

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

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**TO THE SHAREHOLDER OF IJARAH FINANCE COMPANY
(A SINGLE PERSON SAUDI CLOSED JOINT STOCK COMPANY)****INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of Ijarah Finance Company (the "Company") as at 31 March 2022 and the related interim statements of comprehensive income / (loss), changes in equity and cash flows for the three-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
Registration No. 477



27 Ramadan 1443H
28 April, 2022
Riyadh, Kingdom of Saudi Arabia

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 March 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents		13,547,967	11,324,139
Prepayments and other receivables, net		49,409,190	44,146,351
Profit-only strips receivables, net		13,202,545	18,460,394
Financing, net	6	423,546,940	336,470,114
Net servicing asset for factorized receivables		17,958,738	17,745,697
Margin deposits – restricted, net	7	37,943,321	47,995,579
Investment carried at Fair Value through Other Comprehensive Income “FVOCI”		892,850	892,850
Property and equipment		2,749,909	2,889,443
Intangible assets		6,829,901	7,181,975
Right-of-use assets		2,895,641	3,188,050
TOTAL ASSETS		568,977,002	490,294,592
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	200,000,000	200,000,000
Statutory reserve		2,463,105	2,463,105
Accumulated losses		(1,417,255)	(8,551,932)
TOTAL EQUITY		201,045,850	193,911,173
LIABILITIES			
Due to related parties	5	43,245,266	42,829,498
Other payables and accruals		121,249,742	117,335,649
Lease liabilities		2,940,738	2,897,307
Net servicing liability for factorized receivable		28,481,592	29,192,145
Provision for zakat	9	2,856,551	1,790,450
Borrowings	10	167,317,412	100,037,984
Employees' post-employment benefits		1,839,851	2,300,386
TOTAL LIABILITIES		367,931,152	296,383,419
TOTAL EQUITY AND LIABILITIES		568,977,002	490,294,592

The accompanying notes 1 to 13 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 /(LOSS)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
OPERATING INCOME			
Income from financing		16,750,968	7,668,620
Income from factorized receivables		5,419,519	2,965,860
Contract fee income		1,692,264	2,311,617
Other income		-	18,000
TOTAL OPERATING INCOME		23,862,751	12,964,097
OPERATING EXPENSES			
Finance cost		(1,261,401)	(688,913)
General and administrative expenses		(9,942,756)	(9,927,972)
Selling and marketing expenses		(1,568,482)	(840,415)
Impairment charge for financing	6	(2,889,334)	(104,825)
TOTAL OPERATING EXPENSES		(15,661,973)	(11,562,125)
OPERATING INCOME FOR THE PERIOD BEFORE ZAKAT			
		8,200,778	1,401,972
Zakat	9	(1,066,101)	(70,236)
NET INCOME FOR THE PERIOD		7,134,677	1,331,736
OTHER COMPREHENSIVE INCOME			
		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		7,134,677	1,331,736

The accompanying notes 1 to 13 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 THREE-MONTH PERIOD ENDED 31 MARCH 2022
(All amounts in Saudi Riyals unless otherwise stated)

31 March 2021

	Share capital	Statutory reserve	Accumulated Losses	Total equity
Balance as at 1 January 2021 (Audited)	200,000,000	1,772,337	(14,753,171)	187,019,166
Comprehensive income for the period	-	-	1,331,736	1,331,736
Balance as at 31 March 2021 (Unaudited)	<u>200,000,000</u>	<u>1,772,337</u>	<u>(13,421,435)</u>	<u>188,350,902</u>

31 March 2022

Balance as at 1 January 2022 (Audited)	200,000,000	2,463,105	(8,551,932)	193,911,173
Comprehensive income for the period	-	-	7,134,677	7,134,677
Balance as at 31 March 2022 (Unaudited)	<u>200,000,000</u>	<u>2,463,105</u>	<u>(1,417,255)</u>	<u>201,045,850</u>

The accompanying notes 1 to 13 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 THREE-MONTH PERIOD ENDED 31 MARCH 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating income before zakat		8,200,778	1,401,972
Adjustments for:			
Depreciation of right of use assets		292,409	292,410
Depreciation of property and equipment		227,370	280,818
Amortization of intangibles		365,205	347,208
Reversal against expected defaults in respect of factorized receivables		(173,186)	(12,550)
Reversal in respect of fair value of margin deposits		(1,978,269)	(997,349)
Reversal on profit-only strips receivable		-	(112,950)
Interest expense on lease liability		43,431	56,350
Impairment charge for financing	6	2,889,334	104,825
Finance cost on borrowings		1,217,970	640,663
Employees' post-employment benefits		222,713	139,941
		11,307,755	2,141,338
Changes in operating assets			
Prepayments and other receivables		(5,262,839)	2,244,182
Due from related party		-	23,716
Profit-only strips receivables		5,257,849	6,396,769
Financing		(89,966,160)	(16,696,516)
Net servicing asset for factorized receivables		(213,041)	120,119
Margin deposits – restricted		12,203,713	-
Changes in operating liabilities			
Other payables and accruals		3,914,093	20,355,172
Due to related parties		415,768	(165,487)
Net servicing liability for factorized receivables		(710,553)	(544,449)
Cash (used in) / generated from operations		(63,053,415)	13,874,844
Employees' post-employment benefits paid		(683,248)	(6,823)
Net cash (used in) / generated from operating activities		(63,736,663)	13,868,021
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(87,836)	(16,745)
Purchase of intangible assets		(13,131)	-
Net cash used in investing activities		(100,967)	(16,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		115,000,000	-
Repayment of borrowing		(48,000,000)	-
Finance cost paid		(938,542)	-
Lease liabilities paid		-	(80,000)
Net cash generated from / (used in) financing activities		66,061,458	(80,000)
Net change in cash and cash equivalents		2,223,828	13,771,276
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		13,547,967	56,599,376

The accompanying notes 1 to 13 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 THREE-MONTH PERIOD ENDED 31 MARCH 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
8	Burayda	7016920113

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 three-month period ended 31 March 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 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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(All amounts in Saudi Riyals unless otherwise stated)

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.

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 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.

5. RELATED PARTY TRANSACTIONS AND BALANCES

<u>Transactions during the period</u>			For the three-month period ended	
Names of Related Parties	Nature of Relationship	Nature of transactions	31 March 2022 (Unaudited)	31 March 2021 (Unaudited)
Afras Trading and Contracting Company	Affiliate	Outsourcing services	890,121	1,918,329
EKAL Human Resource Company	Affiliate	Outsourcing services	6,050	24,050
Saudi Financial Lease Contract registry Company	Affiliate	Contract Registry	80,261	70,920
National Leasing Company	Affiliate	Outsourcing services	3,466	4,183

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5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	For the three-month period ended	
	31 March 2022	31 March 2021
<u>Key management personnel</u>	(Unaudited)	(Unaudited)
Salaries and other short-term employee benefits	1,117,100	1,098,338
Post-employment benefits and other long-term benefits	85,044	61,167

Balances as at the period-end

	Note	31 March 2022	31 December 2021
		(Unaudited)	(Audited)
Due to related parties			
Watad Holding Company	5.1	28,000,000	28,000,000
Afras Trading and Contracting Company		14,862,420	14,443,200
National Leasing Company		275,800	275,800
Saudi Financial Lease Contract registry Company		80,261	89,763
EKAL Human Resource Company		26,785	20,735
		43,245,266	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	31 March 2022	31 December 2021
		(Unaudited)	(Audited)
Net investment in Ijarah financing	6.1	304,014,757	300,652,306
Net investment in Murabaha financing	6.3	49,087,069	18,633,796
Net investment in Tawarruq financing	6.5	70,445,114	17,184,012
		423,546,940	336,470,114

6.1. Details of net investment in Ijarah financing:

	31 March 2022	31 December 2021
	(Unaudited)	(Audited)
Net investment in Ijarah financing before provision for impairment	319,327,585	315,377,009
Less: Impairment of Ijarah financing	(15,312,828)	(14,724,703)
Net investment in Ijarah financing	304,014,757	300,652,306

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6. FINANCING, NET (CONTINUED)

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

	For the three-month period ended 31 March 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at beginning of the period / year	14,724,703	10,896,504
Provided during the period / year	588,125	3,828,199
Balance at the end of the period / year	<u>15,312,828</u>	<u>14,724,703</u>

6.3. Details of net investment in Murabaha financing:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Net investment in Murabaha financing before provision for impairment	50,735,726	18,868,887
Less: Impairment of Murabaha financing	(1,648,657)	(235,091)
Net investment in Murabaha financing	<u>49,087,069</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 three-month period ended 31 March 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at beginning of the period / year	235,091	-
Provided during the period / year	1,413,566	235,091
Balance at the end of the period / year	<u>1,648,657</u>	<u>235,091</u>

6.5. Details of net investment in Tawarruq financing:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Net investment in Tawarruq financing before provision for impairment	71,355,931	17,207,186
Less: Impairment of Tawarruq financing	(910,817)	(23,174)
Net investment in Tawarruq financing	<u>70,445,114</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 three-month period ended 31 March 2022 (Unaudited)	For the year ended 31 December 2021 (Audited)
Balance at beginning of the period / year	23,174	-
Provided during the period / year	887,643	23,174
Balance at the end of the period / year	<u>910,817</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:

	31 March 2022 (Unaudited)		
	Current	Non-Current	Total
Margin deposits with banks	17,999,064	24,106,314	42,105,378
Less: Provision against expected defaults in respect of factorized receivables	(866,809)	(294,116)	(1,160,925)
Less: Provision in respect of present value of margin deposits	(417,915)	(2,583,217)	(3,001,132)
As at 31 March 2022	16,714,340	21,228,981	37,943,321

	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	9,324,999	38,670,580	47,995,579

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. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the three-month period ended 31 March 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	1,066,101	1,790,450
Adjustment during the period / year	-	(360,697)
Balance at the end of the period / year	2,856,551	1,790,450

STATUS OF ASSESSMENTS

The Company submitted its Zakat declaration to GAZT for the year ended 31 December 2020 and has obtained the certificate valid until 29 Ramadan 1443H corresponding to 30 April 2022G.

10. BORROWINGS

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Medium-term borrowings principal portion	10.1	97,000,000	60,000,000
Short-term borrowings principle portion	10.2	70,000,000	40,000,000
Accrued interest		317,412	37,984
		167,317,412	100,037,984

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10. BORROWINGS (CONTINUED)

10.1 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 155 million at a fixed rate plus SAIBOR.

10.2 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 100 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 31 March 2022 and 31 December 2021, the Company was in compliance with covenants of the financing agreements.

11. 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.

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. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

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

31 March 2022 (Unaudited)	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850

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

12. 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.

13. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 28 April 2022G (corresponding to 27 Ramadhan 1443H) by the Board of directors of the Company.