ALRAEDAH FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

ALRAEDAH FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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Independent Auditor's Review Report on the Interim Condensed Financial Information

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Alraedah Finance Company (the "Company"), a Saudi Closed Joint Stock Company as at 31 March 2022 and the related interim statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the three-month period then ended, and notes to the interim financial information, including a summary of significant accounting policies 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") that is 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", endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.

Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, on 27 April 2022 (G)
Corresponding to: 26 Ramadan 1443 (H)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 31 March	
		2022	2021
OPERATING INCOME			
Special commission income from Murabaha contracts		**25,853,580**	14,249,270
Finance charges		**(7,387,512)**	(6,189,351)
		18,466,068	8,059,919
Grant income and loss on restructuring of Murabaha receivables, net		**2,910,994**	-
Application fees and other income		**3,812,476**	2,857,079
TOTAL OPERATING INCOME, NET		**25,189,538**	10,916,998
OPERATING EXPENSES			
General and administrative expenses	4	**(7,862,464)**	(6,022,438)
Selling and marketing expenses	5	**(3,843,435)**	(2,285,173)
Impairment loss on Murabaha receivables	8 (b)	**(1,592,368)**	(450,760)
Depreciation and amortisation		**(764,417)**	(814,760)
		11,126,854	1,343,867
Income from investments held at fair value through other comprehensive income ("FVOCI")		**33,170**	696,413
Gain on sale of investments held at FVOCI		**303,156**	-
PROFIT BEFORE ZAKAT		**11,463,180**	2,040,280
Zakat	6	**(1,188,813)**	(183,011)
PROFIT FOR THE PERIOD		**10,274,367**	1,857,269
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Fair value gain / (loss) on investments held at FVOCI		**79,255**	**(206,913)**
Loss on sale of investments held at FVOCI		**(303,156)**	**-**
TOTAL OTHER COMPREHENSIVE LOSS FOR THE PERIOD		**(223,901)**	**(206,913)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**10,050,466**	**1,650,356**

The attached notes 1 to 17 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	**31 March 2022 (Unaudited)**	31 December 2021 (Audited)
ASSETS			
Cash and bank balances	7	**41,586,498**	36,724,912
Receivable from SAMA	14	**4,694,343**	6,239,210
Murabaha receivables	8(a)	**604,583,234**	568,743,902
Prepayments and other assets		**16,878,260**	16,679,543
Investment held at fair value through other comprehensive income		**892,850**	4,801,361
Right-of-use asset		**6,268,145**	6,622,946
Property and equipment		**5,237,067**	1,138,920
Intangible assets		**2,204,223**	1,212,592
TOTAL ASSETS		**682,344,620**	642,163,386
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accounts payable and accruals		**39,093,733**	32,266,998
Payable to SAMA	14	**225,238,278**	210,881,152
Zakat payable	6	**5,561,804**	4,372,991
Lease liability		**7,499,305**	7,398,546
Borrowings	10	**206,400,977**	199,029,439
Employees' terminal benefits		**2,288,170**	2,002,373
TOTAL LIABILITIES		**486,082,267**	455,951,499
SHAREHOLDERS' EQUITY			
Share capital	9	**150,000,000**	150,000,000
Statutory reserve		**5,389,538**	5,389,538
Fair value reserve – FVOCI		**-**	223,901
Reserve on re-measurement of employees' terminal benefits		**(143,762)**	(143,762)
Retained earnings		**41,016,577**	30,742,210
TOTAL SHAREHOLDERS' EQUITY		**196,262,353**	186,211,887
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**682,344,620**	642,163,386

ALRAEDAH FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022
(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Fair value reserve – FVOCI	Reserve on re-measurement of employees' terminal benefits	Total
For the three months period ended 31 March 2021 (unaudited)						
Balance as at 1 January 2021	150,000,000	2,243,819	2,430,743	1,453,303	(420,689)	155,707,176
Profit for the period	-	-	1,857,269	-	-	1,857,269
Other comprehensive loss for the period	-	-	-	(206,913)	-	(206,913)
Total comprehensive income for the period	-	-	1,857,269	(206,913)	-	1,650,356
Balance as at 31 March 2021	150,000,000	2,243,819	4,288,012	1,246,390	(420,689)	157,357,532
For the three months period ended 31 March 2022 (unaudited)						
Balance as at 1 January 2022	**150,000,000**	**5,389,538**	**30,742,210**	**223,901**	**(143,762)**	**186,211,887**
Profit for the period	**-**	**-**	**10,274,367**	**-**	**-**	**10,274,367**
Other comprehensive loss for the period	**-**	**-**	**-**	**(223,901)**	**-**	**(223,901)**
Total comprehensive income for the period	**-**	**-**	**10,274,367**	**(223,901)**	**-**	**10,050,466**
Balance as at 31 March 2022	**150,000,000**	**5,389,538**	**41,016,577**	**-**	**(143,762)**	**196,262,353**

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	**Three months ended March 31, 2022**	Three months ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		**11,463,180**	2,040,280
Adjustments for:			
Government grant income		**(4,694,343)**	(1,635,709)
Gain from modification of contractual cash flows of borrowings		**-**	-
Finance cost		**7,277,277**	6,084,735
Impairment loss on Murabaha receivables	8(b)	**1,592,368**	450,760
Income from investments held at FVOCI		**(33,170)**	(696,413)
Gain on sale of investments held at FVOCI		**(303,156)**	-
Depreciation on property and equipment		**271,362**	142,430
Depreciation on right-of-use asset		**354,801**	488,933
Amortisation of intangible assets		**138,254**	183,397
Provision for employees' terminal benefits		**339,377**	239,765
Finance charge on lease		**100,759**	102,154
Operating cash flows before working capital adjustments		**16,506,709**	7,400,332
Working capital adjustments:			
Murabaha receivables		**(37,431,700)**	(55,276,859)
Prepayments and other assets		**(198,717)**	(7,555,468)
Accounts payable and accruals		**6,826,735**	3,093,738
Cash used in operating activities		**(14,296,973)**	(52,338,257)
Employees’ terminal benefits paid		**(53,580)**	(148,025)
Net cash used in operating activities		**(14,350,553)**	(52,486,282)
CASH FLOWS FROM INVESTING ACTIVITIES			
Return received on investments held at FVOCI		**-**	506,250
Proceeds from sale of investments held at FVOCI		**4,020,938**	-
Purchase of property and equipment		**(4,369,509)**	(849,956)
Purchase of intangible assets		**(1,129,885)**	(475,373)
Net cash used in investing activities		**(1,478,456)**	(819,079)
CASH FLOWS FROM FINANCING ACTIVITIES			
Received / (Repayment) to SAMA		**16,642,552**	**(16,512,494)**
Proceeds from borrowings		**24,750,000**	**15,000,000**
Repayment of borrowings		**(20,701,957)**	**(4,315,972)**
Repayment of lease liabilities		**-**	**(937,190)**
Net cash from / (used in) financing activities		**20,690,595**	**(6,765,656)**
Net increase / (decrease) in cash and cash equivalents		**4,861,586**	**(60,071,017)**
Cash and cash equivalents at the beginning of the period		**36,724,912**	**124,118,061**
Cash and cash equivalents at the end of the period	7	**41,586,498**	**64,047,044**

1 STATUS AND NATURE OF ACTIVITIES

Alraedah Finance Company, a Saudi Closed Joint Stock Company (the "Company"), registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010314982 dated 21 Ramadan 1432 (H), corresponding to 21 August 2011 (G).

The Company has one branch in Dammam under commercial registration numbered 2050150330 dated 20 Rabi ul Awal 1443H (corresponding to 26 October 2021).

The Company is engaged in providing finance lease, finance for small and medium entities in the form of Ijara and Murabaha, and consumer finance in accordance with the approval of Saudi Arabian Monetary Authority ("SAMA") numbered 43/ASH/201602 issued on 30 Rabi Thani 1437H (corresponding to 9 February 2016).

The registered address of the Company is 3rd Floor, Tower B, Olaya Towers, Olaya Street, P.O. Box 86875, Riyadh, 11632, Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. These interim condensed financial statements do not include all of the information and disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2021.

In preparing these interim condensed financial statements, the significant judgments made by the management are same as those that applied to the financial statements for the year ended 31 December 2021.

These interim condensed financial statements have been presented in Saudi Riyals ("SR"), which is also the functional currency of the Company.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting policies

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with IFRSs as endorsed in KSA. In addition, results for the three months period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

b) Significant accounting judgments, estimates and assumptions

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The outbreak of novel coronavirus ("COVID-19") since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally and the declaration of this pandemic by the World Health Organization necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

(All amounts are in Saudi Riyals unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other than the above, the accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021.

New standards, interpretations and amendments adopted by the Company

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

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

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

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

Impact of accounting standards to be applied in future periods

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

4 GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months period ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Salaries and employees' related cost	**4,730,687**	3,033,478
Professional and legal fees	**949,308**	795,000
Saudi Credit Bureau (SIMAH) expense	**391,744**	622,250
Office expense	**275,286**	246,324
Health insurance expense	**237,710**	195,860
Sharia board fee	**36,667**	117,527
Utilities expense	**122,019**	75,154
Rent	**206,292**	70,387
Others	**912,751**	866,458
	7,862,464	6,022,438

5 SELLING AND MARKETING EXPENSES

	For the three months period ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Salaries and employees' related cost	**2,789,860**	**1,640,525**
Commission	**1,053,575**	**329,023**
Others	**-**	**315,625**
	3,843,435	**2,285,173**

(All amounts are in Saudi Riyals unless otherwise stated)

6 ZAKAT

The movement in the zakat provision for the period / year was as follows:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
At the beginning of the period / year	**4,372,991**	853,361	853,361
Provided during the period / year	**1,188,813**	4,457,430	183,011
Paid during the period / year	**-**	(937,800)	-
At the end of the period / year	**5,561,804**	4,372,991	1,036,372

Status of assessments
As at 31 March 2022, the Company had filed its zakat returns with the Zakat, Tax and Custom Authority ("ZATCA) for all years up to 2021.

7 CASH AND BANK BALANCES

For the purpose of the interim condensed statement of cash flows, cash and cash equivalents are comprised of the following:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Bank balances – current account / cash and cash equivalents	**41,586,498**	36,724,912

8 MURABAHA RECEIVABLES

Murabaha receivables have an original term period between 1 to 5 years.

8 (a) Murabaha receivables

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Gross receivables	**720,368,310**	680,231,944
Less: unearned finance income	**(105,656,508)**	(102,951,842)
	614,711,802	577,280,102
Less: allowance for expected credit losses	**(10,128,568)**	(8,536,200)
Net receivables	**604,583,234**	568,743,902

All the financing facilities provided by the Company are Shariah compliant accordingly they are unconventional in nature.

8 (b) Movement in allowance for expected credit losses

	31 March 2022 (Unaudited)	31 December 2021 (Audited)	31 March 2021 (Unaudited)
Balance at the beginning of the period / year	**8,536,200**	6,785,440	6,785,440
Charge for the period / year	**1,592,368**	1,750,760	450,760
Balance at the end of the period / year	**10,128,568**	8,536,200	7,236,200

(All amounts are in Saudi Riyals unless otherwise stated)

8 MURABAHA RECEIVABLES (continued)

8 (c) Expected maturity

The expected maturity of the gross Murabaha receivables is as follows:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Within 1 year	**410,144,086**	388,079,227
1 - 2 years	**111,342,338**	110,581,394
2 - 3 years	**66,375,247**	43,883,080
3 - 4 years	**25,872,024**	29,547,620
4 – 5 years	**978,107**	5,188,781
	614,711,802	577,280,102

8 (d) Aging of receivables (past due but not impaired)

As at reporting date, the aging of past due receivables are as follows:

	< 30 days	31 - 60 days	61 – 90 days	91 – 120 days	121 – 180 days	181 – 360 days	Above360 days	Total
31 March 2022								
Receivables	**31,984,350**	**96,632,499**	**86,894,322**	**3,669,657**	**5,931,450**	**15,149,390**	**11,398,409**	**251,660,077**
31 December 2021								
Receivables	51,357,779	34,417,257	55,063,186	4,751,132	20,332,843	7,473,584	3,711,152	177,106,933

8 (e) Economic Sector risk concentration for the receivables is as follows

Sectors	**31 March 2022 (Unaudited)**	31 December 2021 (Audited)
Services	**35.21%**	34.96%
Retail business	**31.15%**	30.55%
Contracting	**16.75%**	17.54%
Industrial	**16.30%**	16.32%
Trading	**0.59%**	0.63%

8 (f) Collateral

The Company in the ordinary course of lending activities holds collaterals as security to mitigate credit risk in the receivables. These collaterals mostly include real estate. The collaterals are held against receivables and are managed against relevant exposures at their net realisable values. The value of the collateral as at 31 March 2022 amounted to SR 374.94 million (unaudited) (31 December 2021: SR 375.43 million (audited)).

9 SHARE CAPITAL

Share capital amounted to SR 150,000,000 as at 31 March 2022 and 31 December 2021 consisting of 15,000,000 shares of SR 10 each, which are fully paid.

(All amounts are in Saudi Riyals unless otherwise stated)

10 BORROWINGS

The table below shows the details of the borrowings obtained by the Company:

		31 March 2022	31 December 2021
A	Riyadh Financing Fund	**55,623,726**	55,630,750
B	The Saudi Investment Bank	**24,750,000**	-
C	Borrowings from a government entity	**126,027,251**	143,398,689
		206,400,977	199,029,439
	Current portion	**63,507,424**	62,961,896
	Non-current portion	**142,893,553**	136,067,543
		206,400,977	199,029,439

All borrowing facilities of the Company are Shariah complaint financing arrangements and are unconventional in nature.

A – Riyadh Financing Fund
During 2022, the Company entered into Musharakah arrangement with Riyad Financing Fund to get finance as working capital support to the Company to finance its customers with initial present value of such loan being recorded at SR 55 million with maturity in November 2026. Riyad Financing Fund as partner to the arrangement is entitled to receive profit as per Musharakah batch rate prorate to their proportionate share (i.e., share in capital contributed). First profit distribution made during the period amounted SR 0.96 million and further periodic profit distributions to be made at three (3) month intervals, up to maturity. First principle distribution date is on 1 February 2024 i.e., 27 months from receipt of cash contribution and periodic principle distributions to be made at three (3) month intervals thereafter, up to maturity. There is no guarantee from the Company against this arrangement.

B – The Saudi Investment Bank
The Company has entered into Shariah compliant credit facility agreement with the Saudi Investment Bank amounting to SR 50 million to finance and support the Company's expansion plan by increasing the customer base. The facility is secured by personal and in-kind guarantees from the Chairman of Board of Directors and general waiver in favor of the Bank for the proceeds of certain loan receivables classified under Stage 1. During March 2022, the Company has withdrawn SR 25 million from the available facility repayable on quarterly basis with the final instalment due in Mar 2026. The facility carries the profit margin payable on quarterly basis. The drawdown facility has been recorded at its initial present value of SR 25 million less transaction cost of SR 0.25 million.

C - Borrowings from a government entity
Before 2020, the Company obtained loans from a government entity amounting to SR 125 million. These are repayable in monthly instalments that commenced in January 2019, with the final instalment due in June 2023. In April 2020, the government entity deferred its payments against the above-mentioned loans for one year effective from March 2020.The accounting impact of these changes in terms of the borrowings has been assessed and are treated as per the requirements of IFRS 9. This resulted in the Company incurring a modification gain of SR 6 million during the year ended 31 December 2020 with respect to the loans received before 2020. As required by the government entity as a condition of defer payments of these borrowings, the Company is required to give one-year deferrals of repayments to the Murabaha customers eligible for this program. This resulted in the Company incurring a corresponding modification loss of SR 10.3 million during the year ended 31 December 2020.

Between June and September 2020, the Company obtained additional loans from the government entity of SR 70 million repayable in monthly instalments commencing from January 2021, with the final instalment due in January 2024.

On 11 January 2021, 22 June 2021 and 19 October 2021, the Company further obtained three loans amounting to SR 15 million, 15 million and 20 million respectively repayable in monthly instalments commencing from July 2021, October 2021 and February 2022 respectively, with the final instalments due in June 2024, September 2024 and January 2025 respectively.

(All amounts are in Saudi Riyals unless otherwise stated)

10 BORROWINGS (continued)

C - Borrowings from a government entity (continued)

The above borrowings received by the Company from a government entity carry fixed special commission rates that are significantly lower than then prevailing market rates. They also carry a number of conditions, one of which is that equivalent loans should be disbursed to specific types/sectors of customers at reduced rates. The initially recorded benefit on these loans amounted to SR 4.3 million during the year ended 31 December 2021 (year ended 31 December 2020: SR 7.5 million) being the impact of "lower than market value" loans obtained by the Company was accounted for as "government grant". Such benefits were recognised, on meeting the conditions attached to the grant on a systematic basis against the expense for which such grant is intended to compensate, in profit or loss in "special commission income from Murabaha receivables" line item. The government grant not yet recognised in profit or loss as at 31 March 2022 amounted to nil (31 December 2021: SR 0.5 million) and included within "accounts payable and accruals".

11 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

The following are the details of major related party transactions during the period:

Compensation to key management personnel of the Company

	Amount of transactions For the three months period ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Remuneration	**297,059**	338,734
Termination and other long-term benefits	**64,134**	100,750
	361,193	439,484

Transactions with the related party related to the contracts

Related parties	Relationship	Nature	**31 March 2022 (Unaudited)**	31 March 2021 (Unaudited)
Gheras Al-Khairat Company Limited	Controlled by key management personnel	Special commission income from Murabaha	**-**	146,742

Below is the related party balance included in prepayments and other assets:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Alraedah Investment Company	**470,714**	470,714

12 RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk and special commission rate risks), credit risk, legal risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by senior management. The most important risks and their management are summarised below.

(All amounts are in Saudi Riyals unless otherwise stated)

12 RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments of the Company will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business as neither it undertakes significant transactions nor does it have any significant monetary assets and liabilities denominated in foreign currency.

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is not exposed to a significant special commission rate risk at 31 March 2022.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company has established a credit policy for corporate borrowers. Furthermore, all the loans are allowed for the maximum term of 60 months. As per such policy, Ijara and Murabaha receivable are not granted unless the borrower meets certain basic requirements, which are set out below:

- Corporate Know Your Customer ("KYC") validation of real operation;
- Income earned through cash flows;
- Collateral provided as equipment, vehicles, machinery, property, unless exempted; and
- Valuation of above-mentioned collateral within basic Finance to Value ("FTV") ratios.

The Company monitors its receivables on a weekly basis. Furthermore, most of the receivables are backed by adequate collaterals.

In case of receivables past due for nine months, the Company takes legal actions against the borrower with an aim to either collect the receivable by selling the collaterals against which the financing is provided or force the customers to regularise their overdue positions.

The table below reflects the Company's maximum exposure to credit risk for the components on the interim condensed statement of financial position:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Cash and cash equivalents	**41,586,498**	36,724,912
Receivable from SAMA	**4,694,343**	6,239,210
Murabaha receivables	**604,583,234**	568,743,902
Investments held at fair value through other comprehensive income	**892,850**	4,801,361
Other assets	**15,354,930**	15,736,286
	667,111,855	632,245,671

Legal risk

Title deed of the real estate properties are registered in the name of the Company. The enforceability of any related rights and obligations are subject to interpretation and enforceability in the relevant courts of law.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net financing requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of financing to dry up immediately. Management monitors the maturity profile of the Company's assets and liabilities to ensure that adequate liquidity is maintained.

(All amounts are in Saudi Riyals unless otherwise stated)

12 RISK MANAGEMENT (continued)

Analysis of undiscounted value of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2022 and 31 December 2021 based on contractual undiscounted repayment obligations. The contractual maturities of liabilities have been determined based on the remaining period at the interim condensed statement of financial position date to the contractual maturity date.

31 March 2022 (Unaudited)	**Less than 3 months**	**3-12 months**	**1-5 years**	**Total**
Accounts payable	**3,821,094**	**8,923,530**	**10,781,397**	**23,526,021**
Payable to SAMA	**38,042,329**	**119,612,785**	**80,219,942**	**237,875,056**
Lease liability	**937,190**	**1,874,380**	**5,623,139**	**8,434,708**
Borrowings	**15,568,008**	**61,489,176**	**154,019,123**	**231,076,307**
Total	**58,368,621**	**191,899,871**	**250,643,601**	**500,912,092**

31 December 2021 (Audited)	**Less than 3 months**	**3-12 months**	**1-5 years**	**Total**
Accounts payable	1,714,528	4,955,176	10,110,209	16,779,913
Payable to SAMA	43,720,687	86,779,669	90,732,146	221,232,502
Lease liability	937,190	937,190	6,560,328	8,434,708
Borrowings	14,336,564	60,124,705	149,360,081	223,821,350
Total	60,708,969	152,796,740	256,762,764	470,268,473

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

Financial instruments comprise financial asset and financial liabilities. Financial assets of the Company include cash and bank balances, restricted cash deposits, Ijara and Murabaha receivables and other receivables. Financial liabilities of the Company include borrowings, payable to SAMA, refundable to SAMA, lease liability and accounts payable.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company does not have any financial asset or financial liability carried at fair value in these financial statements except for investment held at fair value through other comprehensive income amounting SR 892,850.

14 SAMA PROGRAMS

SAMA programs and initiatives launched

In response to COVID-19 (refer also note 15), SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the SME sector through empowering and facilitating the financing community. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As at and during the period ended 31 March 2022, the Company has only participated in the deferred payment programs as mentioned above.

During April 2020, SAMA has issued a guidance around additional COVID-19 support measures for Micro, Small and Medium Enterprises ("MSMEs") that the finance companies will need to undertake in relation to MSMEs deferred payments program. The Company has considered the guidance issued and implemented in the year ended 31 December 2021.

Deferred payment program – March 2020

As part of the deferred payments program, the Company is required to defer payments for six months (from March 2020 to September 2020) on the eligible microfinance facilities. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has effected the payment relief by extending the tenure of the applicable financings granted with no additional costs to be borne by the customers. The accounting impact of these changes in the terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9. This has resulted in the Company recognizing initially a day 1 modification loss of SR 5.9 million with respect to participating Murabaha facilities granted to its customers, which was recognized in profit or loss immediately. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

Pursuant to SAMA deferred payments program, the Company under an agreement with SAMA, received a loan amounting to SR 100.8 million, as profit-free deposit. Subsequently, management identified certain differences in the calculation based on which an amount of SR 100.8 million was derived. As a result, it was determined that an amount of SR 19.6 million should be refunded to SAMA and this was re-confirmed by SAMA and paid in July 2020. The revisited net amount payable to SAMA against this loan after repayment is SR 81.2 million. The amount is repayable to SAMA over the period of 3.5 years in equal monthly instalments, with an initial grace period of 6 months. During 2022, the Company has repaid SR 6.8 million against this facility (2021: SR 27.1 million). The benefit of the subsidized funding rate has been accounted for in accordance with government grant accounting requirements. This resulted initially in a total income of SR 10.4 million, which was recognized in profit or loss immediately. The management has exercised certain judgements in the recognition and measurement of this grant income.

Deferred payment program – September 2020

In September 2020, SAMA announced to extend the SAMA deferred payments program for three months from September 2020 until December 2020. Pursuant to this program, the Company received a loan amounting to SR 73.1 million, as profit-free deposit. The amount is repayable to SAMA over the period of 1.25 years in equal monthly instalments, with an initial grace period of 4 months. During 2022, the Company has repaid SR 14.6 million against this facility (2021: SR 53.6 million). The benefit of the subsidized funding rate has been accounted for in accordance with government grant accounting requirements. This resulted in a total income of SR 4.2 million, which was recognized in the statement of profit or loss and other comprehensive income immediately. The management has exercised significant judgements in the recognition of the payable to SAMA as well as the recognition and measurement of this grant income.

The Company has also recognized a day 1 modification loss of SR 3 million with respect to participating Murabaha facilities granted to its customers which was recognized in profit or loss immediately. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

14 SAMA PROGRAMS (continued)

Deferred payment program – December 2020

In December 2020, SAMA announced to further extend the SAMA deferred payments program for three months from December 2020 until March 2021. Pursuant to this program, the Company received a loan amounting to SR 73.2 million, as profit-free deposit. The amount is repayable to SAMA over the period of 1.5 years in equal monthly instalments, with an initial grace period of 4 months. During 2022, the Company has repaid SR 12.2 million against this facility (2021: SR 36.6 million). The benefit of the subsidized funding rate has been accounted for in accordance with government grant accounting requirements. This resulted in a total income of SR 4.7 million, which was recognized in the profit or loss section of the statement of profit or loss and other comprehensive income immediately. The management has exercised significant judgements in the recognition of the payable to SAMA as well as the recognition and measurement of this grant income.

The Company has also recognized a day 1 modification loss of SR 3 million with respect to participating Murabaha facilities granted to its customers which was recognized in profit or loss immediately. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

Deferred payment program – March 2021

In March 2021, SAMA announced to further extend the SAMA deferred payments program for three months from April 2021 until June 2021. Pursuant to this program, the Company received a loan amounting to SR 71 million, as profit-free deposit. The amount is repayable to SAMA over the period of 1.25 years in equal monthly instalments, with an initial grace period of 4 months. During 2022, the Company has repaid SR 14.2 million against this facility (2021: SR 23.7 million). The benefit of the subsidized funding rate has been accounted for in accordance with government grant accounting requirements. This resulted in a total income of SR 4 million, which was recognized in the profit or loss section of the statement of profit or loss and other comprehensive income immediately. The management has exercised significant judgements in the recognition of the payable to SAMA as well as the recognition and measurement of this grant income.

The Company has also recognized a day 1 modification loss of SR 2.6 million with respect to participating Murabaha facilities granted to its customers which was recognized in profit or loss immediately. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

Deferred payment program – June 2021

In June 2021, SAMA announced to further extend the SAMA deferred payments program for three months from June 2021 until September 2021. Pursuant to this program, the Company received a loan amounting to SR 68.2 million, as profit-free deposit. The amount is repayable to SAMA at maturity after the period of 1.5 years. The benefit of the subsidized funding rate has been accounted for in accordance with government grant accounting requirements. This resulted in a total income of SR 6.3 million, which was recognized in the profit or loss section of the statement of profit or loss and other comprehensive income immediately. The management has exercised significant judgements in the recognition of the payable to SAMA as well as the recognition and measurement of this grant income.

The Company has also recognized a day 1 modification loss of SR 2.2 million with respect to participating Murabaha facilities granted to its customers which was recognized in profit or loss immediately. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

Deferred payment program – September 2021

In September 2021, SAMA announced to further extend the SAMA deferred payments program for three months from October 2021 until December 2021. Pursuant to this program, the Company received a loan during January 2022 amounting to SR 64.4 million, as profit-free deposit. Effective 1 October 2021, the Company has recorded a receivable amounting to SR 6.2 million, to the extent of benefit of the subsidized funding rate for the loan. The received loan amount is repayable to SAMA at maturity after the period of 1.5 years from the date of receiving the loan. The benefit of the subsidized funding rate has been accounted for in accordance with government grant accounting requirements. This resulted in a total income of SR 6.2 million, which was recognized in the profit or loss section of the statement of profit or loss and other comprehensive income immediately. The management has exercised significant judgements in the recognition of the payable to SAMA as well as the recognition and measurement of this grant income.

The Company has also recognized a day 1 modification loss of SR 1.8 million with respect to participating Murabaha facilities granted to its customers which was recognized in profit or loss immediately. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

14 SAMA PROGRAMS (continued)

Deferred payment program – December 2021

In December 2021, SAMA announced to further extend the SAMA deferred payments program for three months from January 2022 until March 2022. Effective 1 January 2022, the Company has recorded a receivable amounting to SR 4.69 million, to the extent of benefit of the subsidized funding rate for the loan amounting to SR 64.3 million expected to be received against it as per the conditions attached to this program. The terms of repayment are considered to be similar to the loan received against previous deferral (i.e., repayable to SAMA at maturity after the period of 1.5 years from the date of receiving the loan). The benefit of the subsidized funding rate has been accounted for in accordance with government grant accounting requirements. This resulted in a total income of SR 4.69 million, which was recognized in the profit or loss section of the statement of profit or loss and other comprehensive income immediately. The management has exercised significant judgements in the recognition and measurement of the grant income.

The Company has also recognized a day 1 modification loss of SR 1.8 million with respect to participating Murabaha facilities granted to its customers which was recognized in profit or loss immediately. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

As at the date of issuance of the interim condensed financial statements the Company has not received any amount against this program.

15 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Kingdom of Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Company has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the potential business disruption due to COVID-19 outbreak that may have on its operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparty etc., collateral protection, timely review and customer credit rating actions and appropriately restructuring loans, where required. These also take into consideration the impacts of government and SAMA support relief programs.

These current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These would primarily revolve around either adjusting macroeconomic factors used by the Company in estimation of expected credit losses. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental, and the Company will continue to reassess its position and the related impact on a regular basis.

At this point in time, it is difficult to ascertain the specific effects the health crisis and government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it is too early for any potential credit impairment to be reflected through application of the staging criteria and focused on the macroeconomic model underpinning the Probability of Default ("PD") and Loss Given Default ("LGD") determinations. The Company will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

16 EVENTS AFTER REPORTING DATE

No material events have occurred subsequent to the reporting date and before the issuance of these interim condensed financial statements which require adjustments or additional disclosures to these interim condensed financial statements.

17 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Board of Directors on 26 Ramadan 1443 (H), corresponding to 27 April 2022 (G).