TAMWEEL Al OULA COMPANY

(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

TAMWEEL Al OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

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Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDER OF TAMWEEL AL OULA COMPANY (A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Tamweel Al Oula Company ("the Company") as at 31 March 2022, and the related interim condensed statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the three-month period then ended, and 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") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to 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 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
Registration No. (422)

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EY
سجل تجاري ٢٠٥١٠٥٨٧٩٢
CR.2051058792
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Al Khobar: 27 Ramadan 1443H
28 April 2022

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three-month period ended 31 March 2022

	Notes	Three-month period ended 31 March 2022 SR (Unaudited)	 2021 SR (Unaudited)
REVENUE			
Revenue from operations	6	**59,805,380**	22,328,798
Revenue from other activities	7	**2,900,415**	2,056,937
TOTAL REVENUE		**62,705,795**	24,385,735
EXPENSES			
Finance costs and bank charges		**(8,172,311)**	(2,562,378)
Salaries and employees' related expenses		**(9,499,931)**	(5,981,111)
Depreciation and amortisation		**(982,942)**	(685,233)
Provision of expected credit losses on investment in Islamic finance receivables		**(7,540,858)**	(4,978,189)
Other general and administrative expenses		**(3,895,791)**	(2,524,439)
TOTAL EXPENSES		**(30,091,833)**	(16,731,350)
PROFIT BEFORE ZAKAT		**32,613,962**	7,654,385
Zakat	11	**(3,261,396)**	(1,578,640)
PROFIT FOR THE PERIOD		**29,352,566**	6,075,745
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the period		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**29,352,566**	6,075,745
Earnings per share			
Basic and diluted earnings per share (restated)	13	**0.88**	0.18
Weighted average number of outstanding shares		**33,333,333**	33,333,333

TAMWEEL AL OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Note	***31 March 2022*** ***SR*** ***(Unaudited)***	*31 December 2021* *SR* *(Audited)*
ASSETS			
Bank balances and cash		**533,478,297**	69,703,270
Prepayments and other receivables		**26,037,851**	88,320,192
Net investment in Islamic finance receivables	8	**2,128,789,040**	1,693,604,693
Equity investment at fair value through other comprehensive income "OCI"		**892,850**	892,850
Property and equipment		**3,640,714**	3,243,742
Right-of-use assets		**2,023,346**	2,490,443
Intangible assets		**2,023,895**	2,113,628
TOTAL ASSETS		**2,696,885,993**	1,860,368,818
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	12	**500,000,000**	250,000,000
Statutory reserve		**11,172,028**	11,172,028
Retained earnings		**84,883,022**	55,530,456
TOTAL SHAREHOLDER'S EQUITY		**596,055,050**	316,702,484
LIABILITIES			
Provision for zakat		**8,407,093**	5,145,697
Accrued expenses and other liabilities		**17,140,064**	26,717,260
Accounts payable		**163,147,305**	89,427,598
Loans and borrowings		**1,820,181,539**	1,364,929,417
Lease liabilities		**1,622,644**	1,612,389
Government grant		**78,128,726**	47,889,415
Amounts due to related parties		**5,891,236**	2,416,891
Employees’ defined benefits liabilities		**6,312,336**	5,527,667
TOTAL LIABILITIES		**2,100,830,943**	1,543,666,334
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**2,696,885,993**	1,860,368,818

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

TAMWEEL AL OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

For the three-month period ended 31 March 2022

	Share capital	*Statutory reserve*	*Retained earnings*	*Total*
	SR	*SR*	*SR*	*SR*
As at 1 January 2021 (audited)	250,000,000	6,732,313	15,772,213	272,504,526
Profit for the period	-	-	6,075,745	6,075,745
Other comprehensive loss for the period	-	-	-	-
Total comprehensive income for the period	-	-	6,075,745	6,075,745
As at 31 March 2021 (unaudited)	250,000,000	6,732,313	21,847,958	278,580,271
As at 1 January 2022 (audited)	250,000,000	11,172,028	55,530,456	316,702,484
Profit for the period	-	-	29,352,566	29,352,566
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	29,352,566	29,352,566
Increase in capital (note 12)	250,000,000	-	-	250,000,000
As at 31 March 2022 (unaudited)	**500,000,000**	**11,172,028**	**84,883,022**	**596,055,050**

TAMWEEL AL OULA COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)
For the three-month period ended 31 March 2022

	Three-month period ended 31 March	
	2022	*2021*
	SR	*SR*
	(Unaudited)	*(Unaudited)*
OPERATING ACTIVITIES		
Profit before zakat	**32,613,962**	7,654,385
Adjustments to reconcile profit before zakat to net cashflow:		
Depreciation of property and equipment	**244,464**	99,099
Depreciation of right-of-use assets	**467,097**	319,195
Amortisation of intangible assets	**271,381**	266,939
Finance costs and bank charges	**16,271,494**	6,295,095
Employees' defined benefits liabilities, charged	**784,669**	543,669
Provision of expected credit loss on investment in Islamic finance receivables	**7,540,858**	4,978,189
Loss on modification of net investment in Islamic finance lease	**-**	7,176,063
Modification gain on deferred payments program	**(9,086,861)**	(8,856,045)
Grant income realised	**(8,099,183)**	(3,732,717)
	41,007,881	14,743,872
Changes in operating assets and liabilities:		
Net investment in Islamic finance receivables	**(433,638,344)**	(155,219,586)
Prepayments and other receivables	**62,282,341**	(11,140,026)
Amounts due to related parties	**3,474,345**	3,945,937
Accounts payable	**73,719,707**	8,027,586
Accruals and other current liabilities	**(9,566,941)**	25,676,290
Cash used in operations	**(262,721,011)**	(113,965,927)
Employees' defined benefits liabilities, paid	**-**	(64,719)
Zakat paid	**-**	-
Finance costs and bank charges paid	**(3,815,040)**	(1,101,053)
Net cash used in operating activities	**(266,536,051)**	(115,131,699)
INVESTING ACTIVITY		
Purchase of property and equipment	**(823,084)**	(608,375)
Net cash used in an investing activity	**(823,084)**	(608,375)
FINANCING ACTIVITIES		
Payment of lease liabilities	**-**	(90,000)
Proceeds from loans and borrowings	**578,368,000**	86,865,787
Capital increase by cash injection	**250,000,000**	-
Repayment of loans and borrowings	**(97,233,838)**	(48,279,742)
Net cash from financing activities	**731,134,162**	38,496,045
INCREASE / (DECREASE) IN BANK BALANCE AND CASH	**463,775,027**	(77,244,029)
Bank balances and cash at the beginning of the period	**69,703,270**	105,446,985
BANK BALANCE AND CASH AT THE END OF THE PERIOD	**533,478,297**	28,202,956

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

1 CORPORATE INFORMATION

Tamweel Al Oula Company ("the Company"), is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050055043 dated 15 Ramadan 1436H (corresponding to 2 July 2015).

The Company is engaged in providing financial leasing in addition to financing production assets and offering consumer finance in accordance with the license number 39/ASH/201512 dated 21 Safar 1437H (corresponding to 3 December 2015) issued by Saudi Central Bank ("SAMA").

The Company's registered office is located at PO 34232, Dammam, Kingdom of Saudi Arabia. The Company operates through the following branches:

Commercial Registration Name	*Number*	*Location*	*Date*
Tamweel Al Oula - Branch	2051065442	Al Khobar	17/04/1439H
Tamweel Al Oula - Branch	2252101795	Al Hasa	02/06/1439H
Tamweel Al Oula - Branch	1010691639	Riyadh	19/07/1442H
Tamweel Al Oula - Branch	4030416684	Jeddah	14/10/1442H

The interim condensed financial statements of the Company as of 31 March 2021 were authorised for issuance on 28 April 2022 (corresponding to 26 Ramadan 1443H).

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company as at and for the three-months period ended 31 March 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The 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 as at 31 December 2021.

2.1 Basis of measurement

These interim condensed financial statements have prepared on historical cost basis, except when otherwise disclosed in the accounting policy adopted. The statement of financial position is stated in order of liquidity.

2.2 Presentation and functional currency

The presentation and functional currency of the Company is Saudi Riyal.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The accounting policies adopted in the preparation of the 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 is not yet effective.

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Company.

3.1 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY (continued)

3.1 Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (continued)

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the interim condensed financial statements of the Company as there were no onerous contracts identified during the period.

3.2 Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

3.3 IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed financial statements of the Company as there were no modifications of the Group's financial instruments during the period.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

4.1 Measurement of expected credit loss on net investment in Islamic finance receivables

Based on regulatory requirements, the Company has changed its accounting policy to measure the expected credit loss on net investment in Islamic finance receivables from the simplified approach to the general approach, both are permissible under IFRS 9 ("Financial Instruments"). Accordingly, the Company has updated the impairment of financial instruments which is part of the policy applied for financial instruments.

Financial insturments - impairment of financial instruments

Policy applicable as of 1 January 2022

The Company records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments, in this section, all referred to as ‘financial instruments’. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit losses (12mECL).

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2,Stage 3 and POCI, as described below:

Stage 1: When net investment in Islamic finance receivables are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 net investment in Islamic finance receivables also include facilities where the credit risk has improved and the balance has been reclassified from Stage 2.

Stage 2: When a net investment in Islamic finance receivables has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 balances also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Stage 2 has three sub-categories that are mainly differentiated based on the days past due.

Stage 3: Net investment in Islamic finance receivables considered credit-impaired. The Company records an allowance for the LTECL.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

4.1 Measurement of expected credit loss on net investment in Islamic finance receivables (continued)

Financial insturments - impairment of financial instruments (continued)

Policy applicable as of 1 January 2022 (continued)

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Company calculates ECL based on a probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Comapny considers three scenarios (a base case, an upside and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the net investment in islamic finance receivables will cure and the value of collateral or the amount that might be received for selling the asset. Considering the Company does not have balance of a revolving nature, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset’s gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2: When a net investment in Islamic finance receivable has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

4.1 Measurement of expected credit loss on net investment in Islamic finance receivables (continued)

Financial insturments - impairment of financial instruments (continued)

Policy applicable as of 1 January 2022 (continued)

Stage 3: For net investment in Islamic finance receivables considered credit-impaired, the Company recognises the lifetime expected credit losses for these balances. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets. The Company does not carry any debt instruments measured at FVOCI.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance. The Company does not carry any POCI financial assets.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GPD Growth
- Government oil revenue

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Restructured financial assets

Any exposure arrangement in which the original terms and conditions have been changed or modified. Normal annual renewal of exposures should not be categorized as restructured exposure. Restructuring may occur in the form of either forbearance or renegotiation as defined as below:

a) Forborne Exposure: Any exposure arrangement in which the original terms and conditions have been changed or modified such that the modified terms result in a concession to the borrower, and the modification, which would not have been otherwise granted, was granted as a result of the borrower's financial difficulty.
b) Renegotiated and/or Refinanced and/or Rescheduled Exposure: Any exposure arrangement in which the original terms and conditions have been modified. However, the modification does not necessarily result in a concession to the borrower and the modification was not granted as a result of the borrower's financial difficulty. These 3 terms have the same interchangeable meanings and should be used accordingly, if needed. Any other new term should be discussed with SAMA before using in practice. For Retail exposures, renegotiation should only be permitted for personal finance and for residential exposures on an exceptional basis. This renegotiation should only be maximum once in a year and 3 times in the lifecycle of the exposure. If this renegotiation exceeds 3 times, that should be considered as forbearance.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

4.1 Measurement of expected credit loss on net investment in Islamic finance receivables (continued)

Financial insturments - impairment of financial instruments (continued)

Policy applicable as of 1 January 2022 (continued)

A Forborne exposure needs to be at least in stage 2A and can retain the stage if the cash flow characteristics do no warrant migration in stage 3 or result in impairment. The following situations will not lead to the re-categorisation of a forborne exposure as performing:

i) Partial write-off of an existing forborne exposure, (i.e. when a finance company writes off part of a forborne exposure that it deems to be uncollectible);
ii) Repossession of collateral on a forborne exposure, until the collateral is actually disposed of and the finance company realises the proceeds (when the exposure is kept on balance sheet, it is deemed forborne); or
iii) Extension or granting of forbearance measures to an exposure that is already identified as forborne subject to the relevant exit criteria for forborne exposures.

The re-categorisation of a forborne exposure as performing should be made on the same level (i.e. debtor or transaction approach) as when the exposure was originally categorised as forborne.

Credit enhancements: collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a frequent basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Company's policy.

In its normal course of business, the Company engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

4.1 Measurement of expected credit loss on net investment in Islamic finance receivables (continued)

Financial insturments - impairment of financial instruments (continued)

Policy applicable as of 1 January 2022 (continued)

Write-off

Retail exposures

- Retail unsecured exposures (including micro and small enterprises and excluding mortgages) should be written off within 360 days once they are classified as stage 3 exposures.
- Retail secured (including micro and small enterprises) loans (excluding mortgages) should be written off within 720 days once they are classified as stage 3 exposure.
- Retail mortgages (including micro and small enterprises mortgages) should be written off before 1,080 days from the date they are classified as stage 3 exposure.

Corporate

- Corporate exposures (including medium corporates as per MSME definition by SAMA) should be written off before 1,080 days from the date they are classified as stage 3 exposure.

In case, the above-mentioned time period of the write off is not followed, SAMA prior approval should be obtained on a case by case basis.

The Company has assessed the imapact of the change in the accounting policy as required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" on the opening balances of the comparative interim condensed statement of financial position and on the comparative interim condensed statement of profit or loss and other comprehensive income. The change in the policy did not result in a material impact, accordingly the Company did not restate the comparative figures.

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2021, with the exception of the below which has been updated in accordance with the change in the accounting policy mentioned in note 4 of these interim condensed financial statements.

5.1 Expected credit losses ("ECL") on financial assets

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

5.1 Expected credit losses ("ECL") on financial assets (continued)

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

1) The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:

   a) The Company's internal credit grading model, which assigns Probability of Default ('PDs') to the individual grades

   b) The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment

   c) The segmentation of financial assets when their ECL is assessed on a collective basis

   d) Development of ECL models, including the various formulas

   e) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2) The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

6 REVENUE FROM OPERATIONS

	Three-month period ended 31 March (Unaudited)	
	2022	*2021*
	SR	*SR*
External customers	**53,536,712**	20,741,146
Related parties	**6,268,668**	1,587,652
	59,805,380	22,328,798

6 REVENUE FROM OPERATIONS (continued)

All of the Company's revenue is generated in the Kingdom of Saudi Arabia. The Company recognises the revenue in accordance with IFRS 9 "Financial Instruments" requirements.

7 REVENUE FROM OTHER ACTIVITIES

	Three-month period ended 31 March	
	2022	*2021*
	SR	*SR*
	(Unaudited)	*(Unaudited)*
Discounts from suppliers	**2,874,790**	1,996,654
Others	**25,625**	60,283
	2,900,415	2,056,937

8 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES

	31 March 2022	*31 December 2021*
	SR	*SR*
	(Unaudited)	*(Audited)*
Gross investment in Islamic finance receivables	**2,560,900,484**	2,055,733,609
Less: unearned finance income	**(395,953,769)**	(324,425,238)
Investment in Islamic finance receivables (before allowance for expected credit loss on Islamic finance receivables)	**2,164,946,715**	1,731,308,371
Less: allowance for expected credit losses on Islamic finance receivables	**(36,157,675)**	(28,616,817)
Less: modification loss recognised on SAMA's deferment program	**-**	(9,086,861)
Net investment in Islamic finance receivables	**2,128,789,040**	1,693,604,693
Analysed as below:		
Net investment in Islamic finance receivables, non-current	**1,506,785,573**	1,080,583,385
Net investment in Islamic finance receivables, current	**622,003,467**	613,021,308
	2,128,789,040	1,693,604,693

8.1 The Company's implicit rate of return on investment in Islamic finance receivables is in the market rate range. These receivables are majorly secured against assets, personal guarantees, Kafala program and down payments. The Company's major activities for investment in finance receivables are in Tawarruq and Ijarah.

8.2 Investment in Islamic finance receivables include Ijarah and Tawarruq contracts amounting to SR 1.04 billion and SR 1.52 billion respectively (31 December 2021: SR 905.04 million and SR 1.14 billion respectively).

8 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES (continued)

8.3 The contractual rights and the titles of certain assets subject to the financing arrangements of Islamic financing receivables are under the name of Al Kifah Trading Company (a shareholder) amounting to SR 0.07 million (2021: SR 0.08 million). The shareholder waived rights over the assets and confirmed that the risks and rewards pertaining to the assets have been transferred to the Company.

8.4 At 31 March 2021, ijarah receivables include the Company's repossessed assets inventory for contracts having outstanding receivables amounting to SR 0.53 million (31 December 2020: SR 0.61 million).

8.5 As at 31 March 2022, investment in Islamic finance leases includes SR 271 million of balances due from related parties (31 December 2021: 157) (Note 9).

8.6 During the period ended 31 March 2022, the Company has entered into an agreement to sell a tranche of its net investment in Islamic finance receivables amounting to SR 50 million representing 85% of the gross value of the net investment in Islamic finance receivables outstanding balance to a commercial bank (the “Purchaser”) within the Kingdom of Saudi Arabia. Such receivables represent instruments initially originated by the Company and subsequently sold to a third party. The Company acts as an Agent to collect the outstanding amounts on behalf of the Purchaser and is entitled to collect a fee, that would be limited to the remaining 15% portion of the underlying agreement, this is dependent on the performance of the Company in the collection of the receivables. The Company has a restricted cash amounting to SR 4.6 million representing 10% of the collected amount against the sold net investment in Islamic finance receivables.

8.7 During 2021, the Company has entered into a Musharakah agreement with a local Company for Ijara and Tawarruq receivables. In accordance with the terms of this agreement, the partners are participating in the underlying Ijarah and Tawarruq transactions on agreed basis allocating 20% for the Company and the remaining 80% for the other Musharakah Partner. Such receivables represent instruments initially originated by the Company and subsequently transferred to a third party. The Company assumes credit risk to the extent of its share in the agreement. During 2021, the Company has derecognised net investment in Islamic finance receivables amounting to SR 88.15 million which represents 80% of the Musharaka agreement (2020: nil). As of 31 March 2022, the outstanding balance related to the Musharkah Partner and the Company were SR 76.2 million and SR 18.2 million, respecitvely (31 December 2021: SR 82.1 million and SR 20 million, respectively).

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include partners and entities controlled, jointly controlled or significantly influenced by such parties (affiliates). Pricing policies and terms of payments of transactions with related parties are approved by the Company's management. Following is the list of related parties of the Company:

Names of related parties	***Nature of Relationship***
Al Kifah Holding Company	Shareholder
Al Kifah Trading Company	Fellow subsidiary
Al Kifah for Building Material Company	Fellow subsidiary
Al Kifah Contracting Company	Fellow subsidiary
Al Motaweroon Company	Fellow subsidiary
Al Kifah Real Estate Company	Fellow subsidiary
Al Kifah Paper Products Company	Fellow subsidiary
Al Kifah Precast Company	Fellow subsidiary
Al Kifah Holding Company Branch	Branch of the shareholder
Al Kifah Information Technology Company	Fellow subsidiary
KiCe Construction Equipment	Fellow subsidiary
Green Vision Paper Products Company	Fellow subsidiary
Medical Infection Control Company	Fellow subsidiary
Al Kifah ReadyMix Factory Company	Fellow subsidiary
Optimal supply for catering services Company	Fellow subsidiary

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Following are the details of the major related party transactions occurred during the period:

Related party	***Nature of relationship***	***Nature of transactions***	***Amounts of transactions*** Three-month period ended 31 March (Unaudited) 2022 SR	2021 SR
Al Kifah Holding Company	Shareholder	Amount collected against Islamic finance receivables	-	(3,309,684)
		Value added tax paid on behalf of the Company	**4,167,191**	700,302
		Services provided	**101,075**	332,903
		finance receivables	**(1,290,687)**	
Al Kifah Contracting Company	Fellow subsidiary	Amount collected against Islamic finance receivables	**(1,392,092)**	(487,425)
		Financing	-	9,200,000
KiCe Construction Equipment	Fellow subsidiary	Financing	-	15,000,000
		Amount collected against Islamic finance receivables	-	-
		Heavy machinery and equipment sales financed by the Company	**20,813,750**	25,600,281
		Amount paid against machinery and equipment financed	**(19,735,000)**	(21,485,996)
Al Kifah Real Estate Company	Fellow subsidiary	Amount collected against Islamic finance receivables	**(3,106,567)**	(616,984)
		Financing	**20,000,000**	
		Services provided	**89,932**	121,798

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related party	***Nature of relationship***	***Nature of transactions***	***Amounts of transactions***	
			Three-month period ended 31 March (Unaudited)	
			2022	*2021*
			SR	*SR*
Al Kifah Paper Products Company	Fellow subsidiary	Services provided	**-**	1,317
		Amount collected against Islamic finance receivables	**(32,036,117)**	(621,628)
Al Kifah Precast Company		Amount collected against Islamic finance receivables	**(3,079,962)**	(621,629)
		Financing	**20,000,000**	
Al Kifah Information Technology Company	Fellow subsidiary	Information technology fee	**248,321**	551,456
Al Motaweroon Company		Amount collected against Islamic finance receivables	**(1,337,334)**	-
		Financing	**19,200,000**	13,600,000
Green Vision Paper Products Company	Fellow subsidiary	Financing	**38,768,046**	-
Medical Infection Control Company	Fellow subsidiary	Financing	**15,000,000**	
Al Kifah for Building Material Company	Fellow subsidiary	Financing	**-**	500,000
		Amount collected against Islamic finance receivables	**(1,377,979)**	(4,713,934)
Al Kifah ReadyMix Factory Company	Fellow subsidiary	Financing	**30,000,000**	
Optimal supply for catering services Company	Fellow subsidiary	Financing	**10,000,000**	-

9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due from related parties - (presented under net investment in Islamic finance receivables (note 8):

	31 March 2022 SR (Unaudited)	*31 December 2021 SR (Audited)*
Al Kifah Real Estate Company	**47,602,841**	30,210,755
Al Kifah Precast Company	**47,547,775**	30,168,046
Al Motaweroon Company	**45,660,834**	27,251,245
Green Vision Paper Products Company	**38,654,709**	-
Al Kifah ReadyMix Factory Company	**30,000,000**	-
KiCe Construction Equipment	**15,000,000**	15,180,000
Medical Infection Control Company	**15,000,000**	-
Al Kifah Contracting Company	**9,523,846**	10,631,545
Al Kifah for Building Material Company	**8,353,635**	10,032,316
Al Kifah Holding Company Branch	**3,574,607**	4,748,495
Al Kifah Paper Products Company	**-**	28,768,046
Optimal supply for catering services Company	**10,000,000**	-
	270,918,247	156,990,448

Amounts due to related parties - (presented under liabilities):

	31 March 2022 SR (Unaudited)	*31 December 2021 SR (Audited)*
Al Kifah for Building Material Company	**4,718**	1,318
Al Kifah Real Estate Company	**510,400**	420,468
Al Kifah Holding Company	**4,252,485**	1,741,873
Al Kifah Contracting Company	**44,883**	44,883
KiCe Construction Equipment	**1,078,750**	-
Al Kifah Information Technology Company	**-**	208,349
	5,891,236	2,416,891

Compensation and remuneration (including salaries and other benefits) for key management personnel is disclosed as follows:

	Three-month period ended 31 March (Unaudited)	
	2022 SR	*2021 SR*
Short-term employee benefit	**1,166,314**	422,166
Post-employment benefits	**247,811**	87,397
	1,414,125	509,563

10 LOANS AND BORROWINGS

	31 March 2022 SR (Unaudited)	*31 December 2021 SR (Audited)*
SAMA support program (note 10.1)	**1,562,907,633**	1,100,443,427
Tawaruq financing (note 10.2)	**168,959,448**	167,541,540
Social development bank financing (note 10.3)	**101,670,558**	113,412,116
Less: Modification gain on deferment (note 10.1)	**(13,356,100)**	(16,467,666)
Net loans and borrowings	**1,820,181,539**	1,364,929,417

Analyzed as follows:

	31 March 2022 SR (Unaudited)	*31 December 2021 SR (Audited)*
Non-current portion	**1,039,770,721**	769,765,088
Current portion	**780,410,818**	595,164,329
	1,820,181,539	1,364,929,417

10.1 During 2020, the Company has signed an agreement with SAMA to enroll in the deferred payments program. During the three-month period ended 31 March 2022, based on the deferred payments program, the Company has received SR 37.9 million (the year ended 31 December 2021: SR 209.7 million), these loans are interest free loans provided. The Modification gain on deferment includes an amount of SR 9.1 million (31 March 2021: SR 8.9 million), which is recorded under revenue from operations in the interim condensed statement of profit or loss and other comprehensive income. Further, the Company has obtained additional funds from SAMA under loan guarantee program amounting to SR 558.4 million (the year ended 31 December 2021: SR 634.8 million) to finance its activities. These loans are repayable in equal monthly installment commencing from May 2020 with the final installment due in November 2024. SAMA deferred payments program and loan guarantee program are carried at fair value using internal rate of return equivalent to the prevailing market rate. During the period ended 31 March 2022, SAMA has terminated the Deferred Payment Program with the last extension expiring on 31 March 2022.

10.2 The Company has obtained a Tawaruq financing facilities from local commercial banks to finance the purchase of assets for leasing services. Tawaruq loans are of both long-term and revolving nature. The long-term loan is repayable within a 5-year period. The revolving loans are payable within the next 12 months. Tawaruq loans carry financial charges at prevailing market borrowing costs plus SIBOR. These Tawaruq loans are secured by promissory notes issued by the shareholder. The Company is required to comply with certain covenants under the facility agreements which includes maintenance of certain leverage ratios. The Company had no breach of covenants during the period.

10.3 During 2018, the Company obtained long-term loans from Social Development Bank ("SDB"), a governmental agent, to finance the purchase of assets for leasing services for small and medium sized entities ("SMEs") with 3-month grace periods. The Company has entered into similar agreements during 2020 and 2021 with all having 3-month grace periods, except for one loan obtained during 2020 which had a 6-month grace period due to COVID-19 related extension. The loans are repayable in equal monthly instalments commencing from January 2019 with the final instalment due in January 2025.

10 LOANS AND BORROWINGS (continued)

10.3 The loans agreements do not include any covenant to maintain financial ratios during the loan period. Social Development Bank financing are carried at fair value using internal rate of return equivalent to the prevailing market rate. The difference between carrying value and face value as of initial recognition date, is treated as government grant, which is amortised over the duration of the related loans.

The loans received from SDB, carry special commission at rates significantly lower than the currently prevailing market rates. These loans carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of the "lower than market value" loans obtained by the Company has been identified and accounted for as "government grant" and has initially been recorded as income and such benefit is being recognised in statement of comprehensive income of the Company.

11 ZAKAT

11.1 Zakat charge

Zakat charge for the three-month period ended 31 March 2022 was SR 3.26 million (31 March 2021: SR 1.57 million).

11.2 Status of the assessment

Zakat returns for the years 2016 through 2018 have been submitted to ZATCA as part of Al Kifah Holding Company (referred to as the "Group") as part of a consolidated zakat return. The Company is not liable for any additional liability related to those years. The zakat return for the years 2019 and 2020 has been submitted, however, the assessment has not yet been raised by ZATCA. The Company has a valid zakat certificate till 30 April 2022.

Zakat has been computed based on the Company's understanding of the zakat regulations enforced in the Kingdom of Saudi Arabia. The zakat regulations in Saudi Arabia are subject to different interpretations and new zakat regulations have been issued by ZATCA for financing companies. The assessments to be raised by ZATCA could be different from the declarations filed by the Company.

12 SHARE CAPITAL

The authorised, issued and paid up capital is SR 500 million as at 31 March 2022 consisting of 50 million shares (31 December 2021: SR 250 million consisting of 25 million shares) of SR 10 share. During the Extraordinary General Assembly of the Company held on 24 Jumada Al-Alkhirah 1443H (corresponding to 27 January 2022), the Shareholder of the Company has resolved to increse the Company's share capital to SR 500 million. The capital increase was through direct cash injection by the single shareholder.

The Company has received SAMA's no objection letter to increase the Company's Share Capital and legal formalities have been completed. Ownership percentage and amount of share capital are as follows:

	Ownership %			
Name of shareholders	***31 March 2022***	*31 December 2021*	***31 March 2022***	*31 December 2021*
Al Kifah Holding Company	**100%**	100%	**500,000,000**	250,000,000

13 EARNINGS PER SHARE

Basic and diluted earnings per share for the period ended 31 March 2022 and 31 March 2021 is calculated on a weighted average basis by dividing the net income for the year by outstanding number of shares during the year.

14 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing issues due to identification of multiple new variants of this infections. despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Company continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected.

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Company deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Programs	*Instalment deferred*	*Cost of deferral*
April 2020 - September 2020	50,673,000	5,371,528
October 2020 - December 2020	48,189,771	1,700,422
January 2021 - March 2021	76,818,552	4,583,105
April 2021 - June 2021	91,987,416	6,589,496
July 2021 - September 2021	38,448,825	2,355,782
October 2021 - December 2021	37,974,283	2,680,819
January 2022 - March 2022	39,965,874	2,821,417

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

The Company continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk for assessment of ECL on its MSME portfolio. The Company continues to monitor the customers still under the DPP in order to assess the whether there has been any SICR which would require management overlays to be recorded. As of 31 March 2022, the Company has not recoreded additional overlays.

14 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (continued)

SAMA support programs and initiatives (continued)

Private Sector Financing Support Program ("PSFSP") (continued)

In order to compensate the related cost that the Company has incurred under the SAMA and other public authorities program, during the years 2020, 2021 and 2022, the Company has received multiple profit free deposits from SAMA amounting to SR 483.9 and SR 766.6 and SR 596.3 respectively, with varying maturities, which qualify as government grants.

Late December 2021, SAMA has announced the extension of the DPP until 31 March 2022. SAMA has not extended the program and the program has ended on 31 March 2022.

15 COMMITMENTS AND CONTINGENCIES

As of the date of the interim condensed statement of financial position, the Company did not have any outstanding commitments or contingencies.

16 COMPARATIVE FIGURES

Certain of the prior year numbers have been reclassified to conform with the presentation in the current year.

17 SUBSEQUENT EVENTS

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the interim condensed financial statements as at and for the three-months period ended 31 March 2022.