

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2023
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 2023

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**PKF**Ibrahim Ahmed Al-Bassam
& Co. Certified Public Accountants**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**

(1 /1)

RIYADH, KINGDOM OF SAUDI ARABIA**INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of Ijarah Finance Company (the "Company") as at 30 September 2023 and the related interim statement of income and 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. 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.Ibrahim Ahmed Al-Bassam
Certified Public Accountant

License No. 337

Riyadh: 10 Rabi' ath-thani 1445H

Corresponding to: 25 October 2023

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IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Cash and cash equivalents		31,960,130	27,202,304
Prepayments and other receivables		61,254,880	56,860,002
Positive fair value of derivatives	10	4,160,531	3,245,318
Profit-only strips receivables, net		869,835	6,250,878
Financing, net	6	637,051,235	522,317,307
Net servicing asset for factorized receivables		14,764,570	20,890,060
Margin deposits – restricted, net	7	16,485,723	29,323,566
Investment carried at Fair Value through Other Comprehensive Income “FVOCI”		892,850	892,850
Property and equipment		3,387,440	3,093,246
Intangible assets		16,072,226	12,173,530
Right-of-use assets		1,582,280	2,313,679
TOTAL ASSETS		788,481,700	684,562,740
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	250,000,000	250,000,000
Statutory reserve		5,044,623	5,044,623
Other reserve	9	3,848,025	2,657,171
Retained earnings		35,048,741	14,509,239
TOTAL EQUITY		293,941,389	272,211,033
LIABILITIES			
Due to related parties	5	-	268,482
Other payables and accruals		49,245,407	98,135,521
Lease liabilities		1,459,535	2,379,830
Net servicing liability for factorized receivables		8,980,871	14,286,898
Negative fair value of derivatives	10	312,506	588,147
Provision for zakat	11	3,180,505	5,161,346
Borrowings	12	429,015,764	289,282,492
Defined benefit obligation		2,345,723	2,248,991
TOTAL LIABILITIES		494,540,311	412,351,707
TOTAL EQUITY AND LIABILITIES		788,481,700	684,562,740

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

IJARAH FINANCE COMPANY
(A Single Person Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended		For the nine-month period ended	
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATING INCOME	13	52,747,173	38,032,596	151,931,803	96,332,304
OPERATING EXPENSES					
Finance cost		(6,756,453)	(3,954,359)	(17,018,775)	(7,730,664)
General and administrative expenses		(11,963,709)	(8,430,359)	(30,702,849)	(23,408,096)
Selling and marketing expenses		(8,554,314)	(4,592,389)	(21,009,649)	(12,134,672)
Impairment charge for financing	6	(19,350,306)	(18,918,751)	(59,472,425)	(35,248,624)
TOTAL OPERATING EXPENSES		(46,624,782)	(35,895,858)	(128,203,698)	(78,522,056)
INCOME FOR THE PERIOD BEFORE ZAKAT		6,122,391	2,136,738	23,728,105	17,810,248
Zakat		(820,643)	(277,803)	(3,188,603)	(2,315,359)
NET INCOME FOR THE PERIOD		5,301,748	1,858,935	20,539,502	15,494,889

The accompanying notes 1 to 17 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 PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended		For the nine-month period ended	
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
NET INCOME FOR THE PERIOD		5,301,748	1,858,935	20,539,502	15,494,889
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to statement of income:					
Cash flow hedge:					
- Effective portion of change in the fair value	9	379,525	2,778,456	1,190,854	2,833,834
Total other comprehensive income for the period		379,525	2,778,456	1,190,854	2,833,834
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5,681,273	4,637,391	21,730,356	18,328,723

The accompanying notes 1 to 17 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 2023
(All amounts in Saudi Riyals unless otherwise stated)

<u>2022</u>	Note	Share capital	Statutory reserve	Other reserves	Retained earnings / Accumulated losses	Total equity
Balance as at 31 December 2021 (Audited)		200,000,000	2,463,105	-	(8,551,932)	193,911,173
Total income for the period		-	-	-	15,494,889	15,494,889
Net change in fair value of cash flow hedge		-	-	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>
<u>2023</u>						
Balance as at 31 December 2022 (Audited)		250,000,000	5,044,623	2,657,171	14,509,239	272,211,033
Total income for the period		-	-	-	20,539,502	20,539,502
Net change in fair value of cash flow hedge	9	-	-	1,190,854	-	1,190,854
Balance at 30 September 2023 (Unaudited)		<u>250,000,000</u>	<u>5,044,623</u>	<u>3,848,025</u>	<u>35,048,741</u>	<u>293,941,389</u>

The accompanying notes 1 to 17 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 2023
(All amounts in Saudi Riyals unless otherwise stated)

	30 September 2023	30 September 2022
Note	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income before zakat	23,728,105	17,810,248
Adjustments for:		
Depreciation of right of use assets	731,399	852,745
Depreciation of property and equipment	527,128	713,920
Amortization of intangible assets	1,055,074	1,097,326
Reversal against expected defaults in respect of factorized receivables	(1,194,315)	(657,261)
Reversal in respect of fair value of margin deposits	(1,072,046)	(3,471,896)
Reversal on profit-only strips receivable	(132,702)	(2,710,220)
Finance cost on lease liability	82,205	120,311
Impairment charge for financing	59,472,425	35,248,624
Finance cost on borrowings	16,936,570	7,610,353
Defined benefit obligation	441,575	546,471
	100,575,418	57,160,621
Changes in operating assets		
Prepayments and other receivables	(4,394,878)	(2,389,788)
Profit-only strips receivables	9,698,460	12,831,352
Financing	(174,206,353)	(234,633,391)
Net servicing asset for factorized receivables	6,125,490	5,167,248
Margin deposits – restricted	10,919,490	25,531,076
Changes in operating liabilities		
Other payables and accruals	(48,890,114)	(40,914,108)
Due to related parties	(268,482)	(1,237,616)
Net servicing liability for factorized receivables	(5,306,027)	(19,521,699)
Cash used in operations	(105,746,997)	(198,006,305)
Defined benefit obligation paid	(344,843)	(790,888)
Zakat paid	(5,169,444)	(186,760)
Net cash used in operating activities	(111,261,284)	(198,983,953)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(821,322)	(935,272)
Purchase of intangible assets	(4,953,770)	(4,105,266)
Net cash used in investing activities	(5,775,092)	(5,040,538)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	307,751,757	596,400,000
Repayment of borrowing	(169,237,199)	(388,033,404)
Finance cost paid	(15,717,856)	(6,812,492)
Lease liabilities paid	(1,002,500)	(1,002,501)
Net cash generated from financing activities	121,794,202	200,551,603
Net increase / (decrease) in cash and cash equivalents	4,757,826	(3,472,888)
Cash and cash equivalents at the beginning of the period	27,202,304	11,324,139
Cash and cash equivalents at the end of the period	31,960,130	7,851,251

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

IJARAH FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(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 established under the Regulations for Companies in the Kingdom of Saudi Arabia having commercial registration number 7001727754 dated 15 Rajab 1433H (corresponding to 5 September 2012G).

On 16 Thul-Qidah 1436H (corresponding to 31 August 2015G), the Company received a license from the Saudi Central Bank (“SAMA”) to conduct consumer financing and lease financing business in the Kingdom of Saudi Arabia.

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

Ijarah Finance Company
7361 Ibn Kathir – King Abdulaziz Dist.
Unit no. 9
Riyadh 12233 - 4280
Kingdom of Saudi Arabia

The Company has the following branches:

S. No	Branch	C.R. No.
1	Riyadh	7015861540
2	Dammam	7003769010
3	Jeddah	7003790479
4	Madinah	7005226571
5	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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 2022.

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.

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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 2022.

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 2022, except for the write off policy effective during the period which states that unsecured loans and secured loans should be written off within 360 days and 720 days once they are classified as Stage 3 exposures or as required, respectively and the adoption of new standards effective as of 1 January 2023. 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

The accounting policies adopted in the preparation of the these interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed financial statements of the Company.

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FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
(All amounts in Saudi Riyals unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New standards, interpretations and amendments adopted by the Company (continued)

Standard, interpretation or amendments	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 01, 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 01, 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 01, 2023.

Accounting standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which will be effective from periods on or after January 1, 2024. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed financial statements of the Company.

Standard, interpretation or amendments	Description	Effective from periods beginning on or after
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024

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(All amounts in Saudi Riyals unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.1 New standards, interpretations and amendments adopted by the Company (continued)

Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	Amendment to IAS 1 – Non-current liabilities with covenants
IFRS S1, ‘General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.	IFRS S1, ‘General requirements for disclosure of sustainability-related financial information
IFRS S2, ‘Climate-related disclosures’	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

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.

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

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4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Derivative financial instruments and hedge accounting (continued)

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.

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

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Derivative financial instruments and hedge accounting (continued)

Cash flow hedges (continued)

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

Transactions during the period

Names of Related Parties	Nature of Relationship	Nature of transactions	For the nine-month period ended	
			30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Afras Trading and Contracting Company	Affiliate	Outsourcing services	1,396,421	2,436,641
EKAL Human Resource Company	Affiliate	Outsourcing services	117,585	47,120
Saudi Financial Lease Contract Registry Company	Affiliate	Contract Registry	17,302	322,788
National Leasing Company	Affiliate	Vehicle services	-	9,754

Key management personnel

	For the nine-month period ended	
	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Salaries and other short-term employee benefits	3,960,957	3,444,194
Defined benefit obligation and other long-term benefits	311,533	248,116

Balances as at the period-end

	Balances as at the period-end	
	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Due to related parties		
Saudi Financial Lease Contract Registry Company	-	2,702
National Leasing Company	-	265,780
	-	268,482

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 2023 (Unaudited)	31 December 2022 (Audited)
Net investment in Ijarah financing	6.1	158,836,473	197,906,554
Net investment in Murabaha financing	6.3	254,221,343	177,458,268
Net investment in Tawarruq financing	6.5	223,993,419	146,952,485
		637,051,235	522,317,307

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6. FINANCING, NET (CONTINUED)

6.1. Details of net investment in Ijarah financing:

	30 September 2023	31 December 2022
	(Unaudited)	(Audited)
Investment in Ijarah financing before provision for impairment	163,331,505	210,706,452
Less: Impairment of Ijarah financing	(4,495,032)	(12,799,898)
Net investment in Ijarah financing	158,836,473	197,906,554

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

	30 September 2023	31 December 2022
	(Unaudited)	(Audited)
Balance at beginning of the period / year	12,799,898	14,724,703
Reversal during the period / year	(2,021,429)	(1,924,805)
Written - off during the period / year	(6,283,437)	-
Balance at the end of the period / year	4,495,032	12,799,898

6.3. Details of net investment in Murabaha financing:

	30 September 2023	31 December 2022
	(Unaudited)	(Audited)
Investment in Murabaha financing before provision for impairment	276,965,331	197,101,873
Less: Impairment of Murabaha financing	(22,743,988)	(19,643,605)
Net investment in Murabaha financing	254,221,343	177,458,268

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

	30 September 2023	31 December 2022
	(Unaudited)	(Audited)
Balance at beginning of the period / year	19,643,605	235,091
Provided during the period / year	26,364,076	19,408,514
Written - off during the period / year	(23,263,693)	-
Balance at the end of the period / year	22,743,988	19,643,605

6.5. Details of net investment in Tawarruq financing:

	30 September 2023	31 December 2022
	(Unaudited)	(Audited)
Investment in Tawarruq financing before provision for impairment	245,944,261	177,887,912
Less: Impairment of Tawarruq financing	(21,950,842)	(30,935,427)
Net investment in Tawarruq financing	223,993,419	146,952,485

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6. FINANCING, NET (CONTINUED)

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Balance at beginning of the period / year	30,935,427	23,174
Provided during the period / year	38,332,363	30,912,253
Written - off during the period /year	(47,316,948)	-
Balance at the end of the period / year	21,950,842	30,935,427

6.7. The allowance for impairment of financing charged to the interim condensed statement of income comprise of the following:

	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Impairment provided during the period	62,675,010	35,248,624
Recovery of written - off financing for the period	(3,202,585)	-
	59,472,425	35,248,624

7. MARGIN DEPOSITS - RESTRICTED , NET

Margin deposits with banks, net comprises of the following:

	30 September 2023 (Unaudited)		
	Current	Non-current	Total
Margin deposits with banks	11,936,727	9,169,028	21,105,755
Less: Provision against expected defaults in respect of factorized receivables	(1,987,115)	(1,526,375)	(3,513,490)
Less: Provision in respect of present value of margin deposits	(235,210)	(871,332)	(1,106,542)
As at 30 September 2023	9,714,402	6,771,321	16,485,723
	31 December 2022 (Audited)		
	Current	Non-current	Total
Margin deposits with banks	15,299,402	16,725,841	32,025,243
Less: Provision against expected defaults in respect of factorized receivables	(249,895)	(273,194)	(523,089)
Less: Provision in respect of present value of margin deposits	(398,319)	(1,780,269)	(2,178,588)
As at 31 December 2022	14,651,188	14,672,378	29,323,566

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8. SHARE CAPITAL

The Company's subscribed and paid-in share capital of SR 250 million is divided into 25 million equity shares of SR 10 each fully owned by Watad Holding Company.

9. OTHER RESERVE

Other reserve represents the net unrealized revaluation gains of cash flow hedges (effective portion) as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Balance at beginning of the period / year	<u>2,657,171</u>	-
Net change in fair value	<u>1,190,854</u>	2,657,171
Balance at end of the period / year	<u>3,848,025</u>	<u>2,657,171</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.

	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount total</u>
<u>30 September 2023</u>			
Cash flow hedge:			
Interest rate swaps	<u>4,160,531</u>	<u>312,506</u>	<u>275,035,236</u>
	<u>4,160,531</u>	<u>312,506</u>	<u>275,035,236</u>
	Positive fair value	Negative fair value	Notional amount total
<u>31 December 2022</u>			
Cash flow hedge:			
Interest rate swaps	<u>3,245,318</u>	<u>588,147</u>	<u>222,723,727</u>
	<u>3,245,318</u>	<u>588,147</u>	<u>222,723,727</u>

11. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	<u>5,161,346</u>	1,790,450
Provided during the period / year	<u>3,188,603</u>	5,161,346
Adjustment during the period / year	-	(1,603,663)
Paid during the period / year	<u>(5,169,444)</u>	<u>(186,787)</u>
Balance at the end of the period / year	<u>3,180,505</u>	<u>5,161,346</u>

STATUS OF ASSESSMENTS

The Company submitted its Zakat declaration to ZATCA for the year ended 31 December 2022 and has obtained the certificate valid until 21 Shawwal 1445H corresponding to 30 April 2024G.

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12. BORROWINGS

	Note	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Medium-term borrowings principal portion	12.1	312,797,893	269,783,336
Short-term borrowings principle portion	12.2	114,000,000	18,500,000
Accrued interest		2,217,871	999,156
		<u>429,015,764</u>	<u>289,282,492</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 SR 200 million at a fixed rate plus SAIBOR.

As of 30 September 2023 and 31 December 2022, the Company was in compliance with covenants of the financing agreements.

13. OPERATING INCOME

	For the three -month period ended		For the nine-month period ended	
	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Income from financing	48,820,607	30,328,417	136,540,898	72,861,297
Income from factorized receivables	1,526,426	5,409,171	6,826,744	16,842,524
Contract fee income	2,400,140	2,295,008	8,564,161	6,628,483
	<u>52,747,173</u>	<u>38,032,596</u>	<u>151,931,803</u>	<u>96,332,304</u>

14. 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).

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

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 2023 (Unaudited)	Fair value			Total
	Level 1	Level 2	Level 3	
Financial asset measured at fair value				
Positive fair value of derivatives	-	4,160,531	-	4,160,531
Investment carried at FVOCI	-	-	892,850	892,850
Financial liabilities measured at fair value				
Negative fair value of derivatives	-	312,506	-	312,506
<hr/>				
31 December 2022 (Audited)	Fair value			Total
	Level 1	Level 2	Level 3	
Financial asset measured at fair value				
Positive fair value of derivatives	-	3,245,318	-	3,245,318
Investment carried at FVOCI	-	-	892,850	892,850
Financial liabilities measured at fair value				
Negative fair value of derivatives	-	588,147	-	588,147

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

15. 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.

16. RECLASSIFICATION OF PRIOR PERIOD FIGURES

Certain comparative information has been reclassified to conform to the current period presentation.

17. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 24 October 2023G (corresponding to 09 Rabi' ath-thani 1445H) by the Board of Directors of the Company.