

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

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS 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 at 30 September 2023, and the related interim condensed statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed statements of changes in shareholder’s equity and cash flows for the nine-month period then ended, and explanatory notes. The 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 statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other Matter

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 23 Sha’ban 1444H (corresponding to 15 March 2023). Further, the interim condensed financial statements of the Company for the three months and nine months period ended 30 September 2022 were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed financial statements on 1 Rabi’ al-Thani 1444H (corresponding to 26 October 2022).

for Ernst & Young Professional Services

Rashid S. Roshod
Certified Public Accountant
License No. (366)

Riyadh: 11 Rabi Al-Thani 1445H
26 October 2023



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

	<u>Notes</u>	30 September <u>2023</u> (Unaudited)	31 December <u>2022</u> (Audited)
<u>ASSETS</u>			
Cash and cash equivalents		67,434	477,570
Net investment in finance leases	5	3,529,343	3,644,218
Continuing involvement asset	5.1.1	-	38,274
Personal financing	5.2	163,502	2,297
Positive fair value of derivatives	7	57,274	44,750
Prepayments		110,157	89,736
Other assets	6	132,412	134,705
Investment at fair value through other comprehensive income (FVOCI)		893	893
Intangible assets		4,321	842
Property, equipment and right of use assets		3,652	4,376
Total assets		4,068,988	4,437,661
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>			
Liabilities			
Accounts payable	10	683,879	360,928
Advance from customers		67,050	80,895
Due to a related party	8.b	4,589	1,109
Negative fair value of derivatives	7	-	700
Continuing involvement liability	5.1.1	-	17,306
Provision, accrued expenses and other liabilities		28,231	33,305
Provision for zakat	11	14,809	11,670
Saudi Central Bank (SAMA) deposit		-	222
Long-term tawarruq financing	9	2,182,370	2,884,722
Employees' end of service benefits (EOSB)		10,882	10,182
Total liabilities		2,991,810	3,401,039
Shareholder's equity			
Share capital		500,000	500,000
Statutory reserve		53,710	53,710
Other reserves		56,994	43,770
Retained earnings		466,474	439,142
Total shareholders' equity		1,077,178	1,036,622
Total liabilities and shareholder's equity		4,068,988	4,437,661


Mohammed Al Shaeikh
Chairman



Mashher 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>	For the three-month period ended		For the nine-month period ended	
		30	30	30	30
		September 2023	September 2022	September 2023	September 2022
Lease finance income		47,400	45,240	139,094	128,412
Fees income	12	15,500	22,539	43,114	86,445
Fees expenses	12	(11,904)	(17,044)	(31,354)	(59,595)
Fees income, net		3,596	5,495	11,760	26,850
Total operating income		50,996	50,735	150,854	155,262
Salaries and employee related expenses		(14,931)	(12,207)	(40,548)	(34,397)
Depreciation		(360)	(285)	(843)	(824)
Amortization		(259)	(145)	(522)	(423)
General and administration expenses		(9,753)	(3,990)	(22,027)	(11,629)
Financial charges		(25,455)	(22,031)	(84,660)	(51,562)
Reversal / (Charge) for expected credit losses, net	5.1	(7,890)	2,495	(8,959)	4,75
Total operating expenses		(58,648)	(36,163)	(157,559)	(94,077)
Net operating income		(7,652)	14,572	(6,705)	61,185
Gain on disposal of net investment in finance leases		-	-	21,519	-
Reversal of provision for financial guarantee on lease receivables sold	5.1.1	-	-	15,768	-
Charge for expected credit loss allowance on other financial assets	6.1	-	-	(8,194)	-
Other income		1,996	5,901	8,083	12,804
Net income for the period before zakat		(5,656)	20,473	30,471	73,989
Zakat	11	586	-	(3,139)	(2,869)
Net income for the period		(5,070)	20,473	27,332	71,120


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.

Internal Use

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

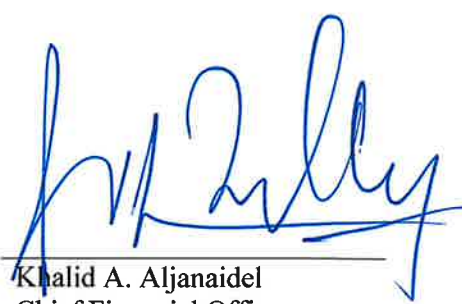
	For the three-month period ended		For the nine-month period ended	
	30	30	30	30
	<u>Notes</u> September 2023	September 2022	September 2023	September 2022
Net income for the period	(5,070)	20,473	27,332	71,120
Other comprehensive income for the period				
<i>Items that will be reclassified to statement of income in subsequent periods:</i>				
Cash flow hedges – net change in fair value	10,482	26,143	13,224	72,321
Total comprehensive income for the period	5,412	46,616	40,556	143,441



Mohammed Al Shaeikh
Chairman



Mashhour Al Masudi
Chief Executive Officer




Khalid A. Aljanaidel
Chief Financial Officer

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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)

For the period ended 30 September 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	-	-	-	27,332	27,332
Other comprehensive income	-	-	13,224	-	13,224
Total comprehensive income	-	-	13,224	27,332	40,556
Balance as at 30 September 2023	500,000	53,710	56,994	466,474	1,077,178

For the period ended 30 September 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	-	-	-	71,120	71,120
Other comprehensive income	-	-	72,321	-	72,321
Total comprehensive income	-	-	72,321	71,120	143,441
Balance as at 30 September 2022	500,000	46,717	59,157	447,320	1,053,194



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Chairman



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Chief Executive Officer



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Chief Financial Officer


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

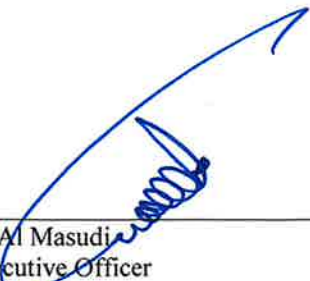
	<i>Notes</i>	30 September 2023	30 September 2022
Cash flows from operating activities			
Net income for the period before zakat		30,471	73,989
<i>Adjustments to reconcile net income to net cash generated / (used in operating activities):</i>			
Depreciation		843	824
Amortization		522	423
Charge / (reversal) for expected credit losses, net	5.1	8,959	(4,758)
Gain on disposal of net investment in finance leases		(21,519)	-
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		1,805	1,555
Financing charges		84,660	51,562
		<u>98,167</u>	<u>123,595</u>
Net change in operating assets			
Net investment in finance leases		(623,918)	(757,522)
Personal Financing		(161,205)	(199)
Prepayments		(20,421)	(43,918)
Other assets		2,292	(33,557)
Continuing involvement asset		38,274	-
		<u>(764,978)</u>	<u>(835,196)</u>
Net change in operating liabilities			
Accounts payable		322,951	2,305
Due to a related party		3,480	(5,965)
Advance from customers		(13,846)	3,762
Accrued expenses and other liabilities		(5,074)	(4,745)
Continuing involvement liability		(17,306)	-
		<u>290,205</u>	<u>(4,643)</u>
Zakat paid		-	(645)
Employees EOSB paid		(1,105)	(329)
		<u>(1,105)</u>	<u>(329)</u>
Net cash used in operating activities		<u>(377,711)</u>	<u>(717,218)</u>
Cash flows from investing activities			
Purchase of intangible assets		(4,000)	(97)
Purchase of property and equipment		(118)	(603)
Proceeds from the sale of property, equipment and right of use assets		-	-
Net cash used in investing activities		<u>(4,118)</u>	<u>(700)</u>

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

	<u>Notes</u>	30 September 2023	30 September 2022
Cash flows from financing activities			
Draw down of long-term tawarruq financing		-	1,122,092
Payments of long-term tawarruq financing		(711,258)	(328,125)
Financial charges paid		(75,753)	(34,192)
SAMA deposit received		-	148
SAMA deposit paid		(222)	(8,036)
Proceeds from sale of net investment in finance lease		758,926	-
Net cash (used in) / generated from financing activities		<u>(28,307)</u>	<u>751,887</u>
Net change in cash and cash equivalents		(410,136)	33,969
Cash and cash equivalents at the beginning of the period		477,570	15,630
Cash and cash equivalents at the end of the period		<u>67,434</u>	<u>49,599</u>
Supplemental Non-cash transactions:			
Cash flow hedge – net change in fair value		<u>13,224</u>	<u>73,321</u>



Mohammed Al Shaeikh
Chairman



Mashhor Al Masudj
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)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 30 September 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. 201511/38/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 September 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-months period ended 30 September 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	<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-months period ended 30 September 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 NET INVESTMENT IN FINANCE LEASES

		<u>30 September 2023 (Unaudited)</u>		
		<u>Not later than one year</u>	<u>Later than one year and less than five years</u>	<u>Total</u>
Note				
	Lease contract receivables	1,271,549	3,093,553	4,365,102
	Unearned lease income	(226,459)	(544,278)	(770,737)
		<u>1,045,090</u>	<u>2,549,275</u>	<u>3,594,365</u>
	Allowance for expected credit losses	5.1.1 (21,546)	(43,476)	(65,022)
	Net investment in finance leases	<u>1,023,544</u>	<u>2,505,799</u>	<u>3,529,343</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 30 September 2023
(SR '000)

5 NET INVESTMENT IN FINANCE LEASES (continued)

	Note	31 December 2022 (<i>Audited</i>)		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

	For the period ended 30 <u>September</u> <u>2023</u>	For the period ended 30 September 2022
Provision / reversal for the period for Net investment in finance lease	(6,524)	4,758
Charge for the year for Personal financing	(2,435)	-
	<u>(8,959)</u>	<u>4,758</u>

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

	For the period ended 30 <u>September 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
Charge / reversal for the year (5.1)	6,524	(6,378)
Write off for the year	(4,530)	(2,892)
Closing Balance	<u>65,022</u>	<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.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 30 September 2023
(SR '000)

5 NET INVESTMENT IN FINANCE LEASES (continued)

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.

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 24th 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

		30 September 2023 (Unaudited)		
		Not later than one year	Later than one year and less than five years	Total
Note				
		48,498	173,277	221,775
Contract receivables		(12,208)	(43,615)	(55,823)
Unearned income		36,290	129,662	165,952
Provision for expected credit losses	5.2.1	(536)	(1,914)	(2,450)
Personal financing		35,754	127,748	163,502

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.

SAUDI FRANSI FOR FINANCE LEASING
(A Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
For the three-months period ended 30 September 2023
(SR '000)

5 NET INVESTMENT IN FINANCE LEASES (continued)

5.2 PERSONAL FINANCING (continued)

		31 December 2022 (Audited)		
		Not later than one year	Later than one year and less than five years	Total
	Note			
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 September 2023 (Unaudited)	For the year ended 31 December 2022 (Audited)
Balance as at 1 January	15	-
Provision for the year (5.1.1)	2,435	15
Write off for the year	-	-
Balance as at 30 June/ 31 December	2,450	15

6 OTHER ASSETS

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
	Note	
VAT receivable, net		75,669
Insurance receivable, net		33,649
Dealers receivable		12,979
Assets held for sale		763
Other receivables	6.1	11,645
		134,705

6.1 This includes amount pertaining to receivables from customers against fee receivables from customer care services equal to SR 3.8 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: SR Nil). As at 30 September 2023, the expected credit loss against these receivables are SR 8.2 million (31 December 2022: SR 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>	
30 September 2023	57,274	-	176,042	528,125	1,454,375	2,158,542
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 57,274 (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 three-months period ended (Unaudited)</u>		<u>For nine-months period ended (Unaudited)</u>	
		<u>30 September 2023</u>	<u>30 September 2022</u>	<u>30 September 2023</u>	<u>30 September 2022</u>
Lease rentals collected	SSF	-	107	44	138
IT maintenance and network related expenses	BSF	1,082	330	2,164	990
Financial charges on long-term loan and bank charges	BSF	25,455	22,031	84,660	51,542
Draw down of long-term tawarruq financing	BSF	-	288,542	-	1,122,092
Payments of long-term tawarruq financing	BSF	176,042	88,542	711,259	382,125
Financial charges paid	BSF	37,138	-	87,325	-
Installments Payable Sold Portfolio -Net	BSF	120,502	-	187,950	-
Proceeds from disposal of net investment in finance lease	BSF	-	-	-	-

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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RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Banque Saudi Fransi	<u>4,589</u>	<u>1,109</u>
	<u>4,589</u>	<u>1,109</u>

c) Other balances with a related party:

<u>Nature of balances</u>	<u>Related party</u>	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Cash and Cash equivalents	Banque Saudi Fransi	<u>67,434</u>	<u>57,570</u>
Term deposit	Banque Saudi Fransi	<u>-</u>	<u>420,000</u>
Long-term loan	Banque Saudi Fransi	<u>2,182,370</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:

	<u>For three-months period ended (Unaudited)</u>		<u>For nine-months period ended (Unaudited)</u>	
	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)
Salaries	806	398	1,471	1,222
End of service benefits	11	5	22	39
	<u>817</u>	<u>403</u>	<u>1,493</u>	<u>1,261</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:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Current portion	<u>727,995</u>	<u>509,089</u>
Non-current portion	<u>1,454,375</u>	<u>2,375,633</u>
	<u>2,182,370</u>	<u>2,884,722</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

	30 September 2023 <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
Third party insurance collected	7,026	5,485
Dealers payable	332,741	257,135
Commission payable	9,025	6,166
Insurance payable	141,413	88,521
Customer verification expense payable	2,110	1,458
Installments Payable Sold Portfolio – Net	187,950	-
Government fee payable	1,477	1,736
Others	2,137	427
	683,879	360,928

11 ZAKAT

The movement in the provision for zakat is as follows:

	30 September 2023 <i>(Unaudited)</i>	31 December 2022 <i>(Audited)</i>
Opening balance	11,670	26,380
Charge for the period / year:		
Current	3,139	6,892
Prior years	-	(7,911)
Charge for the period/ reversal for the year	3,139	(1,019)
Payment during the period / year	-	(13,691)
Closing balance	14,809	11,670

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 September 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-month period ended <i>(Unaudited)</i>		For the nine-month period ended <i>(Unaudited)</i>	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
<i>Fee income</i>				
Insurance income	6,335	18,524	19,768	68,575
Processing fee	7,898	3,964	17,718	17,078
Other operating income	1,267	51	5,628	792
	15,500	22,539	43,114	86,445
<i>Fee expenses</i>				
Insurance expenses	(3,269)	(12,194)	(11,220)	(41,590)
Commission	(7,342)	(3,436)	(15,787)	(14,086)
Registration fee	(123)	(97)	(486)	(532)
Verification expenses	(1,170)	(1,317)	(3,861)	(3,387)
	(11,904)	(17,044)	(31,354)	(59,595)

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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).

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.

30 September 2023 (Unaudited)	-----Fair Value-----				Total
	Carrying Value	Level 1	Level 2	Level 3	
<u>Financial assets:</u>					
Net investments in finance leases	3,594,363	-	-	3,115,256	3,115,256
Personal financing	165,952	-	-	122,456	122,456
Other assets	108,022	-	-	108,022	108,022
Positive fair value of derivative	57,274	-	57,274	-	57,274
Investments at FVOCI	893	-	-	893	893
<u>Financial liabilities:</u>					
Long-term tawarruq financing	2,182,370	-	-	2,182,370	2,182,370
Due to a related party	4,589	-	-	4,589	4,589

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13 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

31 December 2022 (Audited)	Carrying Value	-----Fair Value-----			Total
		Level 1	Level 2	Level 3	
<i>Financial assets:</i>					
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
<i>Financial liabilities:</i>					
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 27.7 million (31 December 2022: SR 17.8 million).

As at 30 September 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 September 2023.

17 BOARD OF DIRECTOR' APPROVAL

The financial statements have been approved by the Board of Directors on **24th October 2023** (corresponding to to 9th Rab. II 1445 AH).