Emkan Finance Company
(A Saudi One Person Closed Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE NINE MONTH PERIOD ENDED 30 SEPTMBER 2022

Ernst & Young Professional Services (Professional LLC)
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Independent Auditor's Review Report on the Interim Condensed Financial Statements
To the Shareholder of Emkan Finance Company
(A Saudi One Person Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Emkan Finance Company - A Saudi One Person Closed Joint Stock Company (the "Company") as at 30 September 2022 and the related interim condensed statements of comprehensive income for the three and nine month periods ended 30 September 2022, changes in shareholder's equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim 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 that is endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

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

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

Riyadh: 2 Rabi al-Thani 1444H
(27 October 2022)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the three-month and nine-month periods ended 30 September 2022

	Notes	For the three-month period ended 30 September 2022 SR (Unaudited)	For the three-month period ended 30 September 2021 SR (Unaudited)	For the nine-month period ended 30 September 2022 SR (Unaudited)	For the nine-month period ended 30 September 2021 SR (Unaudited)
OPERATING INCOME					
Murabaha financing income	4	**187,028,711**	165,764,483	**478,943,281**	497,498,750
Murabaha financing expense		**(32,296,205)**	(17,197,156)	**(66,469,721)**	(68,126,658)
NET MURABAHA FINANCING INCOME		**154,732,506**	148,567,327	**412,473,560**	429,372,092
Net gain on derecognition of Murabaha financing receivables	17	**-**	396,801,148	**477,539,328**	759,023,124
TOTAL OPERATING INCOME		**154,732,506**	545,368,475	**890,012,888**	1,188,395,216
General and administrative expenses	5	**(79,728,589)**	(51,424,738)	**(191,229,394)**	(100,461,063)
Selling and marketing expenses	6	**(10,442,544)**	(7,439,372)	**(53,703,361)**	(44,831,678)
Impairment charge for Murabaha financing receivables, net	8	**(114,834,471)**	(219,509,884)	**(296,465,877)**	(309,152,495)
(LOSS) INCOME BEFORE ZAKAT		**(50,273,098)**	266,994,481	**348,614,256**	733,949,980
Zakat expense	7	**2,859,457**	(31,582,951)	**(38,265,830)**	(79,792,199)
NET (LOSS) INCOME FOR THE PERIOD		**(47,413,641)**	235,411,530	**310,348,426**	654,157,781
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified to profit or loss in subsequent periods:					
Re-measurement gain on end of service benefits		**-**	-	**1,143,884**	340,603
TOTAL OTHER COMPREHENSIVE INCOME		**-**	-	**1,143,884**	340,603
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD		**(47,413,641)**	235,411,530	**311,492,310**	654,498,384

The attached notes 1 to 21 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2022

	Notes	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
ASSETS			
Bank balances		**299,419,967**	500,361,852
Murabaha financing receivables, net	8	**6,256,746,888**	6,092,553,958
Prepayments and other assets	9	**46,944,494**	20,560,954
Intangible assets	11	**102,287,161**	62,997,523
Property and equipment		**4,206,743**	3,909,445
Right of use assets		**4,635,946**	5,218,673
TOTAL ASSETS		**6,714,241,199**	6,685,602,405
LIABILITIES AND SHAREHOLDER’S EQUITY			
LIABILITIES			
Accrued expenses and other current liabilities	12	**479,035,580**	251,594,988
Amount due to shareholder	10	**306,176,689**	117,996,995
Lease liabilities		**5,269,239**	4,691,768
Murabaha financing	13	**3,090,456,143**	3,774,359,898
Provision for zakat	7	**38,266,690**	55,287,976
Employees’ defined benefit liabilities		**6,053,984**	4,180,216
TOTAL LIABILITIES		**3,925,258,325**	4,208,111,841
SHAREHOLDER’S EQUITY			
Share capital	14	**2,000,000,000**	2,000,000,000
Statutory reserve	19	**47,725,148**	47,725,148
Retained earnings		**741,257,726**	429,765,416
TOTAL SHAREHOLDER’S EQUITY		**2,788,982,874**	2,477,490,564
TOTAL LIABILITIES AND SHAREHOLDER’S EQUITY		**6,714,241,199**	6,685,602,405

The attached notes 1 to 21 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (UNAUDITED)

For the nine-month period ended 30 September 2022

	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	***Total SR***
<u>For the nine-month period ended 31 September 2022</u>				
Balance as at 1 January 2022 (Audited)	2,000,000,000	47,725,148	429,765,416	2,477,490,564
Net income for the period	-	-	310,348,426	310,348,426
Other comprehensive income for the period	-	-	1,143,884	1,143,884
Total comprehensive income for the period	-	-	311,492,310	311,492,310
Transfer to statutory reserve	-	-	-	-
Balance as at 30 September 2022 (Unaudited)	**2,000,000,000**	**47,725,148**	**741,257,726**	**2,788,982,874**
<u>For the nine-month period ended 30 September 2021</u>				
Balance as at 1 January 2021 (Audited)	500,000,000	1,443,312	12,817,667	514,260,979
Net income for the period	-	-	654,157,781	654,157,781
Other comprehensive income for the period	-	-	340,603	340,603
Total comprehensive loss for the period	-	-	654,498,384	654,498,384
Capital increase (note 13)	1,500,000,000	-	-	1,500,000,000
Balance as at 30 September 2021 (Unaudited)	2,000,000,000	1,443,312	667,316,051	2,668,759,363

The attached notes 1 to 21 form part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2022

	Notes	30 September 2022 SR (Unaudited)	30 September 2021 SR (Unaudited)
OPERATING ACTIVITIES			
Income before Zakat expenses		**348,614,256**	733,949,980
Adjustments for:			
Amortisation of intangible assets	11	**3,925,703**	2,384,349
Murabaha financing expense		**66,469,721**	68,126,658
Depreciation of property and equipment		**812,285**	425,258
Depreciation of right of use assets		**1,568,178**	1,037,332
Impairment charge for Murabaha financing receivables	8	**325,084,832**	309,152,495
Provision for employees' defined benefit liabilities		**1,873,767**	756,370
Finance charge on lease liabilities		**577,472**	212,426
Net gain on derecognition of Murabaha financing receivables	17	**(477,539,328)**	(759,023,124)
Operating cash flows before working capital changes		**271,386,886**	357,021,744
Working capital changes:			
Murabaha financing receivables, net		**(164,192,930)**	(1,279,530,653)
Prepayments and other assets		**(26,383,540)**	(19,486,994)
Accrued expenses and other current liabilities		**282,727,708**	180,229,793
Amount due to shareholder		**285,680,706**	1,550,202,489
Cash from operating activities		**649,218,830**	788,436,379
Zakat paid		**(55,287,116)**	**-**
Employees' terminal benefits paid		**(181,496)**	(580,161)
Net cash from operating activities		**593,750,218**	787,856,218
INVESTING ACTIVITY			
Purchase of property and equipment and intangible assets	11	**(44,324,924)**	(58,441,646)
Cash used in investing activity		**(44,324,924)**	(58,441,646)
FINANCING ACTIVITIES			
Proceeds from Murabaha financing		**8,901,600,000**	7,585,775,292
Repayment of Murabaha financing		**(9,591,599,999)**	(7,855,864,766)
Murabaha financing expense paid		**(60,367,180)**	(68,126,658)
Cash used in financing activities		**(750,367,179)**	(338,216,132)
NET INCREASE (DECREASE) IN BANK BALANCES		**(200,941,885)**	391,198,440
Bank balances at the beginning of the period		**500,361,852**	97,522,677
BANK BALANCES AT THE END OF THE PERIOD		**299,419,967**	488,721,117
Gross Murabaha financing income received during the period		**405,100,272**	410,354,631
Gross finance expense paid on Murabaha financing during the period		**(66,469,721)**	(68,126,658)
Non-cash transactions:			
Employees' terminal benefits transferred (to) / from related party	10	**(1,219,356)**	372,807
Increase in share capital	14	**-**	1,500,000,000

The attached notes 1 to 21 form part of these interim condensed financial statements.

1 ACTIVITIES

Emkan Finance Company (the "Company") is a Saudi One Person Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia.

The Company operates under Commercial Registration No.1010501239 issued in Riyadh on 24 Rabi Thani 1448 (corresponding to 5 May 2026) and its Head Office is located at the following address:

Emkan Finance Company
6285 Eastern Ring Branch Rd – Al Rayan Dist.
Unit No 1
Riyadh 14213 – 3203
Kingdom of Saudi Arabia

The Company is licensed by The Saudi Central Bank ("SAMA") to carry out consumer finance, financing productive assets, auto leasing and small and medium entities financing in accordance with the approval from SAMA numbered 9/ASH issued on 19 Sha'aban 1441H (corresponding to 12 April 2020). The Company is wholly owned by Al Rajhi Banking and Investment Corporation, a Saudi Joint Stock Company formed and licensed pursuant to Royal Decree No. M/59 dated 3 Dhul Qadah 1407H (corresponding to 29 June 1987) and in accordance with Article 6 of the Council of Ministers' Resolution No. 245, dated 26 Shawal 1407H (corresponding to 23 June 1987).

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. 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.

These interim condensed financial statements have been presented in Saudi Riyals ("SR"), which is the functional and presentation currency of the Company.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Significant accounting policies

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with IFRS as endorsed in KSA. In addition, results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

The accounting policies used 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. The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 which had no material impact on the Company's interim condensed financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) 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.

Other than the above, 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.

c) New standards, interpretations and amendments adopted by the Company

The following new and amended IFRSs, which became effective for annual periods beginning on or after January 1, 2022, have been adopted in these financial statements.

Standard, interpretation or amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. 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	Effective 1 April 2021
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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Significant standards issued but not yet effective

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which will be effective from periods on or after January 1, 2023. The Company has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed financial statements of the Company.

Standard, interpretation or amendments	Description	Effective 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
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.
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.

4 MURABAHA FINANCING INCOME

Murabaha income comprises of income from the following financing products:

	For the three-month period ended		For the nine-month period ended	
	30 September 2022 SR (Unaudited)	30 September 2021 SR (Unaudited)	30 September 2022 SR (Unaudited)	30 September 2021 SR (Unaudited)
Murabaha financing income	**182,383,789**	159,020,951	**454,795,618**	453,523,695
Processing fee	**4,644,922**	6,743,532	**24,147,663**	43,975,055
	187,028,711	165,764,483	**478,943,281**	497,498,750

All the Murabaha financing income are from financing products which are Shariah compliant and hence unconventional in nature. Processing fee represents integral part of the financing income and the Company recognize it on Effective Interest Rate (EIR).

5 GENERAL AND ADMINSTRATIVE EXPENSES

	For the three-month period ended		For the nine-month period ended	
	30 September 2022 SR (Unaudited)	30 September 2021 SR (Unaudited)	30 September 2022 SR (Unaudited)	30 September 2021 SR (Unaudited)
Salaries and employees' related cost	**38,636,121**	21,990,459	**103,519,398**	47,594,048
Customer information inquiry fees	**16,434,368**	19,528,091	**32,233,793**	33,912,491
Information technology related costs	**9,726,653**	-	**21,191,704**	-
Non-refundable VAT expense	**5,534,650**	-	**11,927,002**	155,332
Professional and other services fee	**3,410,428**	544,175	**3,936,722**	2,068,602
Amortisation of intangible assets	**1,324,383**	1,154,343	**3,925,703**	2,384,349
Depreciation on right of use assets	**505,433**	348,353	**1,568,178**	1,037,332
Depreciation of property and equipment	**305,482**	175,384	**812,285**	425,258
Other expenses	**3,851,071**	7,683,933	**12,114,609**	12,883,651
	79,728,589	51,424,738	**191,229,394**	100,461,063

6 SELLING AND MARKETING EXPENSES

	For the three-month period ended		For the nine-month period ended	
	30 September 2022 SR (Unaudited)	30 September 2021 SR (Unaudited)	30 September 2022 SR (Unaudited)	30 September 2021 SR (Unaudited)
Marketing expenses	**4,242,463**	1,718,805	**23,290,318**	13,377,534
Sales Incentives	**6,200,081**	5,720,567	**30,413,043**	31,454,144
	10,442,544	7,439,372	**53,703,361**	44,831,678

7 ZAKAT EXPENSE

Charge for the period / year

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

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Balance at the beginning of the period / year	**55,287,976**	1,659,109
Charge for the period / year	**38,265,830**	55,287,116
Payment during the period/ year	**(55,287,116)**	(1,658,249)
At end of the period / year	**38,266,690**	55,287,976

Basis of zakat charge and Status of assessments

The Company is a wholly owned subsidiary of Al Rajhi Banking and Investment Corporation (the “Shareholder”). According to the Ministerial Resolution No. 1005, dated 28 Rabi Thani 1428H (15 May 2007), the Shareholder submits zakat return based on its consolidated financial statements and consolidated zakat base and settles zakat liability accordingly. The Shareholder has allocated the Company zakat expenses of SR 38.2 million for the nine-month period ended 30 September 2022 (30 September 2021: SR 48.2 million). The Shareholder has submitted the Group consolidation return for all years up to 31 December 2021.

8 MURABAHA FINANCING RECEIVABLES

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Gross Murabaha financing receivables	**8,357,604,079**	8,680,964,795
Less: Unrealised profit	**(1,789,450,553)**	(1,885,097,583)
	6,568,153,526	6,795,867,212
Less: Allowance for impairment losses (i)	**(311,406,638)**	(703,313,254)
Murabaha financing receivables, net	**6,256,746,888**	6,092,553,958

(i) Movement in allowance for impairment losses is as follows:

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Balance at beginning of the period / year	**703,313,254**	55,734,034
Charge for the period / year	**364,653,361**	681,812,149
Written-off during the period / year	**(716,991,448)**	(431,729)
Provision reversed due to sold financing receivables (note 17)	**(39,568,529)**	(33,801,200)
At end of the period / year	**311,406,638**	703,313,254

8 MURABAHA FINANCING RECEIVABLES (continued)

(ii) The allowance for impairment of Murabaha financing, charged to the interim condensed statement of income comprise of the following:

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Charge for the period / year	**325,084,832**	648,010,949
Recovery of written off financing for the period	**(28,618,955)**	-
Allowance for financing impairment, net	**296,465,877**	648,010,949

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

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Neither past due nor impaired	**5,709,377,626**	5,688,851,219
Past due but not impaired	**546,427,794**	594,808,696
Past due and impaired	**312,348,106**	512,207,297
Total	**6,568,153,526**	6,795,867,212

Management classifies Murabaha 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 Murabaha financing receivables

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Performing	**6,255,805,420**	6,283,659,915
Non-performing	**312,348,106**	512,207,297
Total	**6,568,153,526**	6,795,867,212

8 MURABAHA FINANCING RECEIVABLES (continued)

The movement in allowance for impairment losses of financing by stages is as follows:

	Credit loss allowance (SR)			
30 September 2022 (Unaudited)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2022	147,073,781	73,209,338	483,030,135	**703,313,254**
Transfers:				
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(10,551,494)	16,571,809	(6,020,315)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6,136,761)	(16,895,762)	23,032,523	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	19,505,282	(9,571,646)	(9,933,636)	-
Write-offs	-	-	(716,991,448)	**(716,991,448)**
Reversal due to Securitization	(39,568,529)	-	-	**(39,568,529)**
Net Charge for the period	(49,131,997)	(35,387,351)	449,172,709	**364,653,361**
At 30 September 2022	**61,190,282**	**27,926,388**	**222,289,968**	**311,406,638**

	Credit loss allowance (SR)			
30 September 2021 (Unaudited)	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Financing				
At 1 January 2021	47,667,502	4,151,267	3,915,282	55,734,051
Transfers:				
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(692,942)	788,704	(95,762)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2,089,793)	(2,810,618)	4,900,411	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	268,788	(234,088)	(34,700)	-
Write-offs	-	-	(109,633)	(109,633)
Net Charge for the Period	69,547,146	58,395,555	181,209,777	309,152,495
At 30 September 2021	114,700,701	60,290,820	189,785,375	364,776,896

8 MURABAHA FINANCING RECEIVABLES (continued)

The movement of murabaha financing receivables at gross exposure by stages is as follows:

30 September 2022 (Unaudited)	Gross carrying amount (SR) Stage 1 Exposure	Stage 2 Exposure	Stage 3 Exposure	Total
Murabaha financing receivables				
At 1 January 2022	5,688,851,219	594,808,696	512,207,297	**6,795,867,212**
Transfers:				
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(212,585,125)	224,254,027	(11,668,902)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(120,399,713)	(144,257,073)	264,656,786	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	99,458,845	(87,789,942)	(11,668,903)	-
Write-offs	-	-	(716,991,448)	**(716,991,448)**
New business	5,009,348,730	(40,587,914)	275,813,276	**5,244,574,092**
Repayments/Other Movements	(4,755,296,330)	-	-	**(4,755,296,330)**
At 30 September 2022	5,709,377,626	546,427,794	312,348,106	**6,568,153,526**

30 September 2021 (Unaudited)	Gross carrying amount (SR) Stage 1 Exposure	Stage 2 Exposure	Stage 3 Exposure	Total
Murabaha financing receivables				
At 1 January 2021	3,167,540,395	25,347,579	5,326,914	3,198,214,888
Transfers:				
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(13,883,867)	14,014,155	(130,288)	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(39,919,124)	(14,980,857)	54,899,981	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,520,969	(1,473,758)	(47,211)	-
Write-offs	-	-	(109,633)	(109,633)
New business	4,723,374,757	575,828,658	177,978,028	5,477,181,443
Repayments/Other Movements	(3,438,627,666)	-	-	(3,438,627,666)
At 30 September 2021	4,400,005,464	598,735,777	237,917,791	5,236,659,032

9 PREPAYMENTS AND OTHER ASSETS

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Asset in transit subject to murabaha financing	**19,561,739**	3,342,629
Prepaid Subscriptions and government licenses	**11,543,865**	10,639,836
Prepaid marketing costs	**3,807,468**	5,395,209
Prepaid Information and Technology	**6,318,835**	33,751
Prepaid Staff Insurance	**1,250,391**	-
Others	**4,462,196**	1,149,529
	46,944,494	20,560,954

10 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the Shareholder, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

The significant transactions with related parties during the period and the related balances are as follows:

Related party	Nature of relationship	Nature of transaction	30 September 2022 SR (Unaudited)	30 September 2021 SR (Unaudited)
Al Rajhi Banking and Investment Corporation	Shareholder	Murabaha financing (note 13)	**8,901,600,000**	7,585,775,292
Al Rajhi Banking and Investment Corporation	Shareholder	Share capital increase	**-**	1,500,000,000
Al Rajhi Banking and Investment Corporation	Shareholder	Murabaha financing expense (note 13)	**66,469,721**	-
Al Rajhi Banking and Investment Corporation	Shareholder	Purchase and agency agreement (note 17)	**4,370,691,735**	4,271,220,764
Key Management Personnel	Executive employees	Salary and other Incentives	**7,985,647**	6,577,000
Management and Development for Human Resources Company - KSA	Affiliate	Outsource staff cost	**14,338,059**	11,059,999
Management and Development for Human Resources Company - KSA	Affiliate	Transfer of employees' terminal benefits	**(1,219,356)**	372,807
Ejada systems Company - KSA	Affiliate	IT services	**2,298,450**	-

10 RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Amounts due to shareholder are as follows:

Related party	Nature of relationship	Nature of balances	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Al Rajhi Banking and Investment Corporation	Shareholder	Murabaha financing (note 13)	**3,090,456,143**	3,774,359,898
Al Rajhi Banking and Investment Corporation	Shareholder	Purchase and agency agreement – amount collected and yet to be transferred (note 17)	**300,535,836**	112,885,161
Al Rajhi Banking and Investment Corporation	Shareholder	Intragroup account	**5,640,853**	5,111,834
			306,176,689	117,996,995

11 INTANGIBLE ASSETS

Intangible assets include software and mobile application of the Company. These intangible assets are amortised over 5 to 10 years based on useful economic life.

30 September 2022 (unaudited)	Software SR	Capital work in progress SR	Total (Unaudited) SR	31 December 2021 *(Audited)* SR
Cost:				
Balance at beginning of the period / year	50,279,578	16,347,088	**66,626,666**	4,118,328
Additions during the period / year	102,683	43,112,658	**43,215,341**	62,508,338
At end of the period / year	50,382,261	59,459,746	**109,842,007**	66,626,666
Accumulated amortisation:				
Balance at beginning of the period / year	(3,629,143)	-	**(3,629,143)**	-
Charge for the period (note 5) / year	(3,925,703)	-	**(3,925,703)**	(3,629,143)
At end of the period / year	(7,554,846)	-	**(7,554,846)**	(3,629,143)
Net book amounts:				
At 30 September 2022	**42,827,415**	**59,459,746**	**102,287,161**	
At 31 December 2021				62,997,523

Capital work in progress represent the software cost under development.

12 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Expected defaults and early termination (note 17)	**277,602,103**	135,998,828
Commodity fees payable	**115,157,660**	24,359,889
Accrued expenses	**36,223,203**	24,055,880
Payable to suppliers	**30,514,339**	4,845,033
Accrued employee benefits	**13,330,785**	6,289,529
Advances from customers	**3,819,544**	15,204,181
Others	**2,387,946**	40,841,648
	479,035,580	251,594,988

13 MURABAHA FINANCING

The Company has facilities with Al Rajhi Banking and Investment Corporation (the Shareholder) amounting to SR 3,090 million with profit bearing. These Murabaha financing which are secured by assignment of proceeds from receivables and carry borrowing cost at profit rates agreed with shareholder. These Murabaha financings are payable on a quarterly basis.

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Murabaha financing	**3,090,456,143**	3,774,359,898
Total	**3,090,456,143**	3,774,359,898

Murabaha financings which are due within 12 months of the statement of financial positions date are classified as current liabilities as shown below:

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Current	**709,681,143**	805,859,898
Non-Current	**2,380,775,000**	2,968,500,000
Total	**3,090,456,143**	3,774,359,898

14 SHARE CAPITAL

Share capital is divided into 200,000,000 shares (31 December 2021: 200,000,000 shares) of SR 10 each.

In its meeting held on 27 January 2021, the Board of Directors resolved to increase the Company's capital from SR 500 million to SR 2,000 million through capitalisation of amounts due from shareholder of SR 1,500 million. The legal formalities for increase in share capital were completed in January 2021.

15 RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk and special commission rate risks), 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 the Risk department. The most important risks and their management is summarised below.

15 RISK MANAGEMENT (continued)

Murabaha rate risk

Murabaha rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market Murabaha rates. The Company is subject to Murabaha rates risk on its Murabaha profit bearing assets and liabilities, including Murabaha financing receivables and Murabaha financings. The Company is not subject to Murabaha rate risk on its current financing portfolio as it charges a fixed Murabaha rate to its customers.

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 table below reflects Company's maximum exposure to credit risk for the components on the interim condensed statement of financial position:

	30 September 2022 SR (Unaudited)	31 December 2021 SR (Audited)
Bank balances	**299,419,967**	500,361,852
Murabaha financing receivables, net	**6,256,746,888**	6,092,553,958
	6,556,166,855	6,592,915,810

During the period the Company has revised its Expected Credit Loss (ECL) model for the following:

- The Probability of Default (PD) was recalibrated for the latest available portfolio distribution and latest economic outlook for macroeconomic factors.
- The Company has revised the proxy Loss Given Default (LGD) to the best estimate and assigned 100% LGD for receivables above 180 days past due.

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

Financial instruments comprise financial asset and financial liabilities. Financial assets of the Company include bank balances, amount due from related parties, Murabaha financing receivables. Financial liabilities of the Company include Murabaha financing, due to related parties and accrued expenses and other current liabilities.

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.

Murabaha financing receivables and Murabaha financings falls within level 3 of the fair value hierarchy

16 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Management believes that the fair value of the financial assets and liabilities included in the table below and not carried at fair value in these interim condensed financial statements at the reporting date, approximate their carrying values mainly due to the short term maturities of most of these financial assets and liabilities.

For determination of the fair value of Murabaha financing receivables, management assesses the market under the current conditions, and assesses the profit rates that the Company could obtain against its current portfolio. As of 30 September 2022, the fair values are not materially different from their carrying values.

For assets and liabilities that are recognised in the interim condensed 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.

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 between various fair value hierarchy level during the current or prior period.

17 PURCHASE AND AGENCY AGREEMENT

The Company has entered into purchase and agency agreements (the "agreement") with the shareholder for sale of certain Murabaha financing receivable (collectively referred as "receivables").

Under the terms of the purchase and agency agreement, the Company sold the eligible receivables to the shareholder and then will manage them on behalf of the shareholder as an agent for a fee of SR 1000 for each month as per the terms of the purchase and agency agreements.

During the nine month period ended 30 September 2022 and as a result of the above mentioned agreement, the Company sold SR 3,747 million of its net receivables (30 September 2021: SR 3,372 million) and the total amount received from the shareholder in respect of such sale was SR 4,371 million (30 September 2021: SR 4,271 million). Upon sale, the Company derecognises the receivables from its books and recognises the difference as gain on derecognition of receivables (see note c).

The following are the significant terms of the agreements:

a) The Company as an agent continues to manage the sold receivables on behalf of the shareholder for a fee (agency fee). The total settlement of net receivables to be made to the shareholder as an agent (as per the agreed cash flows) under purchase and agency arrangements amount to SR 6,704 million as of 30 September 2022 (30 September 2021: SR: 4,076 million).

The maturity analysis of derecognised Murabaha financing receivables is as follows:

Under purchase and agency agreements	Up to 1 year SR	2-3 years SR	After 3 years SR	Total SR
30 September 2022	**2,264,919,757**	**1,945,432,122**	**2,494,565,102**	**6,704,916,981**
30 September 2021	1,051,845,500	2,033,610,176	991,100,093	4,076,555,769

b) Each agreement is supported by a "cash flow statement" which stipulates the principal amount and the monthly receivables falling due. Under the terms of the agreements, the Company, in the capacity of an agent, settles to the shareholder monthly amount based on the cash flow statement. Any excess collections over and above the stipulated amounts and after retaining the amount for the next month's repayment are transferred monthly by the Company to the shareholder. The amount of the next month's repayment is recognised as a liability and included in due to related party (note 9).

17 PURCHASE AND AGENCY AGREEMENT (continued)

c) During the nine month period ended 30 September 2022, the Company made a gain amounting to SR 477 million (30 September 2021: SR 759 million) on derecognition of receivables sold to the shareholder under the agreements, which is calculated as follows:

	30 September 2022 SR	30 September 2021 SR
Gross amount of receivables	**4,720,109,165**	4,533,294,272
Less: deferred finance income	**(972,930,725)**	(1,161,366,680)
Net amount of receivables	**3,747,178,440**	3,371,927,592
Provision for expected defaults and discounts under purchase and agency agreements (i)	**141,603,275**	135,998,828
Processing fee	**4,370,692**	4,271,220
Less: amounts received from the shareholder	**(4,370,691,735)**	(4,271,220,764)
Net gain on derecognition of receivables	**(477,539,328)**	(759,023,124)

(i) As of 30 September 2022, under the purchase and agency agreements, the Company has made provision for expected defaults and early termination of SR 278 million (30 September 2021: SR 136 million) (see note 12).

18 IMPACT OF COVID-19

A novel strain of coronavirus (COVID-19) ("the virus") was first identified at the end of December 2019, subsequently in March 2020 it was declared as a pandemic by the World Health Organization (WHO). As of the date of preparing these interim condensed financial statements, the Company's operations and financial results have not incurred significant impact from the virus outbreak.

The impact of the pandemic on the Company's operations and financial results was assessed using some judgments, estimates and assumptions that contain sources of uncertainty as it depends on several future factors and developments that cannot be reliably forecasted.

19 STATUTORY RESERVE

In accordance with the Companies' Law in Kingdom of Saudi Arabia and the Company's by-laws, the Company established a statutory reserve by appropriation of 10% of net income until the reserve equals 30% of share capital. This statutory reserve is not available for distribution.

20 EVENTS AFTER REPORTING DATE

There have been no events subsequent to the reporting date that would require adjustments to and/or disclosure in the interim condensed financial statements as at and for the nine-month period ended 30 September 2022.

21 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Board of Directors on 5 Muharram 1444H (corresponding to 3 August 2022).