

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
Interim condensed financial statements
For the period ended 31 March 2023
together with the
Report on review of interim condensed financial statements

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
For the period ended 31 March 2023

INDEX	PAGE
Report on review of interim condensed financial statements	1
Interim condensed statement of financial position	2
Interim condensed statement of income	3
Interim condensed statement of comprehensive income	4
Interim condensed statement of changes in shareholder's equity	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial statements	7-17



Report on review of interim condensed financial statements

To the Shareholder of Saudi Fransi For Finance Leasing:
(A Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Saudi Fransi For Finance Leasing (A Closed Joint Stock Company) (the "Company") as of March 31, 2023 and the related interim condensed statement of income, statement of comprehensive income, changes in shareholder's 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) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

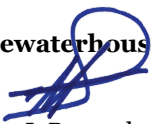
Scope of Review

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" as endorsed in the Kingdom of Saudi Arabia. A review of interim 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.

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 as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers



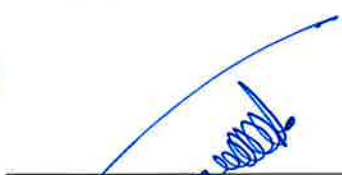
Bader I. Benmohareb
License Number 471
4 May 2023

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
(SR '000)

	<u>Notes</u>	31 March 2023 (Unaudited)	31 December 2022 (Audited)
<u>ASSETS</u>			
Cash and cash equivalents		143,961	477,570
Net investment in finance leases	5	3,675,752	3,644,218
Continuing involvement asset		35,798	38,274
Personal financing, net	5.2	19,005	2,297
Positive fair value of derivatives	7	41,031	44,750
Prepayments		103,236	89,736
Other assets	6	163,178	134,705
Investment at fair value through other comprehensive income (FVOCI)		893	893
Intangible assets		708	842
Property, equipment and right of use assets		4,083	4,376
Total assets		4,187,645	4,437,661
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>			
Liabilities			
Accounts payable	10	341,903	360,928
Advance from customers		86,956	80,895
Due to a related party	8.b	110,822	1,109
Negative fair value of derivatives	7	5,980	700
Continuing involvement liability		14,830	17,306
Provisions, accrued expenses and other liabilities		21,266	33,305
Provision for zakat	11	11,912	11,670
Saudi Central Bank (SAMA) deposit		148	222
Long-term tawarruq financing	9	2,553,576	2,884,722
Employees' end of service benefits (EOSB)		10,451	10,182
Total liabilities		3,157,844	3,401,039
Shareholder's equity			
Share capital		500,000	500,000
Statutory reserve		53,710	53,710
Other reserves		34,771	43,770
Retained earnings		441,320	439,142
Total shareholders' equity		1,029,801	1,036,622
Total liabilities and shareholder's equity		4,187,645	4,437,661



Mohammed Al Shaeikh
Chairman



Mashhor Al Masudi
Chief Executive Officer



Abdullah Al Sultan
Chief Financial Officer

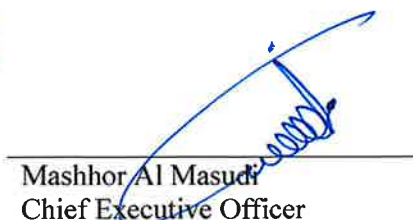
The accompanying notes (1) through (18) form an integral part of these interim condensed financial statements.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF INCOME (UNAUDITED)
(SR '000)

	Notes	For the three-months period ended	
		31 March 2023	31 March 2022
Lease finance income		46,763	39,926
Fees income	12	12,443	34,828
Fees expenses	12	(9,238)	(22,529)
Fees income, net		3,205	12,299
Total operating income		49,968	52,225
Operating expenses			
Salaries and employee related expenses		(12,363)	(10,875)
Depreciation		(237)	(265)
Amortization		(134)	(138)
General and administration expenses		(6,449)	(2,848)
Financial charges		(30,301)	(12,482)
Allowance for expected credit losses, net	5.1	(1,991)	(1,373)
Total operating expenses		(51,475)	(27,981)
Net operating (loss) / income		(1,507)	24,244
Other income		3,927	4,447
Net income for the period before zakat		2,420	28,691
Charge for zakat	11	(242)	(2,869)
Net income for the period		2,178	25,822



Mohammed Al Shaeikh
Chairman



Mashhor Al Masudi
Chief Executive Officer



Abdullah Al Sultan
Chief Financial Officer



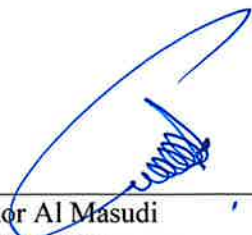
The accompanying notes (1) through (18) form an integral part of these interim condensed financial statements.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(SR '000)

	For the three-months period ended	
	31 March 2023	31 March 2022
Net income for the period	2,178	25,822
Other comprehensive (loss) / income for the period		
<i>Items that will be reclassified to interim condensed statement of income in subsequent periods:</i>		
Cash flow hedges – net change in fair value	(8,999)	35,251
Total comprehensive (loss) / income for the period	(6,821)	61,073



Mohammed Al Shaeikh
Chairman



Mashhor Al Masudi
Chief Executive Officer



Abdulrah Al Sultan
Chief Financial Officer

The accompanying notes (1) through (18) form an integral part of these interim condensed financial statements.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(UNAUDITED)
(SR '000)

For the period ended 31 March 2023	<u>Share Capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2023	500,000	53,710	43,770	439,142	1,036,622
Net income for the period	-	-	-	2,178	2,178
Other comprehensive loss	-	-	(8,999)	-	(8,999)
Balance as at 31 March 2023	500,000	53,710	34,771	441,320	1,029,801

For the period ended 31 March 2022	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2022	500,000	46,717	(13,164)	376,200	909,753
Net income for the period	-	-	-	25,822	25,822
Other comprehensive income	-	-	35,251	-	35,251
Balance as at 31 March 2022	500,000	46,717	22,087	402,022	970,826



Mohammed Al Shaeikh
Chairman



Mashhor Al Masudi
Chief Executive Officer



Abdullah Al Sultan
Chief Financial Officer

The accompanying notes (1) through (18) form an integral part of these interim condensed financial statements.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
(SR '000)

	<i>Notes</i>	31 March 2023	31 March 2022
Cash flows from operating activities			
Net income for the period before zakat		2,420	28,691
<i>Adjustments to reconcile net income to net cash generated / (used in) operating activities:</i>			
Depreciation		237	265
Amortization		134	138
Allowance for expected credit losses, net	5.1	1,991	1,373
Provision for employees' EOSB		604	538
Financing charges		<u>30,301</u>	<u>12,482</u>
		35,687	43,487
Net increase in operating assets			
Net investment in finance leases		(33,525)	(383,277)
Net investment in Personal Finance		(16,708)	-
Prepayments		(13,500)	(35,599)
Other assets		<u>(28,473)</u>	<u>(18,121)</u>
		(92,206)	(393,510)
Net increase in operating liabilities			
Accounts payable		(19,025)	76,255
Due to a related party		109,713	320
Advance from customers		6,061	3,264
Accrued expenses and other liabilities		<u>(12,039)</u>	<u>(6,532)</u>
		84,710	(320,203)
Zakat paid		-	(645)
Employees EOSB paid		<u>(335)</u>	<u>(101)</u>
		27,856	(320,949)
Net cash generated from/ (used in) operating activities			
Cash flows from investing activities			
Purchase of property and equipment		<u>56</u>	<u>-</u>
		56	-
Net cash generated from investing activities			
Cash flows from financing activities			
Draw down of long-term loan		-	445,000
Payments of long-term loan		(331,146)	(119,792)
Financial charges paid		(30,301)	(12,521)
SAMA deposit paid		<u>(74)</u>	<u>-</u>
		(361,521)	312,687
Net cash (used in)/ generated from financing activities			
Net change in cash and cash equivalents		(333,609)	(8,262)
Cash and cash equivalents at the beginning of the period		<u>477,570</u>	<u>15,630</u>
		143,961	7,368
Cash and cash equivalents at the end of the period			
Non-cash transactions			
Cash flow hedge – net change in fair value		<u>(8,999)</u>	<u>35,251</u>


Mohammed Al Shaeikh
Chairman


Mashhor Al Masudi
Chief Executive Officer


Abdallah Al Sultan
Chief Financial Officer

The accompanying notes (1) through (18) form an integral part of these interim condensed financial statements.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

1. THE COMPANY AND NATURE OF OPERATIONS

Saudi Fransi for Finance Leasing (“the Company”) is a Closed Joint Stock Company (“CJSC”) established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010320273 dated 24 Dhul Hijjah 1432H (corresponding to 21 November 2011).

As per the Saudi Central Bank (“SAMA”) directive, the Company obtained a license no. 201511/ ٣٨/ أش to practice finance activities.

The Company’s head office is located in Riyadh at the following address:

Saudi Fransi for Finance Leasing
Prince Abdulaziz Ibn Musaid Ibn Jalawi Road
P.O. Box 56006,
Riyadh 11554
Kingdom of Saudi Arabia

The objective of the Company is to provide lease financing for assets.

2. BASIS OF PREPARATION

a) *Statement of compliance*

The interim condensed financial statements of the Company as at and for the period ended 31 March 2023 have been prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“SOCPA”).

b) *Basis of measurement*

These interim condensed financial statements have been prepared on a going concern basis under the historical cost convention except for commission rate swaps and investment at fair value through other comprehensive income – equity instrument, which are measured at fair value. Further, employees’ EOSB are measured at present value of future obligations using the projected unit credit method.

The Company does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

c) *Functional and presentation currency*

Items included in these interim condensed financial statements are measured using the currency of the primary economic environment in which the Company operates. These interim condensed financial statements are presented in Saudi Arabian Riyals (“SAR”) which is the Company’s functional and presentation currency. All financial information presented has been rounded-off to thousand unless otherwise stated.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

New standards, interpretations and amendments adopted by the Company

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have a material impact on the interim condensed financial statements of the Company.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

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

The International Accounting Standard Board (IASB) has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2023. The management has assessed that the amendments have no significant impact on the Company's interim condensed financial statements.

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

Accounting standards issued but not yet effective

The listing of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date are as follows. The Company intends to adopt these standards when they become 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

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (CONTINUED)

Accounting standards issued but not yet effective (continued)

Standard, interpretation, amendments	Description	Effective date
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the audited financial statements for the year ended 31 December 2022.

5.1 NET INVESTMENT IN FINANCE LEASES

	31 March 2023 (Unaudited)			
	Note	Not later than <u>one year</u>	Later than one year and less <u>than five years</u>	<u>Total</u>
Lease contract receivables		1,354,422	3,123,679	4,478,101
Unearned lease income		(225,149)	(514,261)	(739,410)
		<u>1,129,273</u>	<u>2,609,418</u>	<u>3,738,691</u>
Allowance for expected credit losses	5.1.2	(20,511)	(42,428)	(62,939)
Net investment in finance leases		<u>1,108,762</u>	<u>2,566,990</u>	<u>3,675,752</u>

These leased assets carry profit rates ranging from 3% to 9.99% per annum (31 December 2022: 3% to 9.99%) and lease rentals are determined on the basis of implicit rate of profit based on the cash flows of the lease. The Company holds the title of the leased assets as a collateral against the finance leases.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

5.1 NET INVESTMENT IN FINANCE LEASES (CONTINUED)

	Note	31 December 2022 (<i>Audited</i>)		<u>Total</u>
		Not later than <u>one year</u>	Later than one year and less <u>than five years</u>	
Lease contract receivables		1,366,589	3,039,071	4,405,660
Unearned finance income		<u>(218,211)</u>	<u>(480,203)</u>	<u>(698,414)</u>
Net receivable from finance lease		1,148,378	2,558,868	3,707,246
Allowance for expected credit losses	5.1.2	<u>(20,927)</u>	<u>(42,101)</u>	<u>(63,028)</u>
Net investment in finance leases		<u>1,127,451</u>	<u>2,516,767</u>	<u>3,644,218</u>

5.1.1 Allowance for expected credit losses, net

	For the period ended 31 <u>March 2023</u>	For the period ended 31 <u>March 2022</u>
Provision for the year for Investment in finance lease	1,903	1,373
Charge against receivable for sold portfolio	-	-
Charge for the year for Investment in Personal finance	88	-
	<u>1,991</u>	<u>1,373</u>

5.1.2 The movement in the allowance for expected credit losses is as follows:

	For the period ended 31 <u>March 2023</u> (<i>Unaudited</i>)	For the year ended 31 <u>December 2022</u> (<i>Audited</i>)
Balance as at 1 January	63,028	72,298
Provision / (Reversal) for the year (5.1.1)	1,903	(6,378)
Write off for the year	<u>(1,992)</u>	<u>(2,892)</u>
Balance as at 31 March	<u>62,939</u>	<u>63,028</u>

5.2. PERSONAL FINANCING

	Note	31 March 2023 (<i>Unaudited</i>)		<u>Total</u>
		Not later than <u>one year</u>	Later than one year and less <u>than five years</u>	
Contract receivables		5,413	19,674	25,087
Unearned income		<u>(1,290)</u>	<u>(4,689)</u>	<u>(5,979)</u>
		4,123	14,985	19,108
Provision for expected credit losses	5.2.1	<u>(22)</u>	<u>(81)</u>	<u>(103)</u>
Personal financing		<u>4,101</u>	<u>14,904</u>	<u>19,005</u>

The company introduced a new product Personal Finance (Tawarruq) during the year ended 2022 to meet customer's financial needs by providing immediate cash in accordance with the provisions of Islamic Sharia so that the customer can meet his personal and family needs.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

5.2. PERSONAL FINANCING

	Note	31 December 2022 (Audited)		
		Not later than one year	Later than one year and less than five years	Total
Contract receivables		644	2,311	2,955
Unearned income		(140)	(503)	(643)
		504	1,808	2,312
Provision for expected credit losses	5.2.1	(3)	(12)	(15)
Personal financing		501	1,796	2,297

5.2.1 The movement in the allowance for expected credit losses is as follows:

	For the period ended 31 March 2023	For the year ended 31 December 2022
Balance as at 1 January	15	-
(Reversal)/Provision for the year (5.1.1)	88	-
Write off for the year	-	15
Balance as at 31 March	103	15

6. OTHER ASSETS

	Note	31 March 2023 <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
VAT receivable, net		78,072	75,669
Insurance receivable, net		59,613	33,649
Dealers receivable		12,060	12,979
Assets held for sale		763	763
Other receivables	6.1	12,670	11,645
		163,178	134,705

6.1 This includes amount pertaining to receivables from customers against fee receivables from customer care services equal to SR 2.4 million (31 December 2022: SR 2.2 million). As at 31 March 2023, the expected credit loss against these receivables are SR 1.5 million (31 December 2022: SR 1.5 million).

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

7. DERIVATIVES

<u>SR in 000'</u>	<u>Positive fair value of derivative</u>	<u>Negative fair value of derivative</u>	<u>Notional amount</u>			<u>Total</u>
			<u>Within 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	
31 March 2023	41,031	5,980	118,542	528,125	1,806,458	2,453,125
31 December 2022	44,750	(700)	88,542	405,625	1,397,500	1,891,667

The Company entered into commission rate swaps with its parent, BSF. The positive fair value of commission rate swaps is SAR **41.031** million (31 December 2022: SAR 44.75 million) and the negative fair value of commission rate swaps is SAR **5.980** million (31 December 2022: SAR 0.7 million). The fair value of commission rate swaps is calculated using discounted cash flow model using a risk-free discount rate adjusted for appropriate risk margin for counterparty risk including entity's own credit risk.

8. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise BSF and its affiliated entities and certain key management personnel. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken in light of applicable rules and regulations. The Company in its ordinary course of business transacts with the following related parties. The terms of those billings and charges are on an agreed basis with these related parties:

<u>Name</u>	<u>Relationship</u>
Banque Saudi Fransi (BSF)	Parent
Sofinco Saudi Fransi (SSF)	Affiliate

In addition to the related party transactions and balances disclosed elsewhere in these interim condensed financial statements, significant transactions and balances arising from transactions with related parties are as follows:

a) Transactions with related parties

<u>Nature of transactions</u>	<u>Related parties</u>	<u>For the three-months period ended</u>	
		<u>31 March 2023</u>	<u>31 March 2022</u>
Lease rentals collected	SSF	-	-
IT maintenance and network related expenses	BSF	1,082	330
Financial charges on long-term loan and bank charges	BSF	30,301	12,482
Salaries and employee related expenses	BSF	-	-
Draw down of long-term loan	BSF	-	445,000
Payments of long-term loan	BSF	331,146	119,792

Certain expenses paid by BSF on behalf of the Company were not charged by BSF to the Company; these expenses mainly included provision of rent-free premises, telephone expenses and electricity expenses.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

8. RELATED PARTY TRANSACTIONS

b) Due to a related party (excluding term loan):

	31 March 2023 <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
Banque Saudi Fransi	110,822	1,109
	<u>110,822</u>	<u>1,109</u>

c) Other balances with a related party:

		31 March 2023 <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
<u><i>Nature of balances</i></u>	<u><i>Related party</i></u>		
Cash and Cash equivalents	Banque Saudi Fransi	<u>143,961</u>	<u>57,570</u>
Term deposit	Banque Saudi Fransi	<u>-</u>	<u>420,000</u>
Long-term loan	Banque Saudi Fransi	<u>2,553,576</u>	<u>2,884,722</u>

- d) The Company considers Chief Executive Officer and Chief Financial Officer as key management personnel. The compensation of the key management personnel are listed below:

	For the three-months period ended	
	31 March 2023 <i>(Unaudited)</i>	31 March 2022 <i>(Unaudited)</i>
Salaries	595	412
End of service benefits	8	17
Other allowances	<u>-</u>	<u>-</u>
	<u>603</u>	<u>429</u>

9. LONG TERM LOAN

The Company has a shariah compliant loan facility “Al Tawarruq” with a limit of SAR 2.6 billion from its parent Banque Saudi Fransi (“BSF”).

The outstanding / utilized amounts from the above facility are as follows:

	31 March 2023 <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
Current portion	671,076	509,089
Non-current portion	<u>1,882,500</u>	<u>2,375,633</u>
	<u>2,553,576</u>	<u>2,884,722</u>

The long-term loans carry special commission rate equal to SIBOR plus bank margins payable on quarterly basis. The management have provided BSF with promissory notes against this facility.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

10. ACCOUNTS PAYABLE

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Third party insurance collected	6,352	
Dealers payable	235,041	257,135
Commission payable	6,152	6,166
Insurance payable	91,695	88,521
Customer verification expense payable	445	1,458
Government fee payable	1,665	1,736
Others	553	427
	<u>341,903</u>	<u>360,928</u>

11. ZAKAT

The movement in the provision for zakat is as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Opening balance	11,670	26,380
Charge for the period / year:		
Current	242	6,892
Prior years	-	(7,911)
Charge for the period/ reversal for the period	242	(1,019)
Payment during the period / year	-	(13,691)
Closing balance	<u>11,912</u>	<u>11,670</u>

Status of assessments

The Company has submitted its zakat and income tax returns for the years ended 31 December 2012 to 2022 with the Zakat, Tax, and Customs Authority (“ZATCA”).

During the period ended 31 March 2023, there has been no significant development in the status of the Company’s zakat and income tax assessments from the status disclosed in the annual audited financial statements of the Company for the year ended 31 December 2022.

12. FEE INCOME AND EXPENSES

	For the three-months period ended 31 March (Unaudited)	
	2023	2022
Fee income		
Insurance income	6,748	27,245
Processing fee	3,985	7,080
Other operating income	1,710	503
	<u>12,443</u>	<u>34,828</u>
Fee expenses		
Insurance expenses	(5,191)	(16,421)
Commission	(2,933)	(5,185)
Registration fee	(154)	(261)
Verification expenses	(960)	(662)
	<u>(9,238)</u>	<u>(22,529)</u>

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets (including lease receivables) and financial liabilities are measured at amortized cost except for derivative financial instruments and investment at fair value through other comprehensive income which are measured at fair value. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values except for net investments in finance leases.

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

<i>31 March 2023 (Unaudited)</i>	<i>-----Fair Value-----</i>				
	<i>Carrying Value</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<u>Financial assets:</u>					
Net investments in finance leases	3,675,752	-	-	3,398,568	3,398,568
Personal financing	19,005	-	-	19,005	19,005
Continuing involvement asset	35,798	-	-	35,798	35,798
Other assets	84,343	-	-	84,343	84,343
Positive fair value of derivative	41,031	-	41,031	-	41,031
Investments at FVOCI	893	-	-	893	893
<u>Financial liabilities:</u>					
Negative fair value of derivative	5,980	-	5,980	-	5,980
Long-term tawarruq financing	2,553,576	-	-	2,553,576	2,553,576
Continuing involvement liability	14,830	-	-	14,830	14,830
Due to a related party	110,822	-	-	110,822	110,822

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

13. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

31 December 2022 (Audited)	-----Fair Value-----				
	Carrying Value	Level 1	Level 2	Level 3	Total
<u>Financial assets:</u>					
Net investment in					
finance lease	3,707,246	-	-	4,057,269	4,057,269
Personal financing	2,312	-	-	2,312	2,312
Investment at FVOCI	893	-	-	893	893
Continuing					
involvement asset	38,274	-	-	38,274	38,274
Other Assets	58,273	-	-	58,273	58,273
Positive fair value of					
derivative	44,750	-	44,750	-	44,750
<u>Financial liabilities:</u>					
Negative fair value of					
derivative	700	-	700	-	700
Long term tawarruq					
financing	2,884,722	-	-	2,884,722	2,884,722
Continuing					
involvement liability	17,306	-	-	17,306	17,306
Due to a related party	1,109	-	-	1,109	1,109

The fair value of net investment in finance lease is determined using discounted cash flow technique considering the credit adjusted market rates. The rates are determined based on the risk profile of lease receivables and current commission rates.

Fair value of long-term loan is not significantly different from the carrying values included in the financial statements since the current market commission rates for similar financial instruments are not significantly different from the contracted rates.

Fair value of financial assets held at fair value through other comprehensive income – equity instruments is not significantly different from the carrying values included in the financial statements.

There had been no inter-level transfers during the period.

14. GEOGRAPHICAL CONCENTRATION

The Company's operations are restricted to the Kingdom of Saudi Arabia only.

15. COMMITMENTS

The Company has finance lease contracts approved but not utilised, indicative offers issued which are under consideration of the customers as of the reporting date which have the potential to convert into financing amounting to SR **25.49** million (31 December 2022: SR 17.8 million).

As at 31 March 2023, the Company has an outstanding guarantee of SR **30.2** million (31 December 2022: SR 30.2 million) submitted in favour of Abdul Latif Jameel Retail Company Limited against purchases of vehicle for onward leasing to customers.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 31 March 2023
(SR '000)

16. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board (“IASB”) has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate (“IBOR”) with an alternative Risk Free Rate (“RFR”).

The Company’s derivative positions are managed by the Parent, which is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. As of 31 March 2023 the Company does not hold any significant instruments or other arrangements that are expected to be impacted by IBOR reforms.

17. SUBSEQUENT EVENT

There have been no events subsequent to the reporting date that would require adjustment nor disclosure to the interim condensed financial statements as at and for the three-months period ended 31 March 2023.

18. BOARD OF DIRECTOR’ APPROVAL

The financial statements have been approved by the Board of Directors on May 2, 2023 (corresponding to 12 Shawwal, 1444H).