Morabaha Marina Financing Company
(A Saudi Joint Stock Company)

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

FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MORABAHA MARINA FINANCING COMPANY (A SAUDI JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Morabaha Marina Financing Company - A Saudi Joint Stock Company (the "Company") as at 31 March 2022, and the related interim condensed statement of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") 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 information 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 endorsed in the Kingdom of Saudi Arabia.

For Ernst & Young Professional Services

Hesham A. Alatiqi
Certified Public Accountant
License No. (523)

Riyadh: 27 Ramadhan 1443H
(28 April 2022)

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CR.1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the three-month period ended 31 March 2022

	Notes	**2022 (Unaudited) SR**	*2021 (Unaudited) SR*
Special commission income	3	**38,390,462**	29,355,188
Special commission expense		**(5,622,271)**	(5,278,855)
NET SPECIAL COMMISSION INCOME		**32,768,191**	24,076,333
Other operating income			
Other income	4	**6,005,931**	4,054,495
TOTAL OPERATING INCOME		**38,774,122**	28,130,828
Operating expenses			
General and administration expenses	5	**(12,086,807)**	(10,513,438)
Impairment losses on Islamic financing receivables	6	**(9,343,243)**	(6,844,525)
INCOME BEFORE ZAKAT		**17,344,072**	10,772,865
Zakat	8	**(3,560,769)**	(1,811,952)
NET INCOME FOR THE PERIOD		**13,783,303**	8,960,913
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**13,783,303**	8,960,913
Basic and diluted earnings per share		**0.44**	0.32

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	***31 March 2022 (Unaudited) SR***	*31 December 2021 (Audited) SR*
ASSETS			
Cash and cash equivalents		**259,715,716**	42,807,690
Prepayments and other assets		**40,084,853**	11,632,698
Investment at fair value through OCI		**892,850**	892,850
Islamic financing receivables	6	**961,005,202**	924,111,199
Repossessed asset held for sale	6	**65,916,935**	49,421,675
Right-of-use assets		**3,833,906**	4,264,487
Intangible assets		**4,502,220**	4,642,060
Property and equipment		**4,670,145**	4,491,747
TOTAL ASSETS		**1,340,621,827**	1,042,264,406
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable, accruals and others	7	**62,467,705**	11,928,262
Provision for zakat	8	**10,561,281**	7,000,512
Borrowings	9	**719,580,864**	649,282,746
Lease liabilities		**3,213,775**	3,928,005
Employees' defined benefit liabilities		**4,512,199**	4,245,231
TOTAL LIABILITIES		**800,335,824**	676,384,756
SHAREHOLDERS' EQUITY			
Share capital	10	**311,355,000**	311,355,000
Proposed increase in share capital	11	**188,645,000**	-
Statutory reserve		**17,250,061**	17,250,061
Retained earnings		**23,035,942**	37,274,589
TOTAL SHAREHOLDERS' EQUITY		**540,286,003**	365,879,650
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,340,621,827**	1,042,264,406

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the three-month period ended 31 March 2022

	Share capital SR	*Proposed increase in share capital SR*	*Statutory reserve SR*	*Retained earnings SR*	*Total SR*
For the three-month period ended 31 March 2021					
Balance at 1 January 2021	280,500,000	-	13,194,711	31,631,442	325,326,153
Proposed increase in share capital	-	30,855,000	-	(30,855,000)	-
Net income for the period	-	-	-	8,960,913	8,960,913
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	8,960,913	8,960,913
Balance at 31 March 2021 (unaudited)	280,500,000	30,855,000	13,194,711	9,737,355	334,287,066
For the three-month period ended 31 March 2022					
Balance at 1 January 2022	**311,355,000**	**-**	**17,250,061**	**37,274,589**	**365,879,650**
Proposed increase in share capital through transfer from retained earnings (note 11)	**-**	**28,021,950**	**-**	**(28,021,950)**	**-**
Proposed increase in share capital through cash injection (note 11)	**-**	**160,623,050**	**-**	**-**	**160,623,050**
Net income for the period	**-**	**-**	**-**	**13,783,303**	**13,783,303**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**		**-**	**13,783,303**	**13,783,303**
Balance at 31 March 2022 (unaudited)	**311,355,000**	**188,645,000**	**17,250,061**	**23,035,942**	**540,286,003**

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2022

	Notes	***2022 (Unaudited) SR***	*2021 (Unaudited) SR*
OPERATING ACTIVITIES			
Income before zakat		**17,344,072**	10,772,865
Adjustments for:			
Impairment losses on Islamic financing receivables	6	**9,343,243**	6,844,525
Depreciation and amortisation		**542,478**	554,141
Depreciation of right-of-use assets		**430,581**	396,796
Finance charge on lease		**50,270**	71,391
Provision for employees' terminal benefits		**266,968**	570,771
Operating cash flows before working capital changes		**27,977,612**	19,210,489
Working capital adjustments:			
Islamic financing receivables		**(46,237,246)**	(74,719,683)
Prepayments and other assets		**(28,452,155)**	(2,923,358)
Repossessed asset held for sale		**(16,495,260)**	10,500,000
Accounts payable, accruals and others		**50,539,443**	1,194,598
Net cash used in operations		**(12,667,606)**	(46,737,954)
Zakat paid	8	-	(6,787,784)
Employees' terminal benefits paid		-	(93,747)
Net cash used in operating activities		**(12,667,606)**	(53,619,485)
INVESTING ACTIVITIES			
Purchase of property and equipment		**(547,286)**	(117,327)
Purchase of intangible assets		**(33,750)**	(97,000)
Net cash used in investing activities		**(581,036)**	(214,327)
FINANCING ACTIVITIES			
Proceeds from borrowings		**146,062,300**	83,000,000
Repayment of borrowings		**(75,764,182)**	(44,478,083)
Proceeds from increase of capital		**160,623,050**	-
Lease liabilities paid		**(764,500)**	(410,000)
Net cash from financing activities		**230,156,668**	38,111,917
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**216,908,026**	(15,721,895)
Cash and cash equivalents at the beginning of the period		**42,807,690**	89,064,757
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**259,715,716**	73,342,862
SIGNIFICANT NON-CASH TRANSACTIONS:			
Proposed increase in share capital		**28,021,950**	30,855,000
Special commission received		**31,040,629**	19,330,840
Special commission paid		**22,128,291**	(3,645,726)

The accompanying notes 1 to 19 form an integral part of these interim condensed financial statements

1 ACTIVITIES

Morabaha Marina Financing Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration numbered 1010337706 dated 14 Jumad Al Thani 1433H (corresponding to 5 May 2012). The Company's head office is located at Riyadh and registered address is P.O. Box 8055, Riyadh 14925, Kingdom of Saudi Arabia, Ar Rabi district, Thomamah road. The Company has the following branches:

Branch Commercial Registration Number	*Branch location*	*Date*
3450015199	Arar	8 Jumada II 1437H
1010337706	Riyadh Main	14 Jumada II 1433H
1010351999	Riyadh	16 Dhul-Qadah 1433H
1010453589	Riyadh	2 Dhul-Qadah 1439H
1116010899	Dawadmi	19 Jumada II 1436H
2050125719	Dammam	8 Ramdan 1440H
2053112249	Qatif	2 Dhul-Qadah 1439H
3400019877	Skaka	10 Sahwwal 1437H
3452010771	Qurayyat	27 Sha'aban 1438H
4030288370	Jeddah	8 Jumada II 1437H
4030305936	Jeddah	2 Dhul-Qadah 1439H
5850064133	Abha	4 Sha'aban 1435H
5900034225	Jizan	8 Jumada II 1437H
1131307492	Buraydah	8 Muharram 1440H
3350149330	Hail	8 Muharram 1440H
5950028443	Najran	25 Muharram 1440H

The Company is engaged in leasing and providing financing facilities to medium and small enterprises and consumers in addition to financing production assets and offering consumer finance in accordance with the Saudi Central Bank ("SAMA") approval number 22/201410 dated 19 Dhul Qadah 1435H (corresponding to 13 September 2014).

2 BASIS OF PREPARATION

a. Statement of compliance

The interim condensed financial statements of the Company as at and for the three-month period ended 31 March 2022 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 endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2021.

An interim period is considered an integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

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

These interim condensed financial statements have been presented in Saudi Riyals, as it is the functional currency of the Company.

The Company presents its statement of financial position in order of liquidity based on the Company's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item.

2 BASIS OF PREPARATION (continued)

b. Significant accounting judgments, estimates and assumptions

The accounting policies, 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.

c. New standards, interpretations and amendments

Following standard, interpretation or amendment are effective from the current year and are adopted by the Company, however, these does not have any impact on the financial statements of the year.

Standard, interpretation, amendments	Description	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	*Amendments to IFRS 3, 'Business combinations'* update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. *Amendments to IAS 16, 'Property, plant and equipment'* prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income. *Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'* specify which costs a company includes when assessing whether a contract will be loss-making. *Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.*	Annual periods beginning on or after 1 January 2022.
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021

2 BASIS OF PREPARATION (continued)

d. Accounting standards issued but not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than 1 January 2024
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 1 January 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 1 January 2023.
IFRS 17, 'Insurance contracts', as amended in June 2020	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 1 January 2023.
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts	The amendment relates to insurers' transition to the new Standard only—it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after 1 January 2023.

3 SPECIAL COMMISSION INCOME

Special commission income comprises of income from the following financing products:

	For the three-month period ended 31 March	
	2022 (Unaudited) SR	*2021 (Unaudited) SR*
Tawarruq	**36,564,179**	28,456,724
Ijara	**1,826,283**	898,464
	38,390,462	29,355,188

All the special commission income are from financing products which are Shariah compliant.

4 OTHER INCOME

	For the three-month period ended 31 March	
	2022 (Unaudited) SR	*2021 (Unaudited) SR*
Recovery of Islamic financing receivables written off	**4,518,420**	2,483,158
Income from early settlement fees	**1,344,893**	1,354,996
Income from short term deposits	**34,524**	216,341
Others	**108,094**	-
	6,005,931	4,054,495

5 GENERAL AND ADMINISTRATION EXPENSES

	For the three-month period ended 31 March	
	2022 (Unaudited) SR	*2021 (Unaudited) SR*
Salaries and employee related costs	**7,896,630**	6,640,181
Depreciation and amortisation	**973,059**	951,871
Professional and legal fees	**721,179**	821,736
Insurance charges	**519,449**	193,360
Utilities expense	**162,110**	164,535
Bank charges	**266,399**	292,310
Repair and maintenance	**268,201**	520,121
Other expenses	**1,279,780**	929,324
	12,086,807	10,513,438

6 ISLAMIC FINANCING RECEIVABLES, NET

	Tawarruq receivables		*Ijara receivables*		*Total*	
	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*	***31 March 2022 (Unaudited) SR***	*31 December 2021 (Audited) SR*	***31 March 2022 (Unaudited) SR***	*31 December 2021 (Audited) SR*
Gross Islamic financing receivables	**1,265,495,178**	1,219,257,138	**54,298,440**	56,397,266	**1,319,793,618**	1,275,654,404
Less: Unrealised profit	**(300,881,617)**	(294,590,531)	**(13,122,311)**	(13,368,185)	**(314,003,928)**	(307,958,716)
	964,613,561	924,666,607	**41,176,129**	43,029,081	**1,005,789,690**	967,695,688
Less: Allowance for impairment losses	**(42,447,834)**	(42,520,291)	**(2,336,654)**	(1,064,198)	**(44,784,488)**	(43,584,489)
Islamic financing receivables, net	**922,165,727**	882,146,316	**38,839,475**	41,964,883	**961,005,202**	924,111,199

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

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type is presented below:

31 March 2022 (unaudited)

	Gross Carrying Amount				***Allowance for ECL***				***ECL Coverage %***			
	Stage 1 SR	***Stage 2 SR***	***Stage 3 SR***	***Total SR***	***Stage 1 SR***	***Stage 2 SR***	***Stage 3 SR***	***Total SR***	***Stage 1 %***	***Stage 2 %***	***Stage 3 %***	***Total %***
Tawarruq	**649,227,104**	**204,373,878**	**111,012,580**	**964,613,562**	**1,749,236**	**21,765,025**	**18,933,573**	**42,447,834**	**0.3%**	**10.6%**	**17.1%**	**4.4%**
Ijara	**22,258,401**	**15,586,644**	**3,331,083**	**41,176,128**	**27,432**	**1,023,686**	**1,285,536**	**2,336,654**	**0.1%**	**6.6%**	**38.6%**	**5.7%**
Total	**671,485,505**	**219,960,522**	**114,343,663**	**1,005,789,690**	**1,776,668**	**22,788,711**	**20,219,109**	**44,784,488**	**0.3%**	**10.4%**	**17.7%**	**4.5%**

31 December 2021 (Audited)

	Gross carrying amount				*Allowance for ECL*				*ECL Coverage %*			
	Stage 1 SR	*Stage 2 SR*	*Stage 3 SR*	*Total SR*	*Stage 1 SR*	*Stage 2 SR*	*Stage 3 SR*	*Total SR*	*Stage 1 %*	*Stage 2 %*	*Stage 3 %*	*Total %*
Tawarruq	673,115,530	151,392,482	100,158,595	924,666,607	1,057,801	25,879,016	15,583,474	42,520,291	0.2%	17.1%	15.6%	4.6%
Ijara	24,818,087	16,920,503	1,290,491	43,029,081	20,577	530,492	513,129	1,064,198	0.1%	3.1%	39.8%	2.5%
Total	697,933,617	168,312,985	101,449,086	967,695,688	1,078,378	26,409,508	16,096,603	43,584,489	0.2%	15.7%	15.9%	4.5%

6 ISLAMIC FINANCING RECEIVABLES, NET (continued)

Analysis of credit quality of Islamic financing receivables is as follows:

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Neither past due nor impaired	**701,895,631**	640,947,622
Past due but not impaired	**223,391,042**	222,363,237
Past due and impaired	**80,503,017**	104,384,829
	1,005,789,690	967,695,688

Management classifies Islamic financing receivables that are either not yet due or otherwise past due but for 90 days or less as "performing" while all receivables that are past due for more than 90 days are classified as "non-performing". Below is the breakdown of performing and non-performing Islamic financing receivables:

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Performing	**925,286,674**	863,310,859
Non-performing	**80,503,016**	104,384,829
	1,005,789,690	967,695,688

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited)* ***SR***
Current	**373,864,245**	339,107,691
Non-current	**631,925,445**	628,587,997
	1,005,789,690	967,695,688

Movement in the allowance for impairment losses were as follows:

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited)* ***SR***	*31 March 2021 (Unaudited)* ***SR***
At beginning of the period / year	**43,584,489**	27,936,407	27,936,407
Charge for the period / year	**9,343,243**	38,814,177	6,844,525
Written-off during the period / year	**(8,143,244)**	(23,166,095)	(5,610,673)
At end of the period / year	**44,784,488**	43,584,489	29,170,259

6 ISLAMIC FINANCING RECEIVABLES, NET (continued)

The following table shows reconciliations from the opening to the closing balance of the impairment allowance for financings to customers at amortized cost.

31 March 2022 (Unaudited)	*12 month ECL SR*	*Lifetime ECL not credit impaired SR*	*Lifetime ECL credit impaired SR*	*Total SR*
Balance at 1 January 2022	**(14,365,595)**	**20,247,888**	**37,702,196**	**43,584,489**
Transfer to 12 month ECL	**141,831**	**(129,037)**	**(12,794)**	**-**
Transfer to Lifetime ECL not credit impaired	**(63,347)**	**2,601,492**	**(2,538,145)**	**-**
Transfer to Lifetime ECL credit impaired	**(5,026,947)**	**(1,112)**	**5,028,059**	**-**
Charge for the year	**(3,479,293)**	**(874,757)**	**13,697,293**	**9,343,243**
Write-offs	**-**	**-**	**(8,143,244)**	**(8,143,244)**
Balance as at 31 March 2022	**(22,793,351)**	**21,844,474**	**45,733,365**	**44,784,488**

31 December 2021 (Audited)	*12 month ECL SR*	*Lifetime ECL not credit impaired SR*	*Lifetime ECL credit impaired SR*	*Total SR*
Balance at 1 January 2021	5,209,202	3,261,133	19,466,072	27,936,407
Transfer to 12 month ECL	2,863,458	(1,206,771)	(1,656,687)	-
Transfer to Lifetime ECL not credit impaired	(1,584,297)	2,828,035	(1,243,738)	-
Transfer to Lifetime ECL credit impaired	(12,226,497)	(2,422,969)	14,649,466	-
Charge for the year	(8,627,461)	17,788,460	29,653,178	38,814,177
Write-offs	-		(23,166,095)	(23,166,095)
Balance as at 31 December 2021	(14,365,595)	20,247,888	37,702,196	43,584,489

REPOSSESSED ASSET HELD FOR SALE

During prior years and current period, the Company acquired a real estate properties against defaulted Tawarruq receivables. Based on the external valuation of real estate properties by Olat Properties Management (OPM) and Moheet Al-Jazirah Company, fair value of the related properties are more than net realisable value of Islamic financing receivables. Accordingly, as at 31 March 2022, these assets are recognized at net realisable value of Islamic financing receivables amounting to SR 65.9 million (31 December 2021: SR 49.4 million). Below is the movement.

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Balance at the beginning of the period/year	**49,421,675**	66,606,251
Addition during the period/year	**16,495,260**	-
Sale during the period/year	-	(17,184,576)
Balance at the end of the period/year	**65,916,935**	49,421,675

7 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Payable to shareholders*	**48,219,690**	-
Accounts payable	**8,734,127**	5,300,822
Accrued expenses	**2,921,054**	4,329,978
Accrued special commission expenses	**1,030,514**	1,530,514
Others	**1,562,320**	766,948
	62,467,705	11,928,262

Terms and conditions of the above financial liabilities:

- Accounts payables are non-interest bearing and are normally settled on 60-day terms.
- Accrued special commission expenses are normally settled as and when the instalment is paid.

Accrued special commission expense relates to the special commission expense against borrowings accrued until the period/year end.

*As stated in note 11, during the period, there is proposed increase in share capital through rights issue to existing shareholders against cash contribution, however certain shareholders had transferred excess cash which has been classified under payable to shareholders, the excess amount was repaid to shareholders subsequent to 31 March 2022.

8 ZAKAT

Charge for the year

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

	For the three-month period ended 31 March 2022 (Unaudited) SR	*For the year ended 31 December 2021 (Audited) SR*	*For the three-month period ended 31 March 2021 (Unaudited) SR*
At beginning of the period / year	**7,000,512**	7,188,728	7,188,728
Charge for the period / year	**3,560,769**	6,599,568	1,811,952
Paid during the period / year	**-**	(6,787,784)	(6,787,784)
At end of the period / year	**10,561,281**	7,000,512	2,212,896

Status of assessments

The Company has filed its zakat returns with the Zakat, Tax and Customs Authority ("ZATCA") for all previous years up to 2020. The Company had obtained its final zakat assessments for all the years until 2017, while the assessments for the years from 2018 to 2020 are still under review by the ZATCA.

9 BORROWINGS

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

		31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
A	Bank borrowings	**354,072,742**	251,292,639
B	Sukuk payable	**54,263,466**	69,711,733
C	Borrowings from government entities	**311,244,656**	328,278,374
		719,580,864	649,282,746
	Current portion	**332,219,120**	304,176,548
	Non-current portion	**387,361,744**	345,106,198
		719,580,864	649,282,746

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

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

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Islamic financing (see notes i and ii below)	**354,614,994**	251,563,085
Less: unamortised upfront charges	**(542,252)**	(270,446)
	354,072,742	251,292,639
Current portion	**119,694,501**	88,861,168
Non-current portion	**234,378,241**	162,431,471
	354,072,742	251,292,639

Islamic financing shown above includes:

i) The balance of five (2021: six) revolving Islamic facilities for a total amount of SR 106.70 million as at 31 March 2022 (2021: SR 171.5 million) at 4% + SIBOR. Each of these facilities is for an original term of one year and renewable for additional periods of one year each at the lender's option up to a total of 4 years and carry special commission at floating commercial rates. The facilities are secured by assignment of receivables. The option to refinance or roll over the facilities is at the lender's discretion.

ii) The balance of nine (2021: four) other Islamic facilities for a total amount of SR 247.36 million as at 31 March 2022 (2021: SR 79.8 million) obtained from commercial banks to finance the Islamic financing assets of the Company at a rate of interest from 2.75% to 3.5%. The facilities are secured by assignment of receivables and are repayable on a monthly basis over 48 installments.

iii) During the year 2022, the Company obtained new borrowings amounting to SR 126.06 million (2021: SR 100 million) from a local bank, the loan carries commission rate of 5.24% (2021: 4.41%) and is to be repayable by February 2025.

9 BORROWINGS (continued)

B) The table below shows the details of the sukuk payable issued by the Company:

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Islamic financing through Sukuk	**55,600,000**	71,166,673
Less: unamortised upfront charges	**(1,336,534)**	(1,454,940)
	54,263,466	69,711,733
Current portion	**54,263,466**	61,605,957
Non-current portion	**-**	8,105,776
	54,263,466	69,711,733

In February 2018, the Company issued Sukuk with an aggregate principal of SR 178 million. The Sukuk carry a fixed rate of interest at 8% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from May 2018, with the final instalment due in February 2023.

In December 2019, the Company issued a new Sukuk with an aggregate principal of SR 80 million. The Sukuk carry a fixed rate of interest at 6% per annum due for settlement on a quarterly basis. The Sukuk's principal is due to be repaid in quarterly instalments commencing from March 2020, with the final instalment due in December 2022.

Both the Sukuks are secured by assignment of Islamic financing receivables.

C) The table below shows the details of the loan obtained by the Company from a government entity:

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Current portion	**158,261,152**	153,709,423
Non-current portion	**152,983,504**	174,568,951
	311,244,656	328,278,374

During 2020, 2021 and period ended 31 March 2022, the Company participated in funding for lending program by SAMA and received funding in 19 instalments amounting to SR 270 million which is interest free funding with varying maturities, starting from September 2023 to February 2025.

Further, during 2020 and 2021, the Company obtained loans from Social Development Bank (government entity) amounting to SR 200 million at the prevailing market rates between 2.32% to 3.56% per annum. The maturity of the loans starting from June 2023 to May 2026.

During October 2021, the Company obtained loan from the Social Development Bank amounting to SR 20 million at interest lower than market rate. The loan is repayable in monthly instalments commencing from Jan 2022, with the final instalment due in January 2025.

9 BORROWINGS (continued)

From the above loans received by the Company from a Social Development Bank, loan amounting to SR 20 million carries special commission at rates significantly lower than the currently prevailing market rates while the loans received from SAMA are interest free. These loans provided to the Company 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 “interest free” loans obtained by the Company had been identified and accounted for as “government grant” and has initially been recorded as deferred income and classified within “accounts payables, accruals and others”. Such benefit is being recognised in statement of comprehensive income of the Company on a systematic basis as the expense, for which such grant is intended to compensate.

10 SHARE CAPITAL

Share capital is divided into 31.1355 million shares (2021: 31.1355 million shares) of SR 10 each.

11 PROPOSED INCREASE IN SHARE CAPITAL

The Board of Directors in their meeting held on 1 Jumada al-Alkhirah 1443H (corresponding to 4 January 2022) resolved to increase the share capital of the Company from SR 311 million to SR 500 million from retained earnings, through rights issue to existing shareholders against cash contribution and through issuance of new shares purchased by the Company and reserved for Employees program. The rights issue was successful, and the amount of SR 160,623,050 was collected from existing shareholder and the Company and SR 28,021,950 was transferred from retained earnings to proposed increase in share capital.

The capital increase was executed pursuant to the Extra Ordinary General Meeting resolution dated 23 Rajab 1443H (corresponding to 24 February 2022) and SAMA approval numbered 43055056 dated 7 Jumada Al-Alkhirah 1443H (corresponding 20 January 2022). The legal formalities required to enforce the increase in share capital have not been completed as at 31 March 2022 and therefore such amount is presented as proposed increase in share capital.

12 RELATED PARTIES TRANSACTIONS AND BALANCES

The Company’s shareholders, their affiliates and key management personnel are considered as related parties of the Company. Key management personnel of the Company comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Company. In the ordinary course of business, the Company enters into transactions with the related parties, which are based on mutually agreed prices and contract terms approved by the Company’s management.

Terms and conditions of transactions with related parties

- Outstanding balances at year-end arise in the normal course of business.

Following are the major related party transactions with key management personnel during the year:

		For the three-month period ended 31 March	
		2022 (Unaudited)	*2021 (Unaudited)*
Related parties	***Nature of transactions***	***SR***	SR
Key management personnel	Compensation – salaries and other incentive	**1,635,100**	1,690,000
	Loans provided using Islamic financing	**-**	5,580,000
	Provision for employees’ defined benefit liabilities	**737,075**	477,024

Below are the balances receivables from key management personnel as at period/year end:

		31 March 2021 (Unaudited)	*31 December 2021 (Audited)*
		SR	*SR*
Key management personnel	Islamic financing receivables	**6,896,595**	7,776,073

13 FINANCIAL INSTRUMENTS AND FAIR VALUE

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, restricted cash deposits, investment, Islamic financing receivables and other receivables. Financial liabilities consist of borrowings, accrued expenses and other payables.

Fair value hierarchy

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

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

Following table indicates fair value level hierarchy of the financial instruments of the Company. Islamic financing receivables, investment at FVOCI and borrowings are classified within level 3 of the fair value hierarchy while the rest of the financial assets and financial liabilities included in the below table are classified within level 2 of the fair value hierarchy. Management believes that the fair value of the financial assets and liabilities included in the table below at the reporting date, approximate their carrying values mainly due to the short maturities of most of these financial assets and liabilities.

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Financial assets		
Cash and cash equivalents	**259,715,716**	42,807,690
Other assets (excluding special commission receivable)	**8,104,653**	7,801,679
Financial liabilities		
Accounts payables, accruals and other liabilities (excluding accrued special commission expense)	**61,437,191**	10,397,748

For assets and liabilities that are recognised at fair values in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

There have been no transfers to and from Level 2 and 3 during the current period and prior year.

Fair value of Islamic financing receivables

	31 March 2022		*31 December 2021*	
	(Unaudited) Carrying value SR	***(Unaudited) Fair value SR***	*(Audited) Carrying value SR*	*(Audited) Fair value SR*
Financial assets				
Islamic financing receivables	**961,005,202**	**1,009,704,778**	924,111,199	966,742,246

13 FINANCIAL INSTRUMENTS AND FAIR VALUE (continued)

Fair value of Islamic financing receivables (continued)

For determination of the fair value of Islamic financing receivables, management assesses the market under the current conditions, and assesses the profit rates that the Company could obtain against its current portfolio. The portfolio is segregated into various categories. The profit rates over the last 5 years have been assessed and used as a base for the discount rate relating to the valuation of the portfolio. Premiums have then been added to each category based on the prevailing economic conditions in the country. The premiums move from 50 basis points to 250 basis points.

The initial base rate, before premiums, were calculated using the average quoted rate against contracts for the last 5 years. This quoted rate was compared to the average effective yield that the contracts generate to derive the factor to translate the quoted rate to an effective rate in order to lift the base rate from a quoted rate to an effective rate. The average of the quoted rate for the Company's portfolio over this period was 15.21% (2021: 14.86%), and the average effective rate for this same portfolio was 14.35% (2021: 13.70%), resulting in a lift factor of 0.94x (2021: 0.92x).

Deemed premium for each category has been added to the base quoted rate, and the lift factor was applied to arrive at the effective yield which was used as a proxy discount rate to fair value the portfolio.

The cash flows of each category were discounted using the proxy discount rate applicable to each category to arrive at the fair value of the portfolio. Provision carried against the portfolio was then deducted to compare the carrying value to the deemed fair value.

The discount rates used range from 15.71% to 17.71% (2021: 15.36% to 17.36%).

Fair value of borrowings (including accrued special commission expense):

The fair value of bank borrowings, sukuk payable and government loans is based on discounted value of expected future cash flows using the applicable market rates for similar types of instrument as of reporting date. The table below shows the fair value of bank borrowings as at 31 March 2022 and 31 December 2021, respectively.

	31 March 2022 (Unaudited)		*31 December 2021 (Audited)*	
	Carrying value SR	***Fair value SR***	*Carrying value SR*	*Fair value SR*
Financial liabilities				
Bank borrowings	**354,072,742**	**399,111,582**	251,292,639	265,769,282
Sukuk payable	**54,263,466**	**64,615,508**	69,711,733	80,926,381
Borrowings from a government entity	**311,244,656**	**319,466,453**	328,278,374	337,159,735

Fair Value of Investment at FVOCI

Management believes that the fair value of investment at FVOCI approximates its carrying value.

14 FINANCIAL RISK MANAGEMENT

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

14 FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the table below.

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Cash and cash equivalents	**259,715,716**	42,807,690
Islamic financing receivables	**961,005,202**	924,111,199
Other assets	**8,087,396**	7,811,804
	1,228,808,314	974,730,693

Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is subject to special commission rate risk on its special commission bearing assets and liabilities, including bank deposits, Islamic financing receivables and borrowings.

All of the Company's special commission bearing assets, sukuk payable and loans from a government entity carry special commission at fixed rates and therefore, management believes that the Company is not exposed to any special commission rate risk in respect of these assets.

The following table depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Company's profit or loss relating to the floating rate borrowings for which the Company does not use derivatives for hedging. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net commission income for one year, based on such floating rate borrowings held as at the reporting date.

	31 March 2022 (Unaudited)	
	Change in basis points	***Increase (decrease) in net income SR***
Saudi Riyals	**+50**	**409,550**
Saudi Riyals	**-50**	**(409,550)**

14 FINANCIAL RISK MANAGEMENT (continued)

Special commission rate risk (continued)

	31 March 2021 (Unaudited)	
	Change in basis points	*Increase (decrease) in net income SR*
Saudi Riyals	+50	182,286
Saudi Riyals	-50	(182,286)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that bank facilities are available.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations. The contractual maturities of financial liabilities have been determined based on the remaining period at the reporting date to the contractual maturity date.

	Within 3 months SR	***3 to 12 months SR***	***1 to 5 years SR***	***Total SR***
31 March 2022 (Unaudited)				
Accounts payable, accruals and other liabilities	**60,027,362**	**894,003**	**515,824**	**61,437,189**
Borrowings*	**86,679,849**	**246,569,788**	**387,361,743**	**720,611,380**
	146,707,211	**247,463,791**	**387,877,567**	**782,048,569**

	Within 3 months SR	*3 to 12 months SR*	*1 to 5 years SR*	*Total SR*
31 December 2021 (Audited)				
Accounts payable, accruals and other liabilities	9,881,922	-	515,824	10,397,746
Borrowings*	79,653,164	226,053,898	345,106,198	650,813,260
	89,535,086	226,053,898	345,622,022	661,211,006

* Accrued special commission expense as at the reporting date has been included as part of borrowings for the purpose of the above disclosure.

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business as it does not have any significant financial assets and liabilities denominated in foreign currency.

15 CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to maintain creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders. The Company's objectives for managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing the services commensurately with the level of risk.

The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, short term loans, trade and other payables, less cash and bank balances.

	31 March 2022 (Unaudited) SR	*31 December 2021 (Audited) SR*
Accounts payable, accruals and others	**62,467,705**	11,928,262
Provision for zakat	**10,561,281**	7,000,512
Borrowings	**719,580,864**	649,282,746
Lease liabilities	**3,213,775**	3,928,005
Employees' defined benefit liabilities	**4,512,199**	4,245,231
Less: Bank balances and cash	**(259,715,716)**	(42,807,690)
Net debt	**540,620,108**	633,577,066
Equity	**540,286,006**	365,879,650
Capital and net debt	**1,080,906,114**	999,456,716
Gearing ratio	**54%**	63%

16 IMPACT OF SAMA PROGRAMS

During 2020 and 2021, the Coronavirus ("COVID-19") pandemic disrupted global markets as many geographies experienced issues due to identification of multiple new variants of this infections. Significant improvement have been witnessed around the world after vaccination of mass population by various countries resulting in the reduction of active cases and relaxation of COVID restrictions.

The Company continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures to date, 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.

16 IMPACT OF SAMA PROGRAMS (continued)

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. The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The PSFSP program has ended on 31 March 31 2022.

In order to compensate the related cost that the Company has incurred under SAMA program, during the years 2021 and 2020, the Company as an SME to their bankers, received option to defer payments from its bank borrowings during 2020 and 2021, amounting to SR 56.2 million and SR 41 million respectively.

17 SEGMENT INFORMATION

The Company objective is to provide financing for Retails & SME`s. The Company has only one geographical segment and it operates in the Kingdom of Saudi Arabia. All assets, liabilities and operations as reflected in the statement of financial position and statement of comprehensive income belongs to the Retail & SME`s segment. For management purposes, the Company is organised into the following primary business segments:

Retail
These represents financing products granted to individuals' customers.

SME
These represents finance products granted to small and medium sized businesses (SMEs).

Head office
Head office is responsible for managing the surplus liquidity of the Company through short term market placements. It also provides support services to the business functions.

The Company's total assets and liabilities at 31 March 2022 and 31 December 2021 and its total operating income, expenses and net income for the three months period ended 31 March 2022 and 31 March 2021 are as follows:

	Retail *SR*	*SME`s* *SR*	*Head office* *SR*	*Total* *SR*
Statement of comprehensive income				
31 March 2022 (unaudited)				
Income	**27,529,567**	**16,724,209**	**142,617**	**44,396,393**
Expense	**(11,079,422)**	**(10,190,425)**	**-**	**(21,269,847)**
Allowance for Expected credit losses	**(7,840,277)**	**(1,502,966)**	**-**	**(9,343,243)**
Segment profit	**8,609,868**	**5,030,818**	**142,617**	**13,783,303**
31 March 2021 (unaudited)				
Income	29,355,187	3,838,155	216,341	33,409,683
Expense	9,170,017	8,434,228	-	17,604,245
Allowance for Expected credit losses	5,088,999	1,755,526	-	6,844,525
Segment profit (loss)	15,096,171	(6,351,599)	216,341	8,960,913

17 SEGMENT INFORMATION (continued)

Statement of financial position

31 March 2022 (unaudited)				
Total Assets	**500,585,723**	**460,419,476**	**379,616,628**	**1,340,621,827**
Total Liabilities	**374,828,262**	**344,752,602**	**80,754,960**	**800,335,824**
31 Dec 2021 (Audited)				
Total Assets	527,573,272	396,537,927	118,153,207	1,042,264,406
Total Liabilities	370,674,247	278,608,499	27,102,010	676,384,756

18 EVENTS AFTER REPORTING DATE

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.

19 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 25 Ramadhan 1443H (corresponding to 26 April 2022).