

**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 2023**

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS - UNAUDITED
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

	Pages
Report on review of interim condensed financial statements	1
Interim condensed statement of financial position	2
Interim condensed statement of income	3
Interim condensed statement of comprehensive income	4
Interim condensed statement of changes in shareholders' equity	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial statements	7 - 17



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 2023 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 statement of changes in shareholders' 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

A blue ink signature, appearing to be 'Adel F. Alqantani', written in a stylized, cursive script.

Adel F. Alqantani
License Number 614

26 October 2023

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 2023 (Unaudited)	As at 31 December 2022 (Audited)
Assets			
Non-current assets:			
Property and equipment and right of use assets		9,562,341	1,192,306
Intangible assets		755,470	971,157
Equity investment designated at fair value through other comprehensive income ("FVOCI")		892,850	892,850
Net investment in finance leases	5	389,088,371	429,243,612
Net investment in murabaha finance	6	346,457,611	296,864,750
Positive fair value of derivative	10	234,890	-
		<u>746,991,533</u>	<u>729,164,675</u>
Current assets:			
Current maturity of net investment in finance leases	5	455,986,928	459,562,536
Current maturity of net investment in murabaha finance	6	230,699,702	194,896,484
Advances, prepayments and other receivables	7	50,731,155	56,163,861
Cash and cash equivalents	8	178,573,877	33,450,475
		<u>915,991,662</u>	<u>744,073,356</u>
Total assets		1,662,983,195	1,473,238,031
Equity and liabilities			
Equity			
Share capital		550,000,000	550,000,000
Statutory reserve		99,218,345	99,218,345
Retained earnings		275,137,962	279,810,345
Cash flow hedge	10	234,890	(293,687)
Total equity		924,591,197	928,735,003
Liabilities			
Non-current liabilities:			
Long-term loans, lease liability and grants	9	256,901,268	39,848,967
Employees' end of service benefits (EOSB)		21,750,893	19,829,366
Negative fair value of derivative	10	-	293,687
		<u>278,652,161</u>	<u>59,972,020</u>
Current liabilities:			
Short-term loan		-	56,417,437
Current maturity of long-term loans, lease liability and grants	9	326,831,263	271,833,038
Accounts payable		90,977,511	115,212,148
Zakat and income tax	13	10,408,836	12,107,859
Accrued expenses and other liabilities	11	31,522,227	28,960,526
		<u>459,739,837</u>	<u>484,531,008</u>
Total liabilities		738,391,998	544,503,028
Total equity and liabilities		1,662,983,195	1,473,238,031

The accompanying notes (1) through (18) form an integral part of these interim condensed financial statements.


Chief Executive Officer



Director

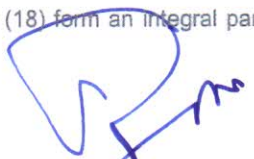

Chief Financial Officer

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	
		2023	2022	2023	2022
REVENUE	12	41,808,572	39,953,799	125,602,586	109,708,433
EXPENSES					
Special commission expense	9.3	(7,663,076)	(6,099,340)	(20,481,241)	(18,844,728)
Expected credit losses ("ECL") reversal on financial assets	5.2, 6.2	(675,637)	(1,611,280)	4,503,620	9,186,994
Modification loss	5.3, 6.5	-	-	-	(3,723,458)
Government grant income		-	-	-	2,779,968
Salaries and employee related expenses		(11,783,322)	(11,285,411)	(36,642,375)	(32,556,164)
Other general and administrative expenses		(4,334,127)	(3,338,096)	(10,637,181)	(8,897,940)
Depreciation and amortization		(577,313)	(115,567)	(1,321,097)	(288,431)
Total expenses		(25,033,475)	(22,449,694)	(64,578,274)	(52,343,759)
Income for the period before zakat and income tax		16,775,097	17,504,105	61,024,312	57,364,674
Zakat expense	13	(3,160,152)	(2,162,046)	(8,164,118)	(7,551,253)
Income tax expense	13	(369,838)	(878,565)	(2,599,514)	(2,227,864)
Total zakat and income tax expense		(3,529,990)	(3,040,611)	(10,763,632)	(9,779,117)
Income for the period after zakat and income tax		13,245,107	14,463,494	50,260,680	47,585,557
Earnings per share - basic and diluted	14	0.24	0.26	0.91	0.87

The accompanying notes (1) through (18) 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	
	2023	2022	2023	2022
Income for the period after zakat and income tax	13,245,107	14,463,494	50,260,680	47,585,557
Other comprehensive income				
<i>Items that are or maybe reclassified to statement of income in subsequent periods</i>				
Cash flow hedge – effective portion of changes in fair value	127,221	-	528,577	-
<i>Items that will not be reclassified to statement of income in subsequent periods</i>				
Actuarial gain on EOSB	238,312	313,062	66,937	64,975
Total comprehensive income for the period	13,610,640	14,776,556	50,856,194	47,650,532

The accompanying notes (1) through (18) form an integral part of these interim condensed financial statements.


 Chief Executive Officer


 Director

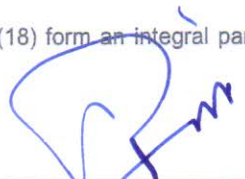

 Chief Financial
 Officer

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 September 2023
 (All amounts are in Saudi Riyals unless stated otherwise)

	Share capital	Statutory reserve	Retained earnings	Cash flow hedge	Total equity
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
Dividends paid (Note 17)	-	-	47,650,532	-	47,650,532
	-	-	(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
Balance as at 31 December 2022 (Audited)	550,000,000	99,218,345	279,810,345	(293,687)	928,735,003
Total comprehensive income:					
Income for the period after zakat and income tax	-	-	50,260,680	-	50,260,680
Other comprehensive income	-	-	66,937	528,577	595,514
Dividends paid (Note 17)	-	-	50,327,617	528,577	50,856,194
	-	-	(55,000,000)	-	(55,000,000)
Balance as at 30 September 2023 (Unaudited)	550,000,000	99,218,345	275,137,962	234,890	924,591,197

The accompanying notes (1) through (18) 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	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the period before zakat and income tax		61,024,312	57,364,674
Adjustments for non-cash items:			
Depreciation of property and equipment		1,105,410	228,087
Amortization of intangible assets		215,687	60,344
Government grant, net		8,582,890	15,186,343
Special commission expense		20,481,241	18,844,728
ECL reversal on financial assets	5.2,		
Employees' EOSB expense	6.2	(4,503,620)	(9,186,994)
Gain on disposal of property and equipment		2,395,584	2,181,097
		-	(1,115)
		89,301,504	84,677,164
Changes in operating assets and liabilities:			
Net investment in finance leases		49,341,434	78,302,810
Net investment in murabaha finance		(86,066,003)	(89,700,079)
Advances, prepayments and other receivables		1,619,279	4,849,421
Accounts payable		(24,234,637)	13,794,271
Accrued expenses and other liabilities		(6,058,457)	(16,927,714)
Zakat and income tax paid	13	(11,738,062)	(13,398,991)
Employees' end of service benefits paid		(407,120)	(756,762)
Net cash generated from operating activities		11,757,938	60,840,120
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment and intangible assets		(3,874,877)	(823,226)
Proceeds from disposal of property and equipment		-	1,115
Net cash used in investing activities		(3,874,877)	(822,111)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans	9.1	384,375,000	56,250,000
Proceeds from profit-free SAMA deposit	9.2	31,317,948	64,074,967
Repayments of loans		(147,055,301)	(39,243,384)
Repayment of profit-free SAMA deposit		(68,525,254)	(140,470,641)
Payment against lease liability	4	(560,000)	-
Special commission and other bank charges paid		(9,944,894)	(313,803)
Dividends paid, net of zakat and income tax recovered		(52,367,158)	(38,617,158)
Net cash generated from / (used in) financing activities		137,240,341	(98,320,019)
Net increase / (decrease) in cash and cash equivalents		145,123,402	(38,302,010)
Cash and cash equivalents at the beginning of the period		33,450,475	75,811,144
Cash and cash equivalents at the end of the period	8	178,573,877	37,509,134
Supplement non-cash information			
Addition to right of use asset and lease liability	4	5,600,568	-

The accompanying notes (1) through (18) 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 THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (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-Thani 1435H (corresponding to 27 February 2014) issued by the Saudi Central Bank ("SAMA"), through its five branches (2022: five branches) in the Kingdom of Saudi Arabia.

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

YANAL Finance Company
 3612, Prince Fawaz Bin Abdul Aziz, Ar Rabwah Dist.
 Riyadh 12813 – 7997
 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 Mukarama

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** These interim condensed financial statements of the Company as at and for the three-month and nine-month periods ended 30 September 2023 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** These 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 2022.

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (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, 2023. The management has assessed that the amendments have no significant impact on the Company's interim condensed financial statements.

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction - requires companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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 IFRS 16	Leases on sale and leaseback	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024

2.4 The accounting and risk management policies used in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2022.

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 2022.

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (Unaudited)
 (All amounts are in Saudi Riyals unless stated otherwise)

4. RIGHT OF USE ASSETS AND LEASE LIABILITY

During the period ended 30 September 2023, the Company has entered a lease contract for its leasehold office for a period of 5 years. The Company recognized a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term against a consideration.

The carrying amounts of the right-of-use asset and the movement during the period / year are as follows:

	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Balance as at beginning of the period / year	-	-
Addition during the period / year	5,600,568	-
Amortisation expense for the period / year	(560,058)	-
Balance at the end of the period / year	5,040,510	-

The carrying amounts of the lease liability and the movement during the period / year are as follows:

	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Balance as at beginning of the period / year	-	-
Addition during the period / year	5,600,568	-
Special commission expense	151,253	-
Payment against lease liability	(560,000)	-
Balance at the end of the period / year	5,191,821	-

5. NET INVESTMENT IN FINANCE LEASES

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

	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Finance lease receivables	1,088,263,619	1,162,025,807
Unearned lease finance income	(141,747,030)	(145,191,500)
Sub-total	946,516,589	1,016,834,307
Modification loss	(70,700,694)	(70,700,694)
Income on modified finance lease	65,864,536	58,997,964
	(4,836,158)	(11,702,730)
Net investment in finance leases	941,680,431	1,005,131,577
ECL on investment in finance leases	(96,605,132)	(116,325,429)
	845,075,299	888,806,148
Current maturity	(455,986,928)	(459,562,536)
	389,088,371	429,243,612

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (Unaudited)
 (All amounts are in Saudi Riyals unless stated otherwise)

5. NET INVESTMENT IN FINANCE LEASES (continued)

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

	Note	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Balance as at 1 January		116,325,429	131,906,599
ECL reversed for the period / year		(5,610,585)	(14,890,467)
Bad debt written-off	5.2 (a)	(14,109,712)	(690,703)
Balance at the end of the period / year	5.2.1	<u>96,605,132</u>	116,325,429

5.2 (a) As of 30 September 2023, the bad debt amount written off, yet subject to enforcement activity amounts to SAR 97.1 million (2022: SAR 94.2 million).

5.2.1 Portfolio ECL analysis for net investment in finance leases:

	Net investment in finance lease	ECL	Expected loss rates
30 September 2023 (Unaudited)			
Not yet due	623,804,870	710,579	0.00%-0.03%
1-90 days	217,672,224	670,186	0.04%-1.30%
91-180 days	11,998,953	5,695,852	1.31%-10.44%
181-365 days	3,389,223	413,402	10.45%-40.63%
366 days – 730 days	1,276,950	740,744	40.64%-100%
Above 730 days and specific accounts*	88,374,369	88,374,369	100%
	<u>946,516,589</u>	<u>96,605,132</u>	
31 December 2022 (Audited)			
Not yet due	656,732,386	272,562	0.00%-0.03%
1-90 days	238,408,773	4,792,740	0.04%-1.25%
91-180 days	293,336	2,099	1.26%-7.58%
181-365 days	11,215,853	1,074,069	7.59%-42.50%
366 days – 730 days	-	-	42.51%-100%
Above 730 days and specific accounts*	110,183,959	110,183,959	100%
	<u>1,016,834,307</u>	<u>116,325,429</u>	

* Includes specific accounts which are fully provided and below 730 days overdue with net investment in finance lease amounting to SAR 80.3 million (2022: SAR 94.6 million).

5.3 Modification loss was recognized 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 these interim condensed financial statements as a difference in the book value and present value of repayments.

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

6. NET INVESTMENT IN MURABAHA FINANCE

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

	Note	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Murabaha finance receivables		665,288,079	557,786,863
Unearned murabaha finance income		(86,267,023)	(63,713,997)
Sub-total		579,021,056	494,072,866
Modification loss	6.5	(11,580,516)	(11,580,516)
Income on modified murabaha finance	12	10,537,344	9,419,530
		(1,043,172)	(2,160,986)
Net investment in murabaha finance		577,977,884	491,911,880
ECL on investment in murabaha finance	6.2	(820,571)	(150,646)
		577,157,313	491,761,234
Current maturity		(230,699,702)	(194,896,484)
		346,457,611	296,864,750

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

	Note	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Balance as at 1 January		150,646	1,132,343
ECL charge for the period / year		669,925	(981,697)
Balance at the end of the period / year	6.2.1	820,571	150,646

6.2.1 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 2023 (Unaudited)				
Net investment in murabaha finance	519,363,359	51,243,950	8,413,747	579,021,056
ECL	(73,344)	(120,286)	(626,941)	(820,571)
Net receivables	519,290,015	51,123,664	7,786,806	578,200,485
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
31 December 2022 (Audited)				
Net investment in murabaha finance	468,523,984	25,548,882	-	494,072,866
ECL	(78,711)	(71,935)	-	(150,646)
Net receivables	468,445,273	25,476,947	-	493,922,220

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

6. NET INVESTMENT IN MURABAHA FINANCE (continued)

6.3 Stage-wise movement of net investment in murabaha finance receivables is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
30 September 2023 (Unaudited)				
Balances as at 1 January	468,523,984	25,548,882	-	494,072,866
Transfer from Stage 1	(56,353,639)	47,939,892	8,413,747	-
Net other movements*	107,193,014	(22,244,824)	-	84,948,190
	50,839,375	25,695,068	8,413,747	84,948,190
	519,363,359	51,243,950	8,413,747	579,021,056
	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
31 December 2022 (Audited)				
Balances as at 1 January	415,929,592	-	1,306,437	417,236,029
Transfer from Stage 1	(25,454,735)	25,454,735	-	-
Transfer from Stage 3	-	338,668	(338,668)	-
Net other movements*	78,049,127	(244,521)	(967,769)	76,836,837
	52,594,392	25,548,882	(1,306,437)	76,836,837
Balances as at 31 December	468,523,984	25,548,882	-	494,072,866

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

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

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
30 September 2023 (Unaudited)				
ECL as at 1 January	78,711	71,935	-	150,646
Transfer from Stage 1	(737,851)	110,910	626,941	-
Financial assets settled	(11,055)	(51,600)	-	(62,655)
New financial assets originated	28,294	-	-	28,294
Net re-measurement of ECL	715,245	(10,959)	-	704,286
	(5,367)	48,351	626,941	669,925
ECL at 30 September	73,344	120,286	626,941	820,571

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (Unaudited)
 (All amounts are in Saudi Riyals unless stated otherwise)

6. NET INVESTMENT IN MURABAHA FINANCE (continued)

	Performing	Under-performing	Non-performing	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
31 December 2022				
(Audited)				
ECL as at 1 January	565,961	-	566,382	1,132,343
Transfer from Stage 1	(71,669)	71,669	-	-
Transfer from Stage 3	-	11,497	(11,497)	-
Financial assets settled	(5,824)	-	(554,885)	(560,709)
New financial assets originated	16,040	-	-	16,040
Net re-measurement of ECL	(425,797)	(11,231)	-	(437,028)
	(487,250)	71,935	(566,382)	(981,697)
ECL at 31 December	78,711	71,935	-	150,646

6.5 Modification loss was recognised in these interim condensed financial statements. (Refer Note 5.3 for details).

7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Advance to suppliers		15,948,847	20,997,300
Receivable from Jeddah Municipality	7.1	11,036,539	11,036,539
Deferred Value Added Tax ("VAT")		6,143,154	9,389,511
Prepaid expenses		5,345,248	3,730,073
Loans and advances to staff		2,590,865	2,279,005
Receivable from Saudi shareholders for prior period zakat settlement		2,632,841	5,265,683
Receivables from lessees		1,639,999	2,667,328
VAT refund		5,281,757	-
Other		111,905	798,422
		50,731,155	56,163,861

7.1 This pertains to receivable against a land for which the Company holds the legal title as collateral, under a finance lease contract, with a right of disposal and settlement against the default. The land was acquired by Jeddah Municipality as a part of development project. As per Jeddah municipality requirements, the Company submitted its claim and duly obtained acknowledgement as a claimant. The Company has accounted for the receivable to the extent of net receivable under the finance lease contract.

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

8. CASH AND CASH EQUIVALENTS

	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Cash at banks	178,569,664	33,440,346
Cash in hand	4,213	10,129
	178,573,877	33,450,475

9. LONG-TERM LOANS, LEASE LIABILITY AND GRANTS

	Note	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Long-term loans	9.1	373,767,629	80,197,931
Profit-free deposit payable to SAMA	9.2	203,453,602	240,660,910
		577,221,231	320,858,841
Government grant on SAMA and Monsha'at loan		(35,442,509)	(47,772,423)
Special commission expense on grant	9.3	34,465,561	38,027,348
		(976,948)	(9,745,075)
Accrued special commission expense		2,420,367	726,042
Total loans and deposits, net of grant		578,664,650	311,839,808
Less: unamortised fee		(123,940)	(157,803)
		578,540,710	311,682,005
Lease liability	4	5,191,821	-
		583,732,531	311,682,005
Less: current maturity		(326,831,263)	(271,833,038)
Non-current portion of long-term loans, lease liability and grants		256,901,268	39,848,967

- 9.1** During the nine-month period ended 30 September 2023, the Company obtained long-term loans from commercial banks amounting to SAR 384.4 million at prevailing commercial interest rates which are payable by September 2026. The Company was fully compliant with the covenants on long-term loans during the period / year ended 30 September 2023 and 31 December 2022.
- 9.2** During the nine-month period ended 30 September 2023, the Company has received SAR 31.3 million of profit-free deposit from SAMA against funding for lending program of SAMA to support SME customers. The financing tenure is thirty-six months including six-month repayments grace period. The net impact of the profit-free deposit from SAMA and interest charged on financing to SME customers with a low interest rate is not significant to the interim condensed financial statements.
- 9.3** Special commission expense includes an amount of SAR 8.8 million (2022: SAR 18.4 million) commission cost on SAMA profit free deposit and deferred Monsha'at loan.

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (Unaudited)
(All amounts are in Saudi Riyals unless stated otherwise)

10. FAIR VALUE DERIVATIVE

As at 30 September 2023 the Company held interest rate swap ("IRS") of a notional value of SAR 37.5 million (2022: SAR 50 million) in order to reduce its exposure to interest rate risks against the long-term loan. Net fair value of cash flow hedge of SAR 234,890 (2022: SAR 293,687 negative mark to market value) represents the positive mark to market value for swaps interest rates. The cash flow hedge reserve represents the effective portion of the cash flow hedge.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Proposed lease related payables	9,796,596	8,474,884
Employee related payables	5,805,582	7,355,038
Accrued expenses	3,040,736	1,527,816
Legal and professional charges	2,957,578	1,732,731
Charity payable	2,691,526	4,642,583
Leased assets insurance premium payable	2,227,265	2,100,061
Staff medical insurance premium payable	1,842,416	66,794
Leased assets insurance claims to be settled	777,618	1,467,455
VAT payable	-	719,931
Other	2,382,910	873,233
	31,522,227	28,960,526

12. REVENUE

Finance lease income is stated net of insurance cost and it includes reversal of SAR 6.9 million (2022: SAR 15.2 million) and SAR 1.1 million (2022: SAR 2.5 million) against modification loss on finance leases and murabaha finances, respectively.

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

13. ZAKAT AND INCOME TAX

There is no change in the status of Zakat and income tax assessment since 31 December 2022. During the period ended 30 September 2023, the Company has paid SAR 11.7 million (2022: SAR 13.4 million) to the Zakat, Tax and Customs Authority (ZATCA).

14. 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.

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (Unaudited)
 (All amounts are in Saudi Riyals unless stated otherwise)

15. COMMITMENTS

	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Cost of finance lease and murabaha contracts not yet executed	3,993,950	33,601,060
Bank guarantees issued on behalf of the Company	2,000,000	2,000,000

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. Significant related party transactions and balances are as follows:

	For the nine- month period ended 30 September 2023 (Unaudited)	For the nine- month period ended 30 September 2022 (Unaudited)
Transactions:		
The Saudi Investment Bank – <i>shareholder</i>		
Long-term loan receipt	127,000,000	-
Long-term loan repayment	33,666,667	-
Special commission and other bank charges paid	6,997,649	13,130
Rent and premises related expense	534,375	1,267,976
Profit earned on time deposit	-	87,917
Lease participation payments*	1,598,984	2,133,767
Lease participation receipts – management fee and other *	34,819	27,599
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- <i>affiliate</i>		
Premium for insurance and other related payments-net	6,242,972	7,270,378
Key Management Personnel		
Salaries and other short-term employee benefits	7,951,504	8,298,043
End of service benefits accrued	568,127	730,420

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023 (Unaudited)
 (All amounts are in Saudi Riyals unless stated otherwise)

16. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	As at 30 September 2023 (Unaudited)	As at 31 December 2022 (Audited)
Balances:		
The Saudi Investment Bank- shareholder		
Bank current accounts	162,042,710	21,619,176
Long-term loans (including accrued commission)	144,630,440	50,726,042
Prior period zakat settlement receivable	1,360,169	2,720,338
Lease participation receivable	-	18,826
Positive / (negative) fair value of derivative	234,890	(293,687)
Trade Development and Investment Company - shareholder		
Prior period zakat settlement receivable	1,272,672	2,545,345
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA- affiliate		
Advance / prepaid against insurance premium, net	1,691,775	4,514,222
Key Management Personnel		
Employees' end of service benefits	3,905,591	3,419,048
Loans to key management of the Company	596,317	474,474
Directors' meeting attendance fee payable	885,000	1,180,000

*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 0.53 million as at 30 September 2023 (2022: SAR 2 million).

17. DIVIDENDS

The Board of Directors proposed an annual dividend of SAR 1 per share (2021: SAR 0.75 per share) for the year ended 31 December 2022 amounting to SAR 55 million (2021: SAR 41.25 million). The shareholders approved the distribution at the Annual General meeting held on 8 May 2023.

18. DATE OF APPROVAL OF THESE INTERIM CONDENSED FINANCIAL STATEMENTS

The accompanying interim condensed financial statements were approved by the Board of Directors on 26 October 2023.