

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)
AND INDEPENDENT AUDITOR'S REPORT
FOR THE THREE MONTHS AND SIX MONTHS
PERIODS ENDED 30 JUNE 2021

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED 30 JUNE 2021

<u>INDEX</u>	<u>PAGE</u>
Independent auditor's review report	1
Interim condensed statement of financial position	2
Interim condensed statement of profit or loss and other comprehensive income	3
Interim condensed statement of changes in shareholders' equity	4
Interim condensed statement of cash flows	5
Notes to the interim condensed financial statements	6 -15



INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholders of
Al-Yusr Leasing and Financing Company
(A Saudi Closed Joint Stock Company)

INTRODUCTION

We have reviewed the accompanying interim condensed statement of financial position of Al-Yusr Leasing and Financing Company (the "Company"), a Saudi Closed Joint Stock Company as of 30 June 2021 and the related interim condensed statement of profit or loss and other comprehensive income for the three and six months periods then ended, and the interim condensed statements of changes in shareholders' equity and cash flows for the six months period then ended and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review 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 condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as 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.

BASIS FOR QUALIFIED CONCLUSION

The Company entered into series of sales transactions with banks in prior years for the net investments in Islamic financings portfolios for which the Company became a service agent. These portfolios were de-recognized from the Company's books of account where the de-recognition criteria per IFRS 9 "Financial Instruments" have not been met. The outstanding balance of net investments in Islamic financings that were de-recognized previously amounted to approximately SR 698 million at 30 June 2021.

QUALIFIED CONCLUSION

Based on our review, except for the effects of the matter described in the basis for qualified conclusion paragraph mentioned above, 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 as endorsed in the Kingdom of Saudi Arabia.

OTHER MATTER

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 19 Rajab 1442H (corresponding to 3 March 2021). Also, the interim condensed financial statements of the Company for the six months period ended 30 June 2020 were reviewed by the another auditor, who issued an unmodified conclusion on those interim condensed financial statements on 17 Safar 1442H (corresponding to 4 October 2020).

For Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh on: 8 Muharram 1443 (H)
Corresponding to: 16 August 2021 (G)

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	30 June 2021 <u>(Unaudited)</u>	31 December 2020 <u>(Audited)</u>
ASSETS			
Cash and bank balances	4	15,668,285	105,105,843
Prepayments and other receivables	5	831,684,679	852,180,436
Due from related parties	6	100,349,446	95,373,891
Net investment in Islamic financings	7	1,555,805,148	1,589,882,924
Margin deposits – restricted	8	44,016,063	133,102,147
Investment carried at FVOCI		892,875	892,875
Property and equipment		6,743,657	6,056,297
Intangible assets		4,541,674	1,955,843
Right-of-use assets		7,210,531	7,689,889
Total assets		<u>2,566,912,358</u>	<u>2,792,240,145</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Trade payables		11,841,576	24,655,069
Accruals and other payables	10	175,361,511	291,402,700
Lease liabilities		6,358,919	4,898,582
Due to related party	6	320,665	320,665
Net servicing liability for securitized receivables		52,553,817	65,231,776
Provision for zakat	11	21,668,817	31,922,585
Borrowings	12	1,180,277,086	1,289,911,878
Employees' post-employment benefits		16,792,700	17,754,000
Total liabilities		<u>1,465,175,091</u>	<u>1,726,097,255</u>
SHAREHOLDERS' EQUITY			
Share capital	9	500,000,000	500,000,000
Statutory reserve		98,512,706	98,512,706
Retained earnings		497,942,183	462,347,806
Actuarial gain on employees' post-employment benefits		5,282,378	5,282,378
Total shareholders' equity		<u>1,101,737,267</u>	<u>1,066,142,890</u>
Total liabilities and shareholders' equity		<u>2,566,912,358</u>	<u>2,792,240,145</u>

The accompanying notes from 1 to 16 are an integral part of these interim condensed financial statements

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIODS ENDED 30 JUNE 2021
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the three months period ended 30 June		For the six months period ended 30 June	
		2021	2020 <i>(Restated)</i>	2021	2020 <i>(Restated)</i>
INCOME					
Income from Islamic financing		49,490,369	75,879,629	100,357,427	144,425,609
Income from portfolio sold to banks		7,743,257	10,629,578	12,762,014	20,235,914
Finance income on portfolio sold to parent company		2,599,083	-	6,735,428	-
Income rescheduling of Islamic financing receivables		174,744	-	484,542	-
Insurance cost		(10,944,663)	(25,925,037)	(30,764,271)	(48,434,452)
Other income		16,298,859	11,006,184	25,521,497	16,503,300
		65,361,649	71,590,354	115,096,637	132,730,371
EXPENSES					
Salaries and employee related expenses		(21,399,272)	(17,814,897)	(42,082,316)	(42,655,464)
Other employee related cost		(6,694,932)	(6,183,737)	(13,765,250)	(12,604,858)
Impairment on Islamic financing, net	7.3	-	(96,521,283)	14,228,539	(150,408,706)
Collections of receivables written-off		3,689,606	269,421	7,135,435	1,506,255
Derecognition losses on portfolio sold to Parent Company		(508,018)	-	(508,018)	-
Other expenses		(10,707,641)	(6,799,883)	(23,465,108)	(16,096,709)
Finance cost		(8,897,430)	(21,881,957)	(27,796,640)	(44,620,604)
Depreciation and amortization		(2,569,115)	(3,052,686)	(4,933,635)	(6,243,980)
Reversal of / (charge for) impairment of margin deposits		-	(1,234,273)	4,717,239	(2,266,101)
Finance income on margin deposit	8.2	3,462,873	2,946,115	5,080,660	5,910,637
Modification loss on Islamic financing, net	14	(11,272,251)	(18,582,748)	(11,272,251)	(18,582,748)
Modification gain on restructuring of borrowings and grant income, net	14	5,435,675	42,963,241	5,435,675	42,963,241
Total expenses		(49,460,505)	(125,892,687)	(87,225,670)	(243,099,037)
Profit / (loss) before zakat		15,901,144	(54,302,333)	27,870,967	(110,368,666)
Zakat charge for the period	11	9,441,195	(6,991,478)	7,723,410	(7,160,647)
Profit / (loss) for the period		25,342,339	(61,293,811)	35,594,377	(117,529,313)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income / (loss) for the period		25,342,339	(61,293,811)	35,594,377	(117,529,313)

The accompanying notes from 1 to 16 are an integral part of these interim condensed financial statements

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021
(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Actuarial gain on employees' post-employment benefits	Total
<u>For the six-month period ended 30 June 2020 (unaudited)</u>					
Balance as at 1 January 2020	500,000,000	98,512,706	542,734,751	1,194,964	1,142,442,421
Loss for the period	-	-	(117,529,313)	-	(117,529,313)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	(117,529,313)	-	(117,529,313)
Balance as at 30 June 2020	500,000,000	98,512,706	425,205,438	1,194,964	1,024,913,108
<u>For the six-month period ended 30 June 2021 (unaudited)</u>					
Balance as at 1 January 2021	500,000,000	98,512,706	462,347,806	5,282,378	1,066,142,890
Profit for the period	-	-	35,594,377	-	35,594,377
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	35,594,377	-	35,594,377
Balance as at 30 June 2021	500,000,000	98,512,706	497,942,183	5,282,378	1,101,737,267

The accompanying notes from 1 to 16 are an integral part of these interim condensed financial statements

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before zakat		27,870,967	(110,368,666)
Adjustments:			
Amortization of right of use assets		2,938,317	3,116,987
Depreciation of property and equipment		1,435,656	2,139,233
Amortization of intangibles		559,662	987,760
(Reversal of)/ impairment on Islamic financing, net		(24,826,847)	148,902,451
(Reversal of)/ impairment on margin deposits		(4,717,239)	2,266,101
Modification loss on Islamic financing, net	14	11,272,251	18,582,748
Modification gain on restructuring of borrowings and grant income, net	14	(5,435,675)	(42,963,241)
Other income		-	(5,155,353)
Derecognition losses on portfolio sold to Parent Company		508,018	-
Finance income on margin deposit		(1,617,787)	(5,910,637)
Finance cost		27,796,640	44,620,604
Finance income on portfolio sold to Parent Company		(6,735,428)	-
Provision for employees' post-employment benefits		1,519,000	2,650,268
		30,567,535	58,868,255
Changes in operating assets and liabilities:			
Other receivables and prepayments		26,723,167	(107,425,940)
Due from related parties		(4,975,555)	(4,958,489)
Net investment in Islamic financing		47,632,372	206,225,608
Margin deposit – restricted		95,421,110	(22,648,500)
Trade payables		(12,813,491)	8,275,493
Other payables and accruals		(116,041,189)	9,762,691
Due to a related party		-	(2,801,728)
Net servicing liability for securitized receivables		(12,677,960)	(24,398,695)
Net cash from operations		53,835,989	120,898,695
Employees' post-employment benefits paid		(2,480,300)	(2,447,854)
Zakat Paid		(2,530,358)	-
Net cash from operating activities		48,825,331	118,450,841
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(2,123,018)	(440,499)
Additions of intangible assets		(3,145,494)	(138,567)
Net cash used in investing activities		(5,268,512)	(579,066)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(126,913,845)	26,434,866
Rentals paid		(998,616)	1,539,000
Finance cost paid		(40,899,748)	(33,079,619)
Net cash used in financing activities		(168,812,209)	(5,105,753)
Net (decrease) / increase in cash and cash equivalents		(125,255,390)	112,766,022
Cash and cash equivalents at beginning of the period	4	99,104,138	36,613,543
Cash and cash equivalents at end of the period	4	(26,151,252)	149,379,565

The accompanying notes from 1 to 16 are an integral part of these interim condensed financial statements

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

1- General information

Al-Yusr Leasing and Financing Company (“the Company”) is a Saudi Closed Joint-Stock Company registered in Riyadh in the Kingdom of Saudi Arabia under CR. No. 1010192058 issued on 20 Shawal 1424H corresponding to 14 December 2003G.

The main activities of the Company are to engage in Islamic finance lease, financing of small and medium-sized enterprises, financing of productive assets and consumer finance under the Saudi Arabian Monetary Authority (SAMA) license No. (10/AO/201403) issued on 27 Rabi' al-Thani 1435H corresponding to 28 February 2014G.

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

Al-Yusr Leasing and Financing Company
Salah Uddin Ayubi Street, Al Malaz
P.O. Box 25773
Riyadh 11476
Kingdom of Saudi Arabia

These interim condensed financial statements include the results, assets and liabilities of the following branches:

Branch	CR. NO.	Date
Riyadh-Damman Road	1010404025	9 Rabi’ al-Thani 1435H
Riyadh-Exit 5	1010404022	9 Rabi’ al-Thani 1435H
Riyadh-Exit 10	1010404068	9 Rabi’ al-Thani 1435H
Riyadh-Exit 25	1010404018	9 Rabi’ al-Thani 1435H
Riyadh-Khuraish Road	1010404065	9 Rabi’ al-Thani 1435H
Hafr Al Baten	1010429749	24 Rabi’ al-Awal 1436H
Hafr Al Baten	2511020230	12 Thul-Qi’ dah 1434H
Oniza	1128017776	13 Rabi’ al-Thani 1435H
Hail	3350037814	25 Safar 1434H
Sekaka	3400017706	13 Rabi’ al-Thani 1435H
Tabouk	3550033063	5 Rabi’ al-Thani 1435H
Dammam	2050098038	11 Rabi’ al-Thani 1435H
Dammam	2051028846	20 Thul-Qi’ dah 1424H
Al Qateef	2053022257	10 Thul-Qi’ dah 1431H
Al-Jubail	2055021890	9 Rabi’ al-Thani 1435H
Al Ihsaa	2252034974	12 Jumada al-Ula 1428H
Jeddah – Rowdah	4030170831	22 Jumada al-Akhirah 1428H
Jeddah – Al Jawahra	4030283344	4 Rabi’ al-Thani 1436H
Makkah	4031060371	01 Thul-Qi’ dah 1431H
Yanbu	4700017653	02 Jumada al-Akhirah 1435H
Madinah Monawarah-Aziziah	4650055494	02 Jumada al-Ula 1433H
Khamis Mshait	5855044025	24 Jumada al-Akhirah 1433H
Jazan	5900027559	17 Rabi’ al-Thani 1435H
Riyadh	1010442499	14 Jumada al-Ula 1437H
Kharj	1011020863	5 Safar 1435H
Madinah	1131051618	13 Rabi’ al-Thani 1435H

These interim condensed financial statements have been reviewed, not audited.

2- Basis of preparation

- 2.1 The interim condensed financial statements have been prepared in accordance with International Accounting Standard “Interim Financial Reporting”- (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

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

- 2.2 These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s financial statements for the year ended 31 December 2020. The interim results may not be an indicator of the annual results of the Company.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

Basis of preparation (continued)

2.3 The accounting and risk management policies adopted in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual audited financial statements for the year ended 31 December 2020.

2.4 Functional and presentation currency

These interim condensed financial statements have been presented in Saudi Riyals (SR) which is the Company's functional currency. All financial information presented in Saudi Arabian Riyals has been rounded to the nearest Saudi Riyal, unless otherwise mentioned.

3- Adoption of new standards and amendments to existing accounting standards

New accounting standards and amendments to existing accounting standards effective from 1 January 2021 and onwards do not have any significant effect on the Company's interim condensed financial statements.

3.1 New standards, interpretations and amendments effective in current year

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Company.

3.2 New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The most significant of these are as follows:

Standards	Title	Effective date
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022
IAS 16	Property, Plant and Equipment - Amendments prohibiting 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	1 January 2022
IFRS 1	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach	1 January 2023
IAS1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17	1 January 2023

Use of judgments and estimates

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim condensed financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the statutory financial statements as at and for the year ended 31 December 2020.

4- Cash and cash equivalents

	30 June 2021	31 December 2020
	(Unaudited)	(Audited)
Cash at bank – current account	15,668,285	105,105,843
Less: Bank overdrafts (Note 12)	(41,819,537)	(6,001,705)
Cash and cash equivalents	(26,151,252)	99,104,138

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

5- Prepayments and other receivables

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Receivables from parent company against sold portfolio (Note 5.1)	479,040,583	502,305,155
Advance payments to banks against sold portfolio	301,194,120	300,214,625
Advance to suppliers – unsecured	3,876,493	2,294,061
Claims receivable	9,999,117	9,043,255
Advances to staff	1,123,244	903,712
Prepaid rent	213,014	399,963
Other prepayments	36,238,108	37,019,665
	831,684,679	852,180,436

- 5.1 During the year 2020, the Company has sold Islamic financing receivables to Abdullatif Alissa Group Holding Company “Parent company” with no recourse amounting to net of SR 536 million (gross lease portfolio sold amounting to SR 902.8 million less allowance of impairment against the sold portfolio by SR 366.8 million). As per the agreement, the parent company is required to settle SR 536 million over ten instalments over a period of four years starting from 31 March 2021.

During the period, the Company has offset first instalment of SR 30 million against payable balance to parent company over collections made by the Company from Islamic financing portfolio sold. The Company has recognized a finance income on portfolio sold to parent company by SR.6.735 million (31 December 2020: loss on present value by SR 33.69 million).

6- Related parties’ balances and transactions

In the ordinary course of its activities, the Company transacts business with its related parties. Related parties include its parent company and their affiliated companies, the Board of Directors, and key management personnel. Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The transactions with related parties are carried out on mutually agreed terms approved by the management of the Company.

	Nature of transaction	For three months ended 30		For the six months end 30	
		June		June	
		2021	2020	2021	2020
Parent company:					
Abdullatif Alissa Group Holding Company	Finance income on sold portfolio	2,599,083	-	6,735,428	-
	IT cost allocation	-		-	357,195
	Settlement of zakat guarantee	-		-	(6,502,186)
	Finance cost charged	-		-	36,863
	Other settlements	-		-	(272,818)
Associated companies:					
Abdullatif Alissa Auto Company	Financing	-	431,437	4,975,555	1,090,033
Best Trading Company	Expenses paid on behalf of associate	-	7,705	-	15,254
National Automotive Trading Company	Expenses paid on behalf of associate	-	3,276	-	6,516
Alissa Universal Motor Company	Finance cost charged	-	13,629	-	59
Aqar and Memar Real Estate Company	Finance cost charged	-	3,978	-	7,891
General Automotive Company	Finance cost charged				2,372,521
General Automotive Company - Parts	Expenses paid on behalf of associate				49,311
Key management personnel	Salaries and other benefits	1,825,420	2,256,061	3,859,000	3,868,397
	Directors’ meeting fee	-	400,000	9,667	800,000
	Finance income	11,531	6,523	20,334,	8,252

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

Significant related parties' balances and transactions (continued)

Significant balances as at reporting date arising from transactions with related parties are as follows:

	Nature of relationship	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Due from related parties			
Abdullatif Alissa Automotive Company	Associate	99,356,479	94,380,924
Best Trading Company	Associate	629,747	629,747
National Automotive Trading Company	Associate	264,651	264,651
Alissa Universal Motor Company	Associate	98,569	98,569
		100,349,446	95,373,891
Due to related party			
Aqar and Memar Real Estate Company	Associate	320,665	320,665
		320,665	320,665
Key management personnel	Directors' meeting fee	-	845,675

7- Net investment in Islamic financings

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Gross investment in Islamic financings	2,079,920,519	2,085,559,314
Unearned finance income	(287,407,326)	(273,672,698)
Unearned origination fee income	(4,645,376)	(4,964,689)
Modification loss on restructuring of financings (Note 14)	(11,272,251)	-
Present value of investment in Islamic financings	1,776,595,566	1,806,921,927
Allowance for impairment (Note 7.2)	(220,790,418)	(217,039,003)
	1,555,805,148	1,589,882,924

7.1 Stage wise analysis of Islamic financings is as follows:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
30 June 2021 (Unaudited)				
Present value of investment in Islamic financings	1,017,698,449	158,470,841	600,426,276	1,776,595,566
Allowance for impairment	(18,174,769)	(30,388,287)	(172,227,362)	(220,790,418)
Net investment in Islamic financings	999,523,680	128,082,554	428,198,914	1,555,805,148
31 December 2020 (Audited)				
Present value of investment in Islamic financings	743,108,701	169,770,602	894,042,624	1,806,921,927
Allowance for impairment	(12,726,528)	(18,234,357)	(186,078,118)	(217,039,003)
Net investment in Islamic financings	730,382,173	151,536,245	707,964,506	1,589,882,924

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

Net investment in Islamic financings (continued)

7.2 The movement in the allowance for impairment of Islamic financing during the period is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Opening balance	217,039,003	528,185,854
Charged during the period / year	3,751,415	141,363,506
Allowance on Islamic financing receivables portfolio sold to Parent Company	-	(222,016,952)
Write-off during the period / year	-	(230,493,405)
	220,790,418	217,039,003

7.3 Allowance for impairment - net comprises of the following:

	For three months period ended 30 June (Unaudited) 2021	2020	For the six months period end 30 June (Unaudited) 2021	2020
(Charge for) / reversal of impairment	-	(96,521,283)	14,228,539	(150,408,706)

7.4 The Company in the ordinary course of its business holds collateral in respect of the Islamic financing (being the title of assets leased out) to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed of in case the customer defaults. As at 30 June 2021, Ijara receivables include the Company's repossessed vehicle inventory for the contracts having outstanding receivables amounting to SR 38.5 million (31 December 2020: SR 63.6 million).

The title of the assets sold under finance leases agreements is held in the name of the Company. Further, all investments in finance leases are secured through personal guarantees.

7.5 The Company has entered into securitization and agency agreements with certain banks whereby the Company has sold to the banks certain investments in finance leases, with partial recourse to the extent of margin deposits with the banks under the securitization and agency agreements. The total value of the sold investments in Islamic finance receivables during the year has been netted off against amounts received from the banks under the securitization and agency agreements to buy the Islamic finance receivables from the Company. Due to the partial recourse available to the banks, the Company recognizes a liability against margin deposits maintained with the banks. The Company is appointed by the banks to service the lease receivables purchased by them, and the corresponding net servicing asset and liability are disclosed on the interim condensed statement of financial position.

8- Margin deposits – restricted

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Gross margin deposits with banks	82,720,006	187,715,578
Impairment in respect of margin deposits	(32,885,499)	(43,714,327)
Allowance in respect of present value of margin deposit (Note 8.2)	(5,818,444)	(10,899,104)
	44,016,063	133,102,147

8.1 The Company has placed these funds in restricted bank accounts against Islamic finance receivables sold to the banks as required under certain securitization and agency agreements. This amount represents the maximum liability (against defaulted receivables, if any) of the Company according to the relevant securitization and agency agreements.

8.2- The movement in allowance in respect of present value margin deposits:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance at beginning of the period / year	10,899,104	17,891,745
Reversed during the period / year	(5,080,660)	(6,992,641)
	5,818,444	10,899,104

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

9- Share capital

The Company's subscribed and paid-up share capital of SR 500,000,000 is divided into 50,000,000 equity shares of SR. 10 each fully subscribed and paid, and distributed among shareholders as follows:

	30 June 2021 (Unaudited)			31 December 2020 (Audited)
	Holding %	No of Shares	Amount	Amount
Abdullatif Alissa Group Holding Company ("Parent Company")	99.80%	49,900,000	499,000,000	499,000,000
Gulf Development Company	0.20%	100,000	1,000,000	1,000,000
Total	%100	50,000,000	500,000,000	500,000,000

10- Accruals and other payables

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Collection against sold portfolio payable to banks (Note 7.5)	82,023,513	111,041,729
Payable against sold portfolio to Parent Company	4,541,612	23,161,587
Insurance recoveries payable	3,958,716	13,664,107
Provision against staff leaves	3,588,446	4,748,516
Unclaimed deposits	3,302,168	3,850,043
Accrued salaries, wages and benefits	3,900,000	6,267,759
Director's meeting attendance fee payable	-	845,675
Other payables	74,047,056	127,823,284
	175,361,511	291,402,700

11- Provision for Zakat

The movement in the provision for zakat is as follows:

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance at the beginning of the period / year	31,922,585	29,828,363
Payment made during the period / year	(2,530,358)	(9,977,604)
Charge for the period / year	1,717,785	12,071,826
Reversal of prior year	(9,441,195)	-
Provided during the period / year	(7,723,410)	12,071,826
	21,668,817	31,922,585

Status of assessments

The Zakat returns for the years ended 2014 up to 2017 have been filed and demand has been raised by the Zakat, Tax and Customs Authority ("ZATCA", formerly General Authority of Zakat and Tax "GAZT") under the assessment of SR 41.6 million for the years 2014 up to 2017. The Company has paid SR 21.6 million to ZATCA and the remaining amount is payable in four years equal instalments from 1 December 2020.

At the date of issuing these interim condensed financial statements, zakat returns up to 2020 have been submitted to the Zakat, Tax and Customs Authority and Company has received the zakat certificate until 2020.

AL-YUSR LEASING AND FINANCING COMPANY
(A Saudi Closed Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

12- Borrowings

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Short-term borrowings	688,512,196	418,696,984
Long-term borrowings	378,576,226	772,774,869
Deposit received from SAMA against repayments deferment	70,935,539	73,465,948
Bank overdrafts	41,819,537	6,001,705
	1,179,843,498	1,270,939,506
Finance cost payable	5,869,263	18,972,372
Modification gain on restructuring of borrowings and grant income	(5,435,675)	-
	1,180,277,086	1,289,911,878

The Company holds borrowings from local banks for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates. The Company has collateralized certain Islamic financing receivables in order to obtain these borrowings.

The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. The covenants are monitored on annual basis by the management, in case of potential breach, actions are taken by management to ensure compliance.

These facilities are collateralized against the guarantees of Abdullatif Alissa Group Holding Company (Parent company).

13- 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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

The Company's financial assets consist of cash and cash equivalents, investment, margin deposits, due from related parties and other receivables, its financial liabilities consist of trade payables, borrowings, net servicing liability for securitized receivables due to related party and other liabilities.

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

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

	Fair value			Total
	Level 1	Level 2	Level 3	
30 June 2021 (Unaudited)				
Financial asset				
Investment at FVOCI	-	-	892,875	892,875
31 December 2020 (Audited)				
Financial asset				
Investment at FVOCI	-	-	892,875	892,875

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

14- Impact of COVID-19 on expected credit losses (“ECL”) and SAMA programs

On March 11, 2020, the World Health Organization (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. For the Company, whose operations are largely concentrated in an economy which is primarily based on oil, the economic impacts of the above events, though the scale and duration of which remain uncertain, primarily include:

- Significant business interruption arising from hindrance in generating new originations, travel restrictions and unavailability of personnel etc.;
- Deterioration in credit worthiness of customers in particular to those working or involved in ‘highly exposed sectors’ such as transportation, tourism, hospitality, entertainment, construction and retail; and
- A significant increase in economic uncertainty, evidenced by more volatile asset prices and a general decline in interest rates globally.

Collectively, these current events and the prevailing conditions require the Company to analyze the likely impact of these events on the its business operations. The Board of Directors and the management of the Company have evaluated the current situation and accordingly, have activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on the Company’s operations and financial performance.

The pandemic has also required the Company to revise certain inputs and assumptions used for the determination of expected credit losses (“ECL”). These primarily revolved around adjusting macroeconomic factors such as GDP and reevaluating the methods of scenario construction and the underlying weightages assigned to these scenarios to estimate the likelihood and severity of these for the ECL determination. The Company has used GDP forecast for Kingdom of Saudi Arabia from IMF’s World Economic Outlook Database as of April 2020. The Company have adjusted this forecasted data based on COVID 19 impact assessment report titled “THE GREAT LOCKDOWN” published by IMF in April 2020. This report consists of adjustments IMF foresee to their published forecast of GDP, based on this report forecasted GDP for Kingdom of Saudi Arabia was decreased by 4.5% and increased by 0.7% for years of 2020 and 2021 respectively.

SAMA support programs and initiatives

Private Sector Financing Support Program (“PSFSP”)

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the SME sector through empowering and facilitating the financing community. The PSFSP mainly encompasses the following programs:

- Deferred payments program; and
- Funding for lending program.

As part of the deferred payments program, the Company is required to defer payments for six months starting from 14 March 2020 on lending facilities to those borrowers that qualify as Micro Small and Medium Enterprises (MSME) as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H and classified in Bucket 1 (i.e. from 0 to 30 days overdue). In May 2020, SAMA notified to defer all payments due from Stage (2) eligible MSME customers, i.e. classified in Bucket 2 (from 31 to 60 days overdue) and/or Bucket 3 (from 61 to 90 days overdue) that are currently servicing their loans. Similarly, the Company is also required to defer payments for 12 months on lending facilities funded through Monsha’at loans to those borrowers that qualify as MSME. As a compensation, the Company has received deferment of repayments on its Monsha’at loans from the Social Development Bank for a period of 12 months starting from 1 April 2020. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues.

In order to offset the modification loss which, the Company is expected to incur in deferring the payments, SAMA communicated to the Company that the deferment of six months’ period on due installments on borrowings from banks will be granted and interest free deposit will not be provided to the Company by SAMA.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

Impact of COVID-19 on expected credit losses (“ECL”) and SAMA programs (continued)

On 1 September 2020, as per SAMA circular No. 381000064902 dated 16 Jumada II 1438H for the financing companies subject to the supervision of the SAMA, SAMA has announced to extend the SAMA Deferred Payment Program for further 3 months effective from 14 September 2020 until 14 December 2020.

Further to the above, SAMA has extended the deferred payments program in 2020 and 2021 by allowing additional months payment deferrals for eligible MSMEs until 30 June 2021. The Company has affected these payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of the arrangement. This resulted in the Company recognizing an additional modification loss of SR 8 million by the end of the year 2020 and SR 3.2 million by the end of Q2 2021.

In order to offset the modification loss that the Company has incurred in deferring the payments, the Company received SR 41 million of profit free deposit during October 2020 from SAMA repayable in 18 equal instalments starting from 31 January 2021. As at 31 December 2020, the Company also received from SAMA SR 32.4 million repayable in 18 equal instalments starting from 31 May 2021

The benefit of the subsidized funding rate has been accounted for in accordance with government grant accounting requirements which resulted in a day 1 gain of SR 9 million recognized during the year ended 31 December, 2020. The Company also received SR 22.2 million of profit free deposits from SAMA in support of the third and fourth extension of deferred payment program. The day 1 modification gain for supports against extension of deferred program amounts to SR 3.7 million which was accounted for in the financial statements for the year ended 31 December 2020 and in the interim condensed statement of financial statements for the six months period ended 30 June 2021 by SR 1 million.

The net impact on the interim condensed statement of comprehensive income of the grant income, restructuring impact of financings and borrowings is as follows:

	For three months period ended 30 June (Unaudited)		For the six months period end 30 June (Unaudited)	
	2021	2020	2021	2020
Modification loss on financing	(11,272,251)	(18,582,748)	(11,272,251)	(18,582,748)
Modification gain on restructuring of borrowings	-	36,703,045	-	36,703,045
Modification gain on restructuring of Monsha'at loans	3,653,817	6,260,196	3,653,817	6,260,196
Grant income	1,781,858	-	1,781,858	-
Modification gain on restructuring of borrowings and grant income	5,435,675	42,963,241	5,435,675	42,963,241
	(5,836,576)	24,380,493	(5,836,576)	24,380,493

Credit risk management

The Company has strengthened its credit risk management policies to address the fast changing and evolving risks posed by the current circumstances. These include review of concentrations at granular economic sector, region, counterparty level including consideration of impacts of government and SAMA support, collateral protection and timely review. In respect of retail portfolio these include close monitoring of mix of loan types, employer concentrations, the trends in unemployment and the projected levels, collateral, delinquencies and timing of government support.

Liquidity risk management

The Company is aware of the need to keep a close focus on liquidity management during this period and has enhanced its daily monitoring of liquidity as well as increasing the number of management meetings. The Company acknowledges the timely action of SAMA and other government bodies in providing support and assurance to the financial markets.

Operational risk management

The Company responded quickly to the crisis and established an internal group to focus on the impacts of the pandemic and its effects on the Company. Furthermore, it put in place contingency plans allowing a significant proportion of employees to work from home. Employees considered essential to the operations of the Company were permitted to visit the Company's offices on a restricted basis whilst following government guidelines at all times. The Company's substantial investment in its IT and digital infrastructure has allowed customers to use the Company's facilities at minimal inconvenience during this period of branch closure whilst employees were able to work from home with minimal impact on effectiveness. Existing processes and controls have operated as normal throughout this period.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2021**

(All amounts are in Saudi Riyals unless otherwise stated)

15- Comparative figures

Following comparative amounts in these interim condensed statement of comprehensive income for the period ended 30 June 2020 have been restated to align with the current period presentation.

Financial statement account impacted	Before the restatement (Six-months period ended 30 June 2020)	Effect of restatement	Restated (Six-months period ended 30 June 2020)
Income from Islamic financing, net	116,227,071	28,198,538	144,425,609
Income from portfolio sold to banks	-	20,235,914	20,235,914
Insurance costs		(48,434,452)	(48,434,452)
Impairment on Islamic financing, net	(148,902,451)	(1,506,255)	(150,408,706)
Collection of receivables written-off	-	1,506,255	1,506,255
General and admin expenses	76,572,512	(76,572,512)	-
Selling and marketing expenses	1,028,499	(1,028,499)	-
Salaries and employee related expenses	-	42,655,464	42,655,464
Other employees related cost	-	12,604,858	12,604,858
Other expenses	-	16,096,709	16,096,709
Depreciation and amortization	-	6,243,980	6,243,980

Financial statement account impacted	Before the restatement (Three-months period ended 30 June 2020)	Effect of restatement	Restated (Three -months period ended 30 June 2020)
Income from Islamic financing, net	60,584,170	15,295,459	75,879,629
Income from portfolio sold to banks	-	10,629,578	10,629,578
Insurance costs		(25,925,037)	(25,925,037)
Impairment on Islamic financing, net	(96,251,862)	(269,421)	(96,521,283)
Collection of receivables written-off	-	269,421	269,421
General and admin expenses	33,728,540	(33,728,540)	-
Selling and marketing expenses	122,663	(122,663)	-
Salaries and employee related expenses	-	17,814,897	17,814,897
Other employees related cost	-	6,183,737	6,183,737
Other expenses	-	6,799,883	6,799,883
Depreciation and amortization	-	3,052,686	3,052,686

In addition, certain of the prior year figures in the interim condensed statements of cash flows within operating activities have been reclassified to conform to current year presentation.

16- Date of approval of interim condensed financial statements

These interim condensed financial statements were approved and authorized for issue on 16th August 2021 by the Board of Directors of the Company.