INVESTMENT IN FINANCE LEASES** (continued)

**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 (2021: thirty-six months), adjusted by the outlook of the economy.

**4.5** Sensitivity analysis

Assuming all other factors remain constant, the sensitivity analysis of the ECL allowance on finance lease as of 30 June 2022 is as follows:

	<b>Increase in ECL as on 30 June 2022</b>
Use of maximum of forward flow rates instead of average flow rates	<b>8,411,804</b>
Increase in economic factor by 10%	<b>611,818</b>
Increase in loss given default by 10%	<b>117,272</b>

**5. NET INVESTMENT IN MURABAHA FINANCE**

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

	<b>Note</b>	<b>As at 30 June 2022 (Unaudited)</b>	<b>As at 31 December 2021 (Audited)</b>
Murabaha finance receivables		<b>523,205,491</b>	470,145,178
Unearned murabaha finance income		<b>(58,287,923)</b>	(52,909,149)
Sub-total		<b>464,917,568</b>	417,236,029
Modification loss	5.3	<b>(11,580,516)</b>	(10,669,814)
Income on modified murabaha finance	10	<b>8,131,645</b>	6,347,634
		<b>(3,448,871)</b>	(4,322,180)
Net investment in murabaha finance		<b>461,468,697</b>	412,913,849
ECL on investment in murabaha finance	5.2	<b>(1,094,071)</b>	(1,132,343)
		<b>460,374,626</b>	411,781,506
Current maturity		<b>(178,064,384)</b>	(145,263,644)
		<b>282,310,242</b>	266,517,862



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**5. NET INVESTMENT IN MURABAHA FINANCE** (continued)

**5.2** The movement in the ECL on murabaha finance receivables was as follows:

	Note	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Balance as at January 1		1,132,343	631,151
ECL (reversed) / charged for the period / year		(38,272)	606,436
Bad debt written-off		-	(105,244)
Balance at the end of the period / year	5.2.1	<b>1,094,071</b>	<b>1,132,343</b>

**5.2.1** Stage wise analysis of murabaha finance receivables and ECL is as follow:

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
<b>30 June 2022 (Unaudited)</b>				
Net investment in murabaha finance	429,388,345	34,561,454	967,769	464,917,568
ECL	(530,031)	(105,262)	(458,778)	(1,094,071)
Net receivables	<b>428,858,314</b>	<b>34,456,192</b>	<b>508,991</b>	<b>463,823,497</b>
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
<b>31 December 2021 (Audited)</b>				
Net investment in murabaha finance	415,929,592	-	1,306,437	417,236,029
ECL	(565,961)	-	(566,382)	(1,132,343)
Net receivables	<b>415,363,631</b>	<b>-</b>	<b>740,055</b>	<b>416,103,686</b>

**5.3** Modification loss was recognised in these interim condensed 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 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 (2021: thirty-six months), adjusted by the outlook of the economy.

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**5. NET INVESTMENT IN MURABAHA FINANCE** (continued)

**5.5 Sensitivity analysis**

Assuming all other factors remain constant, the sensitivity analysis of the ECL allowance on murabaha finance as of 30 June 2022 is as follows:

	<b>Increase in ECL as of 30 June 2022</b>
Use of maximum of forward flow rates instead of average flow rates	<b>885,261</b>
Increase in economic factor by 10%	<b>98,327</b>
Increase in loss given default by 10%	<b>69,111</b>

**6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>Note</b>	<b>As at 30 June 2022 (Unaudited)</b>	<b>As at 31 December 2021 (Audited)</b>
Receivable from Saudi shareholders for prior period zakat settlement		<b>5,265,683</b>	7,898,525
Government grant – receivable from SAMA	8.1	-	2,550,001
Advance to suppliers		<b>20,265,049</b>	20,558,942
Prepaid expenses		<b>3,391,155</b>	3,187,333
Loans and advances to staff		<b>2,818,691</b>	1,840,416
Deferred Value Added Tax ("VAT")		<b>8,364,511</b>	4,259,295
Other		<b>5,801,799</b>	2,596,770
		<b>45,906,888</b>	42,891,282

**7. CASH AND CASH EQUIVALENTS**

	<b>As at 30 June 2022 (Unaudited)</b>	<b>As at 31 December 2021 (Audited)</b>
Cash at banks	<b>36,302,599</b>	30,800,581
Cash in hand	<b>10,467</b>	10,563
Term deposits of less than three months maturity	<b>45,000,000</b>	45,000,000
	<b>81,313,066</b>	75,811,144

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**8. LONG-TERM LOANS AND GRANTS**

	Note	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Long-term loans		56,418,591	82,561,842
Profit-free deposit payable to SAMA	8.1	402,389,080	396,398,326
		458,807,671	478,960,168
Government grant on SAMA and Monsha'at loan	8.1	(63,310,706)	(63,865,821)
Special commission expense on grant		43,799,691	37,200,298
		(19,511,015)	(26,665,523)
Total loans and deposits, net of grant		439,296,656	452,294,645
Less: unamortised fee		(31,357)	(56,279)
		439,265,299	452,238,366
Less: current maturity		(257,410,089)	(277,700,369)
Non-current portion of long-term loans and grants		181,855,210	174,537,997

**8.1** During the period ended 30 June 2022, the Company received SAR 64.1 million of profit-free deposit from SAMA against the extension of SAMA deferred payment program for the period from 1 October 2021 to 31 March 2022. The benefit of the subsidised funding rate has been accounted for on a systematic basis in accordance with government grant accounting requirements. Further, the Company has recognised government grant income against the extension of SAMA deferred payment program for the period from 1 January 2022 to 31 March 2022 amounting to SAR 2.8 million.

**8.2** Special commission expense includes an amount of SAR 12.5 million (2021: SAR 12.8 million) commission cost on SAMA profit free deposit and deferred Monsha'at loan.

**9. ACCRUED EXPENSES AND OTHER LIABILITIES**

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Proposed lease related payables	8,152,159	8,896,784
Employee related payables	3,213,896	5,514,087
Charity payable	4,173,708	4,163,424
Leased assets insurance premium payable	3,495,562	3,402,597
Leased assets insurance claims to be settled	1,475,752	2,247,775
VAT payable	4,368,615	1,495,239
Legal and professional charges	1,551,997	1,380,625
Other	5,408,794	3,393,444
	31,840,483	30,493,975

**10. REVENUE**

Finance lease income is stated net of insurance cost and it includes reversal of SAR 10,958,923 (2021: SAR 13,598,849) and SAR 1,784,011 (2021: SAR 1,854,388) 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.

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**11. ZAKAT AND INCOME TAX**

There is no change in the status of Zakat and income tax assessment since 31 December 2021. During the period ended 30 June 2022, the Company has paid SAR 12.6 million to the Zakat, Tax and Customs Authority.

**12. BASIC AND DILUTED 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.

**13. COMMITMENTS**

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Cost of finance lease and murabaha contracts not yet executed	11,606,692	10,027,353
Bank guarantees issued on behalf of the Company	2,000,000	2,000,000

**14. 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 OLP Financial Services Pakistan Limited at no cost under an arrangement. Significant related party transactions and balances are as follows:

	For the six- month period ended 30 June 2022 (Unaudited)	For the six- month period ended 30 June 2021 (Unaudited)
<b>Transactions:</b>		
<b>The Saudi Investment Bank – shareholder</b>		
Special commission and other bank charges paid	9,635	47,535
Profit earned on timed deposit	87,917	-
Lease participation payments*	1,100,772	-
Lease participation receipts – management fee and other *	10,660	-
<b>The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- affiliate</b>		
Premium for insurance and other related payments-net	4,252,797	4,080,297
<b>Key Management Personnel</b>		
Salaries and other short-term employee benefits	6,018,528	4,935,127
End of service benefits accrued	577,568	301,868

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**14. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES** (continued)

	<b>As at 30 June 2022 (Unaudited)</b>	<b>As at 31 December 2021 (Audited)</b>
<b>Balances:</b>		
<b>The Saudi Investment Bank – shareholder</b>		
Current accounts	<b>32,920,963</b>	19,253,692
Prior period zakat settlement receivable	<b>2,720,338</b>	4,080,506
Lease participation payable*	<b>476,170</b>	510,806
<b>Trade Development &amp; Investment Company – shareholder</b>		
Prior period zakat settlement receivable	<b>2,545,345</b>	3,818,019
<b>The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- affiliate</b>		
Advance / payable against insurance premium, net	<b>2,841,982</b>	4,254,522
<b>Key Management Personnel</b>		
Employees' end of service benefits	<b>4,153,300</b>	3,423,232
Loans to key management of the Company	<b>1,186,617</b>	527,899
Directors' meeting attendance fee payable	<b>450,000</b>	900,000

\*The Company has certain lease transactions, in which the related party has a non-recourse participation. The Company charges a fee for administration of the portfolio. The value of such portfolio was SAR 2.4 million as at 30 June 2022 (31 December 2021: SAR 3.5 million).

**15. DIVIDENDS**

The Board of Directors proposed an annual dividend of SAR 0.75 per share (2020: SAR 0.15 per share) for the year ended 31 December 2021 amounting to SAR 41.25 million (2020: SAR 8.25 million). The shareholders approved the distribution at the Annual General meeting held on 01 June 2022.

**16. DATE OF APPROVAL OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS**

The accompanying interim condensed financial statements were approved by the Board of Directors on 27 July 2022 (corresponding to 28 Dhul Hijjah 1443H).