

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2022
WITH INDEPENDENT AUDITOR'S REVIEW REPORT

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF IJARAH FINANCE COMPANY

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Ijarah Finance Company (the "Company") as at 30 September 2022 and the related interim statement of comprehensive income for the three-month and nine-month periods then ended, and the interim statements of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). 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 Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is 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 that are 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 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.



Ahmed A. Mohandis
Certified Public Accountant
License No. 477
Riyadh: 29 Rabi ul Awal 1444H
Corresponding to: 25 October 2022

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents		7,851,251	11,324,139
Prepayments and other receivables, net		46,536,139	44,146,351
Profit-only strips receivables, net		8,339,262	18,460,394
Financing, net	6	535,854,881	336,470,114
Net servicing asset for factorized receivables		12,578,449	17,745,697
Margin deposits – restricted, net	7	26,593,660	47,995,579
Investment carried at Fair Value through Other Comprehensive Income “FVOCI”		892,850	892,850
Positive fair value of derivatives	10	2,911,993	-
Property and equipment		3,110,795	2,889,443
Intangible assets		10,189,915	7,181,975
Right-of-use assets		2,335,305	3,188,050
TOTAL ASSETS		657,194,500	490,294,592
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	200,000,000	200,000,000
Statutory reserve		2,463,105	2,463,105
Other reserve	9	2,833,834	-
Retained earnings / Accumulated losses		6,942,957	(8,551,932)
TOTAL EQUITY		212,239,896	193,911,173
LIABILITIES			
Due to related parties	5	41,591,882	42,829,498
Other payables and accruals		77,893,465	117,335,649
Lease liabilities		2,015,117	2,897,307
Net servicing liability for factorized receivables		9,670,446	29,192,145
Provision for zakat	11	2,315,359	1,790,450
Borrowings	12	309,334,207	100,037,984
Negative fair value of derivatives	10	78,159	-
Employees' post-employment benefits		2,055,969	2,300,386
TOTAL LIABILITIES		444,954,604	296,383,419
TOTAL EQUITY AND LIABILITIES		657,194,500	490,294,592

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
		30 September 2022 (Unaudited)	30 September 2021 (Unaudited)	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
OPERATING INCOME					
Income from financing		29,949,175	9,693,343	71,743,072	27,424,496
Income from factorized receivables		5,409,171	3,764,927	16,842,524	10,595,649
Contract fee income		2,508,850	2,321,612	7,121,709	6,934,162
TOTAL OPERATING INCOME		37,867,196	15,779,882	95,707,305	44,954,307
OPERATING EXPENSES					
Finance cost		(4,028,210)	(1,725,065)	(7,862,430)	(3,125,705)
General and administrative expenses		(9,272,295)	(7,846,056)	(24,072,910)	(23,200,019)
Selling and marketing expenses		(3,511,202)	(2,962,320)	(10,713,093)	(9,250,351)
Impairment charge for financing	6	(18,918,751)	(116,445)	(35,248,624)	(3,068,757)
TOTAL OPERATING EXPENSES		(35,730,458)	(12,649,886)	(77,897,057)	(38,644,832)
OPERATING INCOME FOR THE PERIOD BEFORE ZAKAT		2,136,738	3,129,996	17,810,248	6,309,475
Zakat		(277,803)	(318,304)	(2,315,359)	(641,641)
NET INCOME FOR THE PERIOD		1,858,935	2,811,692	15,494,889	5,667,834
OTHER COMPREHENSIVE INCOME					
- Cash flow hedge:					
- Effective portion of change in the fair value		2,778,456	-	2,833,834	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,637,391	2,811,692	18,328,723	5,667,834

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

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

<u>30 September 2021</u>	Note	Share capital	Statutory reserve	Other reserves	Retained earnings / Accumulated losses	Total equity
Balance as at 1 January 2021 (Audited)		200,000,000	1,772,337	-	(14,753,171)	187,019,166
Net income for the period		-	-	-	5,667,834	5,667,834
Balance as at 30 September 2021 (Unaudited)		<u>200,000,000</u>	<u>1,772,337</u>	<u>-</u>	<u>(9,085,337)</u>	<u>192,687,000</u>
<u>30 September 2022</u>						
Balance as at 1 January 2022 (Audited)		200,000,000	2,463,105	-	(8,551,932)	193,911,173
Net income for the period		-	-	-	15,494,889	15,494,889
Net change in fair value of cash flow hedge	9	-	-	2,833,834	-	2,833,834
Balance as at 30 September 2022 (Unaudited)		<u>200,000,000</u>	<u>2,463,105</u>	<u>2,833,834</u>	<u>6,942,957</u>	<u>212,239,896</u>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating income before zakat		17,810,248	6,309,475
Adjustments for:			
Depreciation of right of use assets		852,745	877,229
Depreciation of property and equipment		713,920	770,995
Amortization of intangibles		1,097,326	1,027,131
Reversal against expected defaults in respect of factorized receivables		(657,261)	(124,747)
Reversal in respect of fair value of margin deposits		(3,471,896)	(3,222,120)
Reversal on profit-only strips receivable		(2,710,220)	(1,122,730)
Interest expense on lease liabilities		120,311	158,528
Impairment charge for financing	6	35,248,624	3,068,757
Finance cost on borrowings		7,742,119	3,391,116
Employees' post-employment benefits		546,471	385,418
		57,292,387	11,519,052
Changes in operating assets			
Prepayments and other receivables		(2,389,788)	(7,136,189)
Due from related party		-	23,716
Profit-only strips receivables		12,831,352	16,739,091
Financing		(234,633,391)	(52,018,232)
Net servicing asset for factorized receivables		5,167,248	117,584
Margin deposits – restricted		25,531,076	-
Changes in operating liabilities			
Other payables and accruals		(41,045,874)	76,081,456
Due to related parties		(1,237,616)	135,932
Net servicing liability for factorized receivables		(19,521,699)	(1,820,182)
Cash (used in) / generated from operations		(198,006,305)	43,642,228
Zakat paid	11	(186,760)	-
Employees' post-employment benefits paid		(790,888)	(74,824)
Net cash (used in) / generated from operating activities		(198,983,953)	43,567,404
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(935,272)	(88,728)
Purchase of intangible assets		(4,105,266)	(3,479,838)
Net cash used in investing activities		(5,040,538)	(3,568,566)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		596,400,000	73,238,778
Repayment of borrowing		(388,033,404)	(90,238,778)
Finance cost paid		(6,812,492)	(4,830,508)
Lease liabilities paid		(1,002,501)	(1,082,500)
Net cash generated from / (used in) financing activities		200,551,603	(22,913,008)
Net change in cash and cash equivalents		(3,472,888)	17,085,830
Cash and cash equivalents at the beginning of the period		11,324,139	42,828,100
Cash and cash equivalents at the end of the period		7,851,251	59,913,930

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements

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

1. LEGAL STATUS AND OPERATIONS

Ijarah Finance Company (the “Company”) is a Single Person Saudi Closed Joint Stock Company (earlier a Saudi Closed Joint Stock Company) established under the Regulations for Companies in the Kingdom of Saudi Arabia having commercial registration number 7001727754 dated 15 Rajab 1433H (corresponding to 5 June 2012G). On 16 Thul-Qidah 1436H (corresponding to 31 August 2015G), the Company received a license from the Saudi Central Bank (“SAMA”) to conduct lease financing business in the Kingdom of Saudi Arabia. The Finance Companies Control Law was issued by the Saudi Council of Ministers through its publication No. 259 dated 12 Shabaan 1433H (corresponding to 2 July 2012) and the Royal Decree No. 51 dated 13 Shaban 1433H (corresponding to 3 July 2012) and their implementing regulations were issued by SAMA for conducting lease financing business in the Kingdom of Saudi Arabia.

The objective of the Company is to engage in Sharia Compliant Financial Services.

The Company’s Head Office is located at the following address:

Ijarah Finance Company
Ibn Kathir Street
P.O. Box 6337
Riyadh 11442
Kingdom of Saudi Arabia

The Company has the following branches:

S. No	Branch	C.R. No.
1	Riyadh	7001727754
2	Riyadh	7014176437
3	Dammam	7003769010
4	Jeddah	7003790479
5	Madinah	7005226571
6	Riyadh	7015861540
7	Tabuk	7015861557

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

These interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2021.

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

2.2. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared under the historical cost method except for the measurement at fair value of derivative financial instruments, investments carried at fair value and employee defined benefit obligations which are stated at present value of their obligation using the projected unit credit method.

IJARAH FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

2 BASIS OF MEASUREMENT (CONTINUED)

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in SR has been rounded to the nearest SR, unless otherwise mentioned.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of financial statements are in conformity with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA, require management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

The accounting judgements, 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 except for the valuation of derivative financial instruments that added during this period.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the valuation of derivative financial instruments as mentioned in note 4.2 that added during this period and the adoption of new standards effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

4.1 New standards, interpretations and amendments adopted by the Company

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and the details of the same has been explained in annual Financial Statements for the year ended 31 December 2021, but they do not have a material effect on the Company's interim condensed financial statements.

4.2 Derivative financial instruments and hedge accounting

Derivative financial instruments, including foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps, currency and commission rate options (both written and purchased) are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the statement of financial position with transaction costs recognised in the statement of income. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

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FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Derivative financial instruments and hedge accounting (Continued)

The treatment of changes in their fair value depends on their classification into the following categories:

Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the statement of income and disclosed in net trading income. Derivatives held for trading also include those derivatives, which do not qualify for hedge accounting.

Hedge Accounting

The Company designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency, and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Company applies hedge accounting for transactions that meet specific criteria.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, (or assets or liabilities in case of portfolio hedging), or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Company will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an on-going basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the income statement in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Company also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of income.

Fair Value Hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the statement of income together with change in the fair value of the hedged item attributable to the hedged risk under non-trading gains / losses in the statement of income.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Derivative financial instruments and hedge accounting (Continued)

Fair Value Hedges (continued)

For hedged items measured at amortised cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective commission rate method, (the hedge item is also fair-valued). If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of income.

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognised asset or a liability or a highly probable forecast transaction that could affect the statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is recognised in the statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the statement of income in the same period in which the hedged item affects the statement of income. However, if the Company expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the statement of income as a reclassification adjustment the amount that is not to be recognized.

Where the hedged forecasted transaction results in the recognition of a non- financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability. When the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Company revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income from the period when the hedge was effective is transferred from equity to statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the statement of income, the net cumulative gain or loss recognised in “other comprehensive income” is transferred immediately to the statement of income for the period.

5. RELATED PARTY TRANSACTIONS AND BALANCES

<u>Transactions during the period</u>			<u>For the nine-month period ended</u>	
<u>Names of Related Parties</u>	<u>Nature of Relationship</u>	<u>Nature of transactions</u>	<u>30 September 2022 (Unaudited)</u>	<u>30 September 2021 (Unaudited)</u>
Afras Trading and Contracting Company	Affiliate	Outsourcing services	2,436,641	4,241,720
EKAL Human Resource Company	Affiliate	Outsourcing services	47,120	69,402
Saudi Financial Lease Contract registry Company	Affiliate	Contract Registry	322,788	350,752
National Leasing Company	Affiliate	Outsourcing services	9,754	4,183

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(All amounts in Saudi Riyals unless otherwise stated)

5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	For the nine-month period ended	
	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
<u>Key management personnel</u>		
Salaries and other short-term employee benefits	3,444,194	3,626,325
Post-employment benefits and other long-term benefits	248,116	250,735

Balances as at the period-end

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Due to related parties			
Watad Holding Company	5.1	28,000,000	28,000,000
Afras Trading and Contracting Company		13,200,860	14,443,200
National Leasing Company		266,046	275,800
Saudi Financial Lease Contract registry Company		63,952	89,763
EKAL Human Resource Company		61,024	20,735
		41,591,882	42,829,498

- 5.1.** The shareholder of the Company is committed to provide the necessary financial support to the Company for its working capital, as and when needed. The balance bears zero finance cost and is not due for repayment during next 12 months.

6. FINANCING, NET

The business activities of the Company are in the Kingdom of Saudi Arabia and primarily represents Ijarah finance, Murabaha and Tawarruq Consumer Islamic financing.

The product wise breakup of financing is as follows:

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Net investment in Ijarah financing	6.1	279,426,383	300,652,306
Net investment in Murabaha financing	6.3	125,703,748	18,633,796
Net investment in Tawarruq financing	6.5	130,724,750	17,184,012
		535,854,881	336,470,114

- 6.1.** Details of net investment in Ijarah financing:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Net investment in Ijarah financing before provision for impairment	294,004,626	315,377,009
Less: Impairment of Ijarah financing	(14,578,243)	(14,724,703)
Net investment in Ijarah financing	279,426,383	300,652,306

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(All amounts in Saudi Riyals unless otherwise stated)

6. FINANCING, NET (CONTINUED)

6.2. The movement in the provision for impairment in Ijarah financing during the period is as follows:

	For the nine-month period ended 30 September 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at beginning of the period / year	14,724,703	10,896,504
(Reversal) / Provided during the period / year	(146,460)	3,828,199
Balance at the end of the period / year	<u>14,578,243</u>	<u>14,724,703</u>

6.3. Details of net investment in Murabaha financing:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Net investment in Murabaha financing before provision for impairment	138,753,294	18,868,887
Less: Impairment of Murabaha financing	(13,049,546)	(235,091)
Net investment in Murabaha financing	<u>125,703,748</u>	<u>18,633,796</u>

6.4. The movement in the provision for impairment of Murabaha financing during the period is as follows:

	For the nine-month period ended 30 September 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at beginning of the period / year	235,091	-
Provided during the period / year	12,814,455	235,091
Balance at the end of the period / year	<u>13,049,546</u>	<u>235,091</u>

6.5. Details of net investment in Tawarruq financing:

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Net investment in Tawarruq financing before provision for impairment	153,328,553	17,207,186
Less: Impairment of Tawarruq financing	(22,603,803)	(23,174)
Net investment in Tawarruq financing	<u>130,724,750</u>	<u>17,184,012</u>

6.6. The movement in the provision for impairment of Tawarruq financing during the period is as follows:

	For the nine-month period ended 30 September 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at beginning of the period / year	23,174	-
Provided during the period / year	22,580,629	23,174
Balance at the end of the period / year	<u>22,603,803</u>	<u>23,174</u>

IJARAH FINANCE COMPANY
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7. MARGIN DEPOSITS-RESTRICTED

Margin deposits with banks, net comprises of the followings:

	30 September 2022 (Unaudited)		
	Current	Non-Current	Total
Margin deposits with banks	13,720,930	15,057,085	28,778,015
Less: Provision against expected defaults in respect of factorized receivables	(616,787)	(60,063)	(676,850)
Less: Provision in respect of present value of margin deposits	(359,035)	(1,148,470)	(1,507,505)
As at 30 September 2022	<u>12,745,108</u>	<u>13,848,552</u>	<u>26,593,660</u>
	31 December 2021 (Audited)		
	Current	Non-Current	Total
Margin deposits with banks	10,709,403	43,599,688	54,309,091
Less: Provision against expected defaults in respect of factorized receivables	(710,994)	(623,117)	(1,334,111)
Less: Provision in respect of present value of margin deposits	(673,410)	(4,305,991)	(4,979,401)
As at 31 December 2021	<u>9,324,999</u>	<u>38,670,580</u>	<u>47,995,579</u>

8. SHARE CAPITAL

The Company's subscribed and paid-in share capital of SR 200,000,000 is divided into 20,000,000 equity shares of SR 10 each fully owned by Watad Holding Company.

9. OTHER RESERVES

Other reserves represent the net unrealized revaluation gains / (losses) of cash flow hedges (effective portion) as follows:

<u>2022</u>	Cash flow hedge	Total
Balance at beginning of the period	-	-
Net change in fair value	2,833,834	2,833,834
Balance at end of the period	<u>2,833,834</u>	<u>2,833,834</u>

10. DERIVATIVES

In the ordinary course of business, the Company utilises the following derivative financial instruments for cash flow hedging purposes:

a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging principal. For cross-currency commission rate swaps, principal, fixed and floating commission payments are exchanged in different currencies.

	Positive fair value	Negative fair value	Notional amount Total
<u>30 September 2022</u>			
Cash flow hedge:			
Interest rate swaps	2,911,993	78,159	178,366,595
	<u>2,911,993</u>	<u>78,159</u>	<u>178,366,595</u>

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11. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the nine-month period ended 30 September 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at the beginning of the period / year	1,790,450	360,697
Provided during the period / year	2,315,359	1,790,450
Adjustment during the period / year	(1,603,690)	(360,697)
Paid during the period / year	(186,760)	-
Balance at the end of the period / year	<u>2,315,359</u>	<u>1,790,450</u>

STATUS OF ASSESSMENTS

The Company submitted its Zakat declaration to ZATCA for the year ended 31 December 2021 and has obtained the certificate valid until 10 Shawwal 1444H corresponding to 30 April 2023G.

12. BORROWINGS

	Note	30 September 2022 (Unaudited)	31 December 2021 (Audited)
Medium-term borrowings principal portion	12.1	229,366,596	60,000,000
Short-term borrowings principle portion	12.2	79,000,000	40,000,000
Accrued interest		967,611	37,984
		<u>309,334,207</u>	<u>100,037,984</u>

12.1 The Company has a Medium – term borrowing facility limit from a local bank for the purpose of financing the working capital needs. The bank facility bears profit at market prevailing rates. As per the agreement with the bank, the Company has the limit for borrowing maximum SR 427 million at a fixed rate plus SAIBOR.

12.2 The Company has a short – term borrowing facility limit from a local bank for the purpose of financing the working capital needs. The bank facility bears profit at market prevailing rates. As per the agreement with the bank, the Company has the limit for borrowing maximum 200 million at a fixed rate plus SAIBOR.

The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 30 September 2022 and 31 December 2021, the Company was in compliance with covenants of the financing agreements.

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets consist of cash and bank balances, investment, net investment in Islamic financing, restricted cash deposits and other receivables, its financial liabilities consist of trade payables, financial facilities, due to related party and other liabilities.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI and derivatives. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

30 September 2022 (Unaudited)	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
Positive fair value of derivatives	-	2,911,993	-	2,911,933

FINANCIAL LIABILITIES				
FVOCI designated				
Negative fair value of derivatives	-	78,159	-	78,159

31 December 2021 (Audited)	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850

The above financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

Financial assets / financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Investment carried at FVOCI	Cost	N/A	N/A
Positive fair value of derivatives	Marked to Market	N/A	N/A
Negative fair value of derivatives	Marked to Market	N/A	N/A

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14. SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-ended that would require additional disclosure or adjustment in these interim condensed financial statements.

15. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 24 October 2022G (corresponding to 28 Rabi ul Awal 1444H) by the Board of directors of the Company.