

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

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2022**

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS - UNAUDITED
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2022 and the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods then ended, and the interim condensed statements of changes in equity and cash flows for the nine-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

Adel F. Alqahtani
License Number 614


26 October 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 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Assets			
Non-current assets:			
Property and equipment		1,196,793	601,654
Intangible assets		155,193	215,537
Equity investment designated at fair value through other comprehensive income ("FVOCI")		892,850	892,850
Net investment in finance leases	4	400,982,262	472,661,739
Net investment in murabaha finance	5	309,999,839	266,517,862
		<u>713,226,937</u>	<u>740,889,642</u>
Current assets:			
Current maturity of net investment in finance leases	4	469,267,248	467,180,771
Current maturity of net investment in murabaha finance	5	191,958,930	145,263,644
Advances, prepayments and other receivables	6	34,494,947	42,891,282
Cash and cash equivalents	7	37,509,134	75,811,144
		<u>733,230,259</u>	<u>731,146,841</u>
Total assets		<u>1,446,457,196</u>	<u>1,472,036,483</u>
Equity and liabilities			
Equity:			
Share capital		550,000,000	550,000,000
Statutory reserve		92,008,014	92,008,014
Retained earnings		261,725,367	255,324,835
Total equity		<u>903,733,381</u>	<u>897,332,849</u>
Liabilities			
Non-current liabilities:			
Long-term loans and grants	8	146,109,420	174,537,997
Zakat and income tax	12	2,632,842	2,632,842
Employees' end of service benefits (EOSB)		21,625,012	20,265,652
		<u>170,367,274</u>	<u>197,436,491</u>
Current liabilities:			
Short-term loan	9	56,357,890	-
Current maturity of long-term loans and grants	8	203,558,004	277,700,369
Accounts payable		69,444,963	55,650,692
Zakat and income tax	12	11,457,111	13,422,107
Accrued expenses and other liabilities	10	31,538,573	30,493,975
		<u>372,356,541</u>	<u>377,267,143</u>
Total liabilities		<u>542,723,815</u>	<u>574,703,634</u>
Total equity and liabilities		<u>1,446,457,196</u>	<u>1,472,036,483</u>

The accompanying notes (1) through (17) form an integral part of these interim condensed financial statements.


Chief Executive Officer


Director

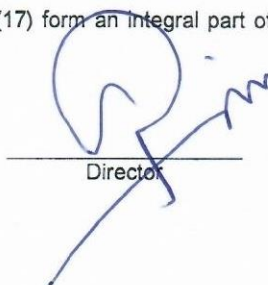

Chief Financial Officer

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

	Note	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2022	2021	2022	2021
REVENUE	11	39,953,799	34,083,401	109,708,433	108,583,881
EXPENSES					
Special commission expense	8.2	(6,099,340)	(6,173,231)	(18,844,728)	(19,525,295)
Expected credit losses ("ECL") (charge) / reversal on financial assets	4.2, 5.2	(1,611,280)	(1,676,578)	9,186,994	(4,994,886)
Modification loss	4.3, 5.5	-	(6,680,152)	(3,723,458)	(20,103,705)
Government grant income	8.1	-	4,733,162	2,779,968	22,549,451
Salaries and employee related expenses		(11,285,411)	(9,854,906)	(32,556,164)	(29,166,397)
General and administrative expenses		(3,338,096)	(2,510,166)	(8,897,940)	(6,593,894)
Depreciation and amortization		(115,567)	(76,113)	(288,431)	(223,511)
Total expenses		(22,449,694)	(22,237,984)	(52,343,759)	(58,058,237)
Income for the period before zakat and income tax		17,504,105	11,845,417	57,364,674	50,525,644
Zakat expense	12	(2,162,046)	(1,709,889)	(7,551,253)	(7,298,559)
Income tax expense	12	(878,565)	(1,068,208)	(2,227,864)	(3,852,874)
Total zakat and income tax expense		(3,040,611)	(2,778,097)	(9,779,117)	(11,151,433)
Income for the period after zakat and income tax		14,463,494	9,067,320	47,585,557	39,374,211
Earnings per share - basic and diluted	13	0.26	0.16	0.87	0.72

The accompanying notes (1) through (17) 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 COMPREHENSIVE INCOME – UNAUDITED
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER
 (All amounts are in Saudi Riyals unless stated otherwise)

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2022	2021	2022	2021
Income for the period after zakat and income tax	14,463,494	9,067,320	47,585,557	39,374,211
Other comprehensive income				
<i>Items that will not be reclassified to statement of income in subsequent periods</i>				
Actuarial gain on EOSB	313,062	200,663	64,975	524,897
Total comprehensive income for the period	14,776,556	9,267,983	47,650,532	39,899,108

The accompanying notes (1) through (17) form an integral part of these interim condensed financial statements.


 Chief Executive Officer


 Director

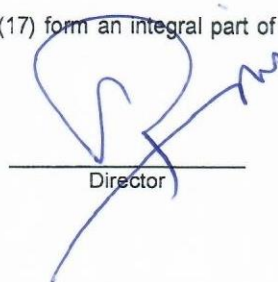

 Chief Financial
 Officer

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

	Share capital	Statutory reserve	Retained earnings	Total equity
Balance as at 31 December 2020 (Audited)	550,000,000	86,757,029	215,364,948	852,121,977
Total comprehensive income:				
Income for the period after zakat and income tax	-	-	39,374,211	39,374,211
Other comprehensive income	-	-	524,897	524,897
	-	-	39,899,108	39,899,108
Dividends paid during the period (Note 16)	-	-	(8,250,000)	(8,250,000)
Balance as at 30 September 2021 (Unaudited)	550,000,000	86,757,029	247,014,056	883,771,085
Balance as at 31 December 2021 (Audited)	550,000,000	92,008,014	255,324,835	897,332,849
Total comprehensive income:				
Income for the period after zakat and income tax	-	-	47,585,557	47,585,557
Other comprehensive income	-	-	64,975	64,975
	-	-	47,650,532	47,650,532
Dividends paid during the period (Note 16)	-	-	(41,250,000)	(41,250,000)
Balance as at 30 September 2022 (Unaudited)	550,000,000	92,008,014	261,725,367	903,733,381

The accompanying notes (1) through (17) 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER
(All amounts are in Saudi Riyals unless stated otherwise)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the period before zakat and income tax		57,364,674	50,525,644
Adjustments for non-cash items:			
Depreciation of property and equipment		228,087	171,155
Amortization of intangible assets		60,344	52,356
Government grant, net		15,186,343	(5,442,788)
Special commission expense		18,844,728	19,525,295
ECL (reversal) / charge on financial assets	4.2, 5.2	(9,186,994)	4,994,886
Employees' end of service benefits		2,181,097	2,301,463
Gain on disposal of property and equipment		(1,115)	(9,213)
		<u>84,677,164</u>	<u>72,118,798</u>
Changes in operating assets and liabilities:			
Net investment in finance leases		78,302,810	(43,403,700)
Net investment in murabaha finance		(89,700,079)	(147,113,913)
Advances, prepayments and other receivables		4,849,421	(5,828,811)
Accounts payable		13,794,271	(1,667,522)
Accrued expenses and other liabilities		(16,927,714)	(20,114,464)
Zakat and Income tax paid	12	(13,398,991)	(3,959,681)
Employees' end of service benefits paid		(756,762)	(758,137)
Net cash generated from / (used in) operating activities		<u>60,840,120</u>	<u>(150,727,430)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of term deposits		-	202,000,000
Additions to property, equipment and intangible assets		(823,226)	(139,879)
Proceeds from disposal of property and equipment		1,115	9,213
Net cash (used in) / generated from investing activities		<u>(822,111)</u>	<u>201,869,334</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans		56,250,000	40,000,000
Proceeds from profit-free SAMA deposit	8.1	64,074,967	128,122,577
Repayments of loans		(39,243,384)	(71,450,511)
Repayment of profit-free SAMA deposit		(140,470,641)	(95,171,973)
Special commission and other bank charges paid		(313,803)	(1,343,778)
Dividends paid, net of zakat and income tax recovered		(38,617,158)	(5,617,158)
Net cash used in financing activities		<u>(98,320,019)</u>	<u>(5,460,843)</u>
Net (decrease) / increase in cash and cash equivalents		(38,302,010)	45,681,061
Cash and cash equivalents at the beginning of the period		75,811,144	62,523,908
Cash and cash equivalents at the end of the period	7	<u>37,509,134</u>	<u>108,204,969</u>

The accompanying notes (1) through (17) 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 and a finance company 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 September 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).
- 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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, where applicable.

Standard/ Interpretation	Description	Effective from periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 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 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (Unaudited)
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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 audited financial statements as at and for the year ended 31 December 2021. During the nine-month period ended 30 September 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 September 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 3.8 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 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Lease receivables		1,190,401,275	1,281,816,785
Residual value		628,236,008	660,029,049
Gross investment in finance leases		1,818,637,283	1,941,845,834
Non-refundable security deposits		(621,228,248)	(653,009,289)
Prepaid lease rentals		(58,241,428)	(57,594,971)
Net receivables		1,139,167,607	1,231,241,574
Unearned lease finance income		(130,642,238)	(131,732,272)
Sub-total		1,008,525,369	1,099,509,302
Modification loss	4.3	(70,700,694)	(67,887,938)
Income on modified finance lease	11	55,355,542	40,127,745
		(15,345,152)	(27,760,193)
Net investment in finance leases		993,180,217	1,071,749,109
ECL on investment in finance leases	4.2	(122,930,707)	(131,906,599)
		870,249,510	939,842,510
Current maturity		(469,267,248)	(467,180,771)
		400,982,262	472,661,739

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

	Note	As at 30 September 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		(8,709,810)	5,504,898
Bad debt written-off		(266,082)	(221,590)
Balance at the end of the period / year	4.2.1	122,930,707	131,906,599

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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:

30 September 2022 (Unaudited)	Net investment in finance leases	ECL	Expected loss rates
Not yet due	675,215,789	1,125,224	0.00%-0.03%
1-90 days	176,181,926	929,679	0.04%-1.25%
91-180 days	26,113,879	583,198	1.26%-7.58%
181-365 days	8,396,732	1,949,834	7.59%-42.50%
366 days – 730 days	8,450,195	4,210,185	42.60%-100%
Above 730 days and specific accounts*	114,166,848	114,132,587	100%
	1,008,525,369	122,930,707	

31 December 2021 (Audited)	Net investment in finance leases	ECL	Expected loss rates
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%
	1,099,509,302	131,906,599	

*Includes ECL of SAR 58.5 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 nine-month period ended 30 September 2022.

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 months (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 September 2022 is as follows:

	Increase in ECL as on 30 September 2022
Use of maximum of forward flow rates instead of average flow rates	8,616,049
Increase in economic factor by 10%	793,525
Increase in loss given default by 10%	150,272

5. NET INVESTMENT IN MURABAHA FINANCE

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

	Note	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Murabaha finance receivables		571,018,163	470,145,178
Unearned murabaha finance income		(65,650,296)	(52,909,149)
Sub-total		505,367,867	417,236,029
Modification loss	5.3	(11,580,516)	(10,669,814)
Income on modified murabaha finance	11	8,826,577	6,347,634
		(2,753,939)	(4,322,180)
Net investment in murabaha finance		502,613,928	412,913,849
ECL on investment in murabaha finance	5.2	(655,159)	(1,132,343)
		501,958,769	411,781,506
Current maturity		(191,958,930)	(145,263,644)
		309,999,839	266,517,862

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

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 September 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		(477,184)	606,436
Bad debt written-off		-	(105,244)
Balance at the end of the period / year	5.2.1	655,159	1,132,343

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
30 September 2022 (Unaudited)				
Net investment in murabaha finance	479,693,752	24,706,346	967,769	505,367,867
ECL	(92,307)	(104,074)	(458,778)	(655,159)
Net receivables	479,601,445	24,602,272	508,991	504,712,708
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
31 December 2021 (Audited)				
Net investment in murabaha finance	415,929,592	-	1,306,437	417,236,029
ECL	(565,961)	-	(566,382)	(1,132,343)
Net receivables	415,363,631	-	740,055	416,103,686

5.3 Stage-wise movement of gross murabaha finance receivables

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
30 September 2022 (Unaudited)				
Balances as at 1 January	415,929,592	-	1,306,437	417,236,029
Transfer from Stage 1	(24,565,732)	24,565,732	-	-
Transfer from Stage 3	-	338,668	(338,668)	-
Net other movements*	88,329,892	(198,054)	-	88,131,838
	63,764,160	24,706,346	(338,668)	88,131,838
Balances at 30 September	479,693,752	24,706,346	967,769	505,367,867

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5. NET INVESTMENT IN MURABAHA FINANCE (continued)

	Performing	Under-	Non-	Total
	(Stage 1)	performing	performing	
		(Stage 2)	(Stage 3)	
31 December 2021				
(Audited)				
Balances as at 1 January	208,760,781	-	967,769	209,728,550
Transfer from Stage 1	(338,668)	-	338,668	-
Net other movements*	207,612,723	-	-	207,612,723
	207,274,055	-	338,668	207,612,723
Written off during the period	(105,244)	-	-	(105,244)
Balances at 31 December	415,929,592	-	1,306,437	417,236,029

* Net other movement includes financing originated, financing repaid and other measurements.

5.4 Stage-wise movement in ECL of murabaha finance receivables is as follows:

	Performing	Under-	Non-	Total
	(Stage 1)	performing	performing	
		(Stage 2)	(Stage 3)	
30 September 2022				
(Unaudited)				
ECL as at 1 January	565,961	-	566,382	1,132,343
Transfer from Stage 1	(8,114)	8,114	-	-
Transfer from Stage 3	-	11,498	(11,498)	-
Financial assets settled	(9,497)	-	-	(9,497)
New financial assets originated	9,630	-	-	9,630
Net re-measurement of ECL	(465,673)	84,462	(96,106)	(477,317)
	(473,654)	104,074	(107,604)	(477,184)
ECL at 30 September	92,307	104,074	458,778	655,159
	Performing	Under-	Non-	Total
	(Stage 1)	performing	performing	
		(Stage 2)	(Stage 3)	
31 December 2021				
(Audited)				
ECL as at 1 January	345,630	-	285,521	631,151
Transfer from Stage 1	(69)	-	69	-
Financial assets settled	(1,242)	-	-	(1,242)
New financial assets originated	41,984	-	-	41,984
Net re-measurement of ECL	284,902	-	280,792	565,694
	325,575	-	280,861	606,436
Written off during the period	(105,244)	-	-	(105,244)
ECL at 31 December	565,961	-	566,382	1,132,343

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5. NET INVESTMENT IN MURABAHA FINANCE (continued)

5.5 Modification loss was recognised in these interim condensed financial statements. (Refer Note 4.3 for details).

5.6 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.

5.7 Sensitivity analysis

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

	Increase in ECL as of 30 September 2022
Use of maximum of forward flow rates instead of average flow rates	933,704
Increase in economic factor by 10%	100,414
Increase in loss given default by 10%	69,964

6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Receivable from Saudi shareholders for prior period zakat settlement		5,265,683	7,898,525
Government grant – receivable from SAMA	8.1	-	2,550,001
Advance to suppliers		9,503,124	20,558,942
Prepaid expenses		2,229,284	3,187,333
Loans and advances to staff		2,747,519	1,840,416
Value Added Tax ("VAT") refund		827,777	-
Deferred Value Added Tax ("VAT")		6,891,361	4,259,295
Receivables from lessees		3,407,628	2,432,361
Advance Tax		1,654,881	-
Other		1,967,690	164,409
		34,494,947	42,891,282

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7. CASH AND CASH EQUIVALENTS

	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Cash at banks	37,496,902	30,800,581
Cash in hand	12,232	10,563
Term deposits of less than three months maturity	-	45,000,000
	37,509,134	75,811,144

8. LONG-TERM LOANS AND GRANTS

	Note	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Long-term loans		43,318,457	82,561,842
Profit-free deposit payable to SAMA	8.1	320,002,652	396,398,326
		363,321,109	478,960,168
Government grant on SAMA and Monsha'at loan	8.1	(54,808,272)	(63,865,821)
Special commission expense on grant		41,176,047	37,200,298
		(13,632,225)	(26,665,523)
Total loans and deposits, net of grant		349,688,884	452,294,645
Less: unamortised fee		(21,460)	(56,279)
		349,667,424	452,238,366
Less: current maturity		(203,558,004)	(277,700,369)
Non-current portion of long-term loans and grants		146,109,420	174,537,997

8.1 During the nine-month period ended 30 September 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 18.4 million (2021: SAR 18.8 million) commission cost on SAMA profit free deposit and deferred Monsha'at loan.

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9. SHORT TERM LOAN

		As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Short-term loan – principal amount	9.1	56,250,000	-
Accrued short-term financing cost, net	9.2	107,890	-
		56,357,890	-

9.1 This represents a short-term loan from Mizuho Bank Limited carrying commission rate at agreed commercial rate. This facility arrangement includes certain covenants, which the Company duly complied with during the period ended 30 September 2022.

9.2 This represents accrued interest expense on the short-term loan carrying cost of funds of LIBOR plus the Bank's margin of 0.65% per annum net of advance cost paid.

10. ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Proposed lease related payables	11,374,754	8,896,784
Employee related payables	4,769,934	5,514,087
Charity payable	4,221,868	4,163,424
Leased assets insurance premium payable	3,541,202	3,402,597
Leased assets insurance claims to be settled	1,114,844	2,247,775
VAT payable	-	1,495,239
Legal and professional charges	1,855,791	1,380,625
Accrued expenses	4,051,555	3,101,214
Other	608,625	292,230
	31,538,573	30,493,975

11. REVENUE

Finance lease income is stated net of insurance cost and it includes reversal of SAR 15.2 million (2021: SAR 20.2 million) and SAR 2.5 million (2021: SAR 3.0 million) 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. 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 September 2022, the Company has paid 13.4 million to the Zakat, Tax and Customs Authority.

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13. 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.

14. COMMITMENTS

	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Cost of finance lease and murabaha contracts not yet executed	32,183,890	10,027,353
Bank guarantees issued on behalf of the Company	2,000,000	2,000,000

15. 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 nine- month period ended 30 September 2022 (Unaudited)	For the nine- month period ended 30 September 2021 (Unaudited)
Transactions:		
The Saudi Investment Bank – shareholder		
Special commission and other bank charges paid	13,130	50,273
Profit earned on timed deposit	87,917	-
Lease participation payments*	2,133,767	-
Lease participation receipts – management fee and other *	27,599	-
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- affiliate		
Premium for insurance and other related payments-net	7,270,378	6,440,365
Key Management Personnel		
Salaries and other short-term employee benefits	8,298,043	6,900,732
End of service benefits accrued	730,420	413,949

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15. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	As at 30 September 2022 (Unaudited)	As at 31 December 2021 (Audited)
Balances:		
The Saudi Investment Bank – shareholder		
Current accounts	29,417,361	19,253,692
Prior period zakat settlement receivable	2,720,338	4,080,506
Lease participation (receivable) / payable*	(18,826)	510,806
Trade Development & Investment Company – shareholder		
Prior period zakat settlement receivable	2,545,345	3,818,019
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- affiliate		
Advance / payable against insurance premium, net	3,540,193	4,254,522
Key Management Personnel		
Employees' end of service benefits	4,306,153	3,423,232
Loans to key management of the Company	1,044,136	527,899
Directors' meeting attendance fee payable	675,000	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 2.5 million as at 30 September 2022 (31 December 2021: SAR 3.5 million).

16. 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.

17. DATE OF APPROVAL OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

The accompanying interim condensed financial statements were approved by the Board of Directors on 24 October 2022 (corresponding to 28 Rabi' Al-Awwal 1444H).