

**SAUDI FRANSI FOR FINANCE LEASING**  
(A Closed Joint Stock Company)  
**Interim condensed financial statements**  
**For the period ended 30 June 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 30 June 2023

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## *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 June 30, 2023 and the related interim condensed statement of income and comprehensive income for the three-month and six-month periods then ended and the interim condensed statements of changes in shareholder's equity and cash flows for the six-month period then ended, and other explanatory notes (the "interim condensed financial statements"). Board of directors 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**

A blue ink signature of Bader I. Benmohareb, consisting of a stylized 'B' and 'I' intertwined.

Bader I. Benmohareb  
License Number 471

July 27, 2023

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

	<u>Notes</u>	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
<b><u>ASSETS</u></b>			
Cash and cash equivalents		511,841	477,570
Net investment in finance leases	5	3,145,192	3,644,218
Continuing involvement asset	5.1.1	-	38,274
Personal financing	5.2	72,192	2,297
Positive fair value of derivatives	7	46,793	44,750
Prepayments		88,146	89,736
Other assets	6	121,996	134,705
Investment at fair value through other comprehensive income (FVOCI)		893	893
Intangible assets		1,450	842
Property, equipment and right of use assets		3,843	4,376
<b>Total assets</b>		<b>3,992,346</b>	<b>4,437,661</b>
<b><u>LIABILITIES AND SHAREHOLDER'S EQUITY</u></b>			
<b>Liabilities</b>			
Accounts payable	10	439,946	360,928
Advance from customers		75,008	80,895
Due to a related party	8.b	3,507	1,109
Negative fair value of derivatives	7	-	700
Continuing involvement liability	5.1.1	-	17,306
Provision, accrued expenses and other liabilities		17,763	33,305
Provision for zakat	11	15,395	11,670
Saudi Central Bank (SAMA) deposit		-	222
Long-term tawarruq financing	9	2,358,507	2,884,722
Employees' end of service benefits (EOSB)		10,452	10,182
<b>Total liabilities</b>		<b>2,920,578</b>	<b>3,401,039</b>
<b>Shareholder's equity</b>			
Share capital		500,000	500,000
Statutory reserve		53,710	53,710
Other reserves		46,513	43,770
Retained earnings		471,545	439,142
<b>Total shareholders' equity</b>		<b>1,071,768</b>	<b>1,036,622</b>
<b>Total liabilities and shareholder's equity</b>		<b>3,992,346</b>	<b>4,437,661</b>



Mohammed Al Shaeikh  
Chairman



Mashhor Al Masudi  
Chief Executive Officer




Khalid A. Aljanaidel  
Chief Financial Officer

The accompanying notes (1) through (17) 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)

	<i>Notes</i>	<b>For the three-month period ended</b>		<b>For the six-month period ended</b>	
		<b>30 June 2023</b>	<b>30 June 2022</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
Lease finance income		<b>44,931</b>	43,246	<b>91,694</b>	83,172
Fees income	12	<b>15,170</b>	29,078	<b>27,613</b>	63,906
Fees expenses	12	<b>(10,211)</b>	(20,022)	<b>(19,449)</b>	(42,551)
Fees income, net		<b>4,959</b>	9,056	<b>8,164</b>	21,355
<b>Total operating income</b>		<b>49,890</b>	52,302	<b>99,858</b>	104,527
Salaries and employee related expenses		<b>(13,254)</b>	(11,315)	<b>(25,617)</b>	(22,190)
Depreciation		<b>(246)</b>	(274)	<b>(483)</b>	(539)
Amortization		<b>(128)</b>	(140)	<b>(262)</b>	(278)
General and administration expenses		<b>(5,825)</b>	(4,791)	<b>(12,274)</b>	(7,639)
Financial charges		<b>(28,904)</b>	(17,049)	<b>(59,205)</b>	(29,531)
Reversal / (Charge) for expected credit losses, net	5.1	<b>922</b>	3,636	<b>(1,069)</b>	2,263
<b>Total operating expenses</b>		<b>(47,435)</b>	(29,933)	<b>(98,910)</b>	(57,914)
<b>Net operating income</b>		<b>2,455</b>	22,369	<b>948</b>	46,613
Gain on disposal of net investment in finance leases		<b>21,519</b>	-	<b>21,519</b>	-
Reversal of provision for financial guarantee on lease receivables sold	5.1	<b>15,768</b>	-	<b>15,768</b>	-
Charge for expected credit loss allowance on other financial assets	6.1	<b>(8,194)</b>	-	<b>(8,194)</b>	-
Other income		<b>2,160</b>	2,456	<b>6,087</b>	6,903
<b>Net income for the period before zakat</b>		<b>33,708</b>	24,825	<b>36,128</b>	53,516
Zakat	11	<b>(3,483)</b>	-	<b>(3,725)</b>	(2,869)
<b>Net income for the period</b>		<b>30,225</b>	24,825	<b>32,403</b>	50,647

  
Mohammed Al Shaeikh  
Chairman


  
Mashhor Al Masudi  
Chief Executive Officer

  
Khalid A. Aljanaidel  
Chief Financial Officer

The accompanying notes (1) through (17) form an integral part of these interim condensed financial statements.

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

	For the three-month period ended		For the six-month period ended	
	<i>Notes</i> 30 June 2023	30 June 2022	30 June 2023	30 June 2022
<b>Net income for the period</b>	<b>30,225</b>	24,825	<b>32,403</b>	50,647
<b>Other comprehensive income for the period</b>				
<i>Items that will be reclassified to statement of income in subsequent periods:</i>				
Cash flow hedges – net change in fair value	<b>11,742</b>	10,927	<b>2,743</b>	46,178
<b>Total comprehensive income for the period</b>	<b>41,967</b>	35,752	<b>35,146</b>	96,825


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

<b>For the period ended 30 June 2023</b>	<b>Share Capital</b>	<b>Statutory reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance as at 1 January 2023</b>	<b>500,000</b>	<b>53,710</b>	<b>43,770</b>	<b>439,142</b>	<b>1,036,622</b>
Net income for the period	-	-	-	32,403	32,403
Other comprehensive income	-	-	2,743	-	2,743
Total comprehensive income	-	-	2,743	32,403	35,146
<b>Balance as at 30 June 2023</b>	<b>500,000</b>	<b>53,710</b>	<b>46,513</b>	<b>471,545</b>	<b>1,071,768</b>

<b>For the period ended 30 June 2022</b>	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
Balance as at 1 January 2022	500,000	46,717	(13,164)	376,200	909,753
Net income for the period	-	-	-	50,647	50,647
Other comprehensive income	-	-	46,178	-	46,178
Total comprehensive income	-	-	46,178	50,647	96,825
Balance as at 30 June 2022	500,000	46,717	33,014	426,847	1,006,578



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

	<u>Notes</u>	<u>30 June 2023</u>	<u>30 June 2022</u>
<b>Cash flows from operating activities</b>			
Net income for the period before zakat		36,128	53,516
<i>Adjustments to reconcile net income to net cash generated / (used in) operating activities:</i>			
Depreciation		483	539
Amortization		262	278
Charge / (reversal) for expected credit losses, net	5.1	1,069	(2,263)
Gain on disposal of net investment in finance leases		(21,519)	-
Reversal of provision for financial guarantee on lease receivables		(15,768)	-
Charge for expected credit loss allowance on other financial assets		8,194	-
Provision for employees' EOSB		1,203	1,036
Financing charges		59,188	29,531
		<u>69,240</u>	<u>82,637</u>
<b>Net change in operating assets</b>			
Net investment in finance leases		(238,730)	(681,707)
Personal Financing		(70,615)	-
Prepayments		1,590	(48,352)
Other assets		12,709	(31,515)
Continuing involvement asset		38,274	-
		<u>(256,772)</u>	<u>(761,574)</u>
<b>Net change in operating liabilities</b>			
Accounts payable		79,018	96,433
Due to a related party		2,398	(1,757)
Advance from customers		(5,887)	9,283
Accrued expenses and other liabilities		(7,968)	(5,812)
Continuing involvement liability		(17,306)	-
		<u>50,255</u>	<u>98,147</u>
Zakat paid		-	(645)
Employees EOSB paid		(933)	(296)
<b>Net cash generated from / (used in) operating activities</b>		<u>(138,210)</u>	<u>(581,731)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(870)	(96)
Purchase of property and equipment		-	(414)
Proceeds from the sale of property, equipment and right of use assets		50	-
<b>Net cash generated from / (used in) investing activities</b>		<u>(820)</u>	<u>(510)</u>




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

	<u>Notes</u>	30 June 2023	30 June 2022
<b>Cash flows from financing activities</b>			
Draw down of long-term tawarruq financing		-	833,550
Payments of long-term tawarruq financing		(535,217)	(239,583)
Financial charges paid		(50,187)	(23,921)
SAMA deposit received		-	73
SAMA deposit paid		(222)	-
Proceeds from sale of net investment in finance lease		758,926	-
<b>Net cash generated from financing activities</b>		<u>173,300</u>	<u>570,119</u>
Net change in cash and cash equivalents		34,271	(12,122)
Cash and cash equivalents at the beginning of the period		477,570	15,630
<b>Cash and cash equivalents at the end of the period</b>		<u>511,841</u>	<u>3,508</u>
<b>Supplemental Non-cash transactions:</b>			
Cash flow hedge – net change in fair value		<u>2,743</u>	<u>46,178</u>

  
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The accompanying notes (1) through (17) 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-month and six-month periods ended 30 June 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 and personal financing.

**2 BASIS OF PREPARATION**

*a) Statement of compliance*

The interim condensed financial statements of the Company as at and for the period ended 30 June 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”) and in compliance with the provisions of the regulations for companies in the Kingdom of Saudi Arabia and by-laws of the company.

*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 interim condensed 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-month and six-month periods ended 30 June 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.

<b>Standard, interpretation, amendments</b>	<b>Description</b>	<b>Effective date</b>
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.

<b>Standard, interpretation, amendments</b>	<b>Description</b>	<b>Effective date</b>
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>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.</p> <p>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.</p>	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-month and six-month periods ended 30 June 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)*

<b>Standard, interpretation, amendments</b>	<b>Description</b>	<b>Effective date</b>
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 NET INVESTMENT IN FINANCE LEASES**

	Note	<b>30 June 2023 (Unaudited)</b>		<b>Total</b>
		<b>Not later than one year</b>	<b>Later than one year and less than five years</b>	
<b>Lease contract receivables</b>		<b>1,230,710</b>	<b>2,608,770</b>	<b>3,839,480</b>
<b>Unearned lease income</b>		<b>(204,855)</b>	<b>(428,913)</b>	<b>(633,768)</b>
		<b>1,025,855</b>	<b>2,179,857</b>	<b>3,205,712</b>
<b>Allowance for expected credit losses</b>	5.1.1	<b>(20,325)</b>	<b>(40,195)</b>	<b>(60,520)</b>
<b>Net investment in finance leases</b>		<b>1,005,530</b>	<b>2,139,662</b>	<b>3,145,192</b>

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-month and six-month periods ended 30 June 2023  
(SR '000)

**5 NET INVESTMENT IN FINANCE LEASES** (continued)

	Note	31 December 2022 (Audited)		Total
		Not later than one year	Later than one year and less than five years	
Lease contract receivables		1,366,589	3,039,071	4,405,660
Unearned finance income		(218,211)	(480,203)	(698,414)
Net receivable from finance lease		1,148,378	2,558,868	3,707,246
Allowance for expected credit losses	5.1.1	(20,927)	(42,101)	(63,028)
Net investment in finance leases		<u>1,127,451</u>	<u>2,516,767</u>	<u>3,644,218</u>

**5.1 Allowance for expected credit losses, net**

	<b>For the period ended 30 June 2023</b>	For the period ended 30 June 2022
Provision reversal for the period for Net investment in finance lease	(349)	2,263
Charge for the year for Personal financing	(720)	-
	<u>(1,069)</u>	<u>2,263</u>

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

	<b>For the period ended 30 June 2023 (Unaudited)</b>	For the year ended 31 December 2022 (Audited)
<b>Balance as at 1 January</b>	<b>63,028</b>	72,298
Charge for the year (Note 5.1)	<b>349</b>	(6,378)
Write off for the year	<b>(2,857)</b>	(2,892)
<b>Closing Balance</b>	<b><u>60,520</u></b>	<u>63,028</u>

During the period the Company sold finance lease receivables amounting to SR 940 million (December 31, 2022: SR 699 million) including principal value of SR 742 million (December 31, 2022: SR 577 million) to a local commercial bank "Banque Saudi Fransi" or "BSF", Parent for SR 835 million (December 31, 2022: SR 569 million) in pursuant to a portfolio sale agreement with BSF, where the Company retained maximum 0.5% of the risk of transferred portfolio. As per the assessment performed by the management significant risk and rewards related to the sold finance lease receivables have been transferred to BSF and these finance lease receivables have been derecognised from the statement of financial position. Gain on disposal of finance lease receivable amounting to SAR 22 million (December 31, 2022: Loss of SR 8 million) is included in Interim Condensed Statement of Income. The amount received of SAR 759 million (December 31, 2022: SR 548 million) on assignment of finance lease receivables has been recognised as sale proceeds in the Interim Condensed Statement of Financial Position.

Pursuant to the terms of the transfer agreement, the Company is not allowed to repledge those receivable, and the financial institution has recourse only to the receivables in the event the Company defaults its obligation.

**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 NET INVESTMENT IN FINANCE LEASES** (continued)

During the period, the Company has also amended the terms of its previous “Sale Letter of Agreement of a Pool of leased Vehicles (Annexure 1 Part 1)” dated 24<sup>th</sup> November 2022, to reduce the risk of transferred portfolio to 0.5% from 3%. As a result of the assessment performed by the management, this has resulted in transfer of significant risks and rewards related to the sold finance lease receivables as at December 31, 2022 and as a result the Company has derecognised the Continuing involvement asset and corresponding Continuing involvement liability of SR SR 17.306 million. This has also resulted in reversal of financial guarantee provision of SR 15.768 million. Consideration receivable of SAR 20.968 million included in Continuing involvement assets has been settled against payable to BSF included in Accounts Payable.

**5.2 PERSONAL FINANCING**

		<b>30 June 2023 (Unaudited)</b>		
		<b>Not later than one year</b>	<b>Later than one year and less than five years</b>	<b>Total</b>
	<b>Note</b>			
<b>Contract receivables</b>		<b>21,399</b>	<b>74,565</b>	<b>95,964</b>
<b>Unearned income</b>		<b>(5,137)</b>	<b>(17,900)</b>	<b>(23,037)</b>
		<b>16,262</b>	<b>56,665</b>	<b>72,927</b>
<b>Provision for expected credit losses</b>	<b>5.2.1</b>	<b>(164)</b>	<b>(571)</b>	<b>(735)</b>
<b>Personal financing</b>		<b>16,098</b>	<b>56,094</b>	<b>72,192</b>

The company introduced a new product known as Personal Finance (Tawarruq) during the year ended 2022 to meet customers’ financial needs by providing immediate cash in accordance with the Sharia Principals so that the customers can meet their personal financing needs.

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**5 NET INVESTMENT IN FINANCE LEASES** (continued)

**5.2 PERSONAL FINANCING** (continued)

	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 30 June 2023 (Unaudited)	For the year ended 31 December 2022 (Audited)
<b>Balance as at 1 January</b>	<b>15</b>	-
Provision for the year (Note 5.1)	<b>720</b>	-
Write off for the year	-	15
<b>Balance as at 30 June/ 31 December</b>	<b>735</b>	15

**6 OTHER ASSETS**

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
VAT receivable, net	71,926	75,669
Insurance receivable, net	8,330	33,649
Dealers receivable	18,228	12,979
Assets held for sale	567	763
Other receivables	22,945	11,645
	<b>121,996</b>	134,705

**6.1** This includes amount pertaining to receivables from customers against fee receivables from customer care services equal to SR 2.5 million (31 December 2022: SR 2.2 million) and receivable against sale of net investment in finance lease amounting to SR 8.2 million (31 December 2022: Nil). As at 30 June 2023, the expected credit loss against these receivables are SR 8.2 million (31 December 2022: Nil).

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**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>	
<b>30 June 2023</b>	<b>46,793</b>	<b>-</b>	<b>176,042</b>	<b>528,125</b>	<b>1,630,416</b>	<b>2,334,583</b>
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 46,793 (31 December 2022: SAR 44.75 million) and the negative fair value of commission rate swaps is Nil (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>30 June 2023</u>	<u>30 June 2022</u>
Lease rentals collected	SSF	44	31
IT maintenance and network related expenses	BSF	1,082	330
Financial charges on long-term loan and bank charges	BSF	28,903	17,029
Draw down of long-term tawarruq financing	BSF	-	833,550
Payments of long-term tawarruq financing	BSF	535,217	239,583
Financial charges paid	BSF	50,187	23,921
Proceeds from disposal of net investment in finance lease	BSF	758,926	-

Certain expenses paid by BSF on behalf of the Company were not charged by BSF to the Company; these expenses mainly included electricity expenses.



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**8 RELATED PARTY TRANSACTIONS** (continued)

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

	<b>30 June 2023</b> <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
Banque Saudi Fransi	<u>3,507</u>	<u>1,109</u>
	<u><b>3,507</b></u>	<u><b>1,109</b></u>

**c) Other balances with a related party:**

<u>Nature of balances</u>	<u>Related party</u>	<b>30 June 2023</b> <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
Cash and Cash equivalents	Banque Saudi Fransi	<u>511,841</u>	<u>57,570</u>
Term deposit	Banque Saudi Fransi	<u>-</u>	<u>420,000</u>
Long-term loan	Banque Saudi Fransi	<u>2,358,507</u>	<u>2,884,722</u>
Installments Payable Sold Portfolio -Net	Banque Saudi Fransi	<u>67,447</u>	<u>-</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:**

	<b>For the three-months period ended</b>	
	<b>30 June 2023</b> <i>(Unaudited)</i>	30 June 2022 <i>(Unaudited)</i>
Salaries	<u>665</u>	<u>412</u>
End of service benefits	<u>11</u>	<u>17</u>
	<u><b>676</b></u>	<u><b>429</b></u>

**9 LONG TERM LOAN**

The Company has a shariah compliant loan facility “Al Tawarruq” with a limit of SAR 2.8 billion from its parent Banque Saudi Fransi (“BSF”).

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

	<b>30 June 2023</b> <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
Current portion	<u>728,091</u>	<u>509,089</u>
Non-current portion	<u>1,630,417</u>	<u>2,375,633</u>
	<u><b>2,358,508</b></u>	<u><b>2,884,722</b></u>

Long-term tawarruq financing carries special commission rate equal to SIBOR plus bank margins payable on quarterly basis. The management have provided BSF with promissory notes against this facility.

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**10 ACCOUNTS PAYABLE**

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Third party insurance collected	5,303	5,485
Dealers payable	218,554	257,135
Commission payable	7,159	6,166
Insurance payable	137,613	88,521
Customer verification expense payable	859	1,458
Installments Payable Sold Portfolio – Net	67,447	-
Government fee payable	1,634	1,736
Others	1,377	427
	<b>439,946</b>	<b>360,928</b>

**11 ZAKAT**

The movement in the provision for zakat is as follows:

	<b>30 June 2023 (Unaudited)</b>	31 December 2022 (Audited)
Opening balance	11,670	26,380
Charge for the period / year:		
Current	3,725	6,892
Prior years	-	(7,911)
Charge for the period / (reversal) for the year	3,725	(1,019)
Payment during the period / year	-	(13,691)
Closing balance	<b>15,395</b>	<b>11,670</b>

**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 30 June 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**

	<b>For the three-month period ended (Unaudited)</b>		<b>For the six-month period ended (Unaudited)</b>	
	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
<b>Fee income</b>				
Insurance income	6,685	22,807	13,433	50,052
Processing fee	5,835	6,034	9,820	13,114
Other operating income	2,650	237	4,360	740
	<b>15,170</b>	<b>29,078</b>	<b>27,613</b>	<b>63,906</b>
<b>Fee expenses</b>				
Insurance expenses	(2,760)	(12,975)	(7,951)	(29,396)
Commission	(5,512)	(5,465)	(8,445)	(10,650)
Registration fee	(209)	(174)	(363)	(435)
Verification expenses	(1,730)	(1,408)	(2,690)	(2,070)
	<b>(10,211)</b>	<b>(20,022)</b>	<b>(19,449)</b>	<b>(42,551)</b>

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**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).

Level3: 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.

<b>30 June 2023 (Unaudited)</b>	<b>-----Fair Value-----</b>				<b>Total</b>
	<b>Carrying Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b><u>Financial assets:</u></b>					
Net investments in finance leases	<b>3,205,712</b>	-	-	<b>2,816,998</b>	<b>2,816,998</b>
Personal financing	<b>72,927</b>	-	-	<b>56,770</b>	<b>56,770</b>
Other assets	<b>49,503</b>	-	-	<b>49,503</b>	<b>49,503</b>
Positive fair value of derivative	<b>46,793</b>	-	<b>46,793</b>	-	<b>46,793</b>
Investments at FVOCI	<b>893</b>	-	-	<b>893</b>	<b>893</b>
<b><u>Financial liabilities:</u></b>					
Long-term tawarruq financing	<b>2,358,507</b>	-	-	<b>2,358,507</b>	<b>2,358,507</b>
Due to a related party	<b>3,507</b>	-	-	<b>3,507</b>	<b>3,507</b>

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

31 December 2022 (Audited)	-----Fair Value-----				Total
	Carrying Value	Level 1	Level 2	Level 3	
<b><u>Financial assets:</u></b>					
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	59,035	-	-	59,035	59,035
Positive fair value of derivative	44,750	-	44,750	-	44,750
<b><u>Financial liabilities:</u></b>					
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 tawarruq financing 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 8.3 million (31 December 2022: SR 17.8 million).

As at 30 June 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.

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**16 SUBSEQUENT EVENT**

There have been no events subsequent to the reporting date that would require adjustment or disclosure to the interim condensed financial statements as at and for the period ended 30 June 2023.

**17 BOARD OF DIRECTOR' APPROVAL**

The financial statements have been approved by the Board of Directors on 26 July 2023 (corresponding to 8<sup>th</sup> Muharram 1445H).