

SHL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025**

SHL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders
SHL Finance Company
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **SHL Finance Company** (A Saudi Joint Stock Company) (the "Company") as at 31 March 2025 and the related condensed interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2025, and the related statements of changes in shareholders' equity and cash flows for the three-month period then ended and explanatory notes (collectively referred to as the "*condensed interim financial statements*"). Management is responsible for the preparation and presentation of these condensed interim 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 condensed interim 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 information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Deloitte and Touche & Co.
Chartered Accountants



Tariq Bin Mohammed Al-Fattani
Certified Public Accountant
License No. 446



30 Shawwal, 1446H,
28 April 2025

SHL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Notes	31 March 2025 (Unaudited)	31 December 2024 (Audited)
ASSETS			
Cash and cash equivalents	4	40,783	69,189
Due from a related party	5	235	287
Prepaid expenses and other assets	6	12,260	11,921
Other receivables, net	7	10,302	8,481
Deferred origination fees		9,338	9,816
Investments in finance lease, net	8	3,454,903	3,501,479
Murabaha receivables, net	9	913,166	835,780
Investment held at fair value through other comprehensive income ("FVOCI")		893	893
Other real estate, net		56,400	63,271
Right-of-use asset		6,301	5,980
Property and equipment, net		2,844	3,125
Intangible assets, net		1,515	1,640
Deferred tax	13	1,615	1,605
TOTAL ASSETS		4,510,555	4,513,467
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and other liabilities	10	3,273	7,628
Accrued expenses	11	16,345	17,408
Advance lease rentals		25,296	20,544
Lease liability		4,850	5,669
Provision for zakat and income tax	12	8,371	6,168
Tawarruq financing facilities	14	2,738,303	2,756,546
End of service benefits	15	12,982	11,866
Total liabilities		2,809,420	2,825,829
Shareholders' equity			
Share capital	16	1,000,000	1,000,000
Statutory reserve		128,954	128,954
Other reserve		1,601	2,190
Retained earnings		570,580	556,494
Total shareholders' equity		1,701,135	1,687,638
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,510,555	4,513,467



Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes from (1) to (24) are an integral part of these condensed interim financial statements

SHL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Notes	For the three-month period ended 31 March (unaudited)	
		2025	2024
Finance income		91,860	84,264
Service fees, net	22	917	933
Application and evaluation fee income		636	881
Origination expenses		(478)	(598)
Total revenue		92,935	85,480
Fair value loss on derivative financial instrument		-	(947)
Other income		1,919	825
Total operating income		94,854	85,358
Direct cost		(4,234)	(5,665)
Finance charges		(49,453)	(52,532)
General and administrative expenses	18	(23,776)	(22,831)
Reversal of impairment losses and write offs	19	759	2,596
Selling and marketing expenses	17	(1,479)	(1,043)
Total operating expenses		(78,183)	(79,475)
Net income before zakat and income tax		16,671	5,883
Zakat and income tax	12	(2,595)	(1,176)
Income tax refund for previous periods	12	-	-
Deferred tax	13	10	(93)
Net income for the period		14,086	4,614
Other comprehensive loss			
<i>Item that cannot be reclassified to the statement of profit or loss in subsequent periods:</i>			
Actuarial loss on end of service benefits	15	(589)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		13,497	4,611
BASIC AND DILUTED EARNINGS PER SHARE (SAUDI RIYAL)	20	0.14	0.04



Chairman



Chief Executive Officer



Chief Financial Officer

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condensed interim financial statements

SHL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

Public

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025**
(Expressed in thousands of Saudi Riyal unless otherwise stated)

For the three-month period ended 31 March 2025 (Unaudited)					
Notes	Share capital	Statutory Reserve	Other reserve	Retained earnings	Total shareholders' equity
	1,000,000	128,954	2,190	556,494	1,687,638
15	-	-	-	14,086	14,086
	-	-	(589)	-	(589)
	-	-	(589)	14,086	13,497
	1,000,000	128,954	1,601	570,580	1,701,135

Balance at beginning of the period
Net income for the period
Actuarial loss on end of service benefits
Total comprehensive income for the period
Balance at end of the period

For the three-month period ended 31 March 2024 (Unaudited)					
Notes	Share Capital	Statutory Reserve	Other reserve	Retained earnings	Total shareholders' equity
	1,000,000	126,301	1,733	532,619	1,660,653
15	-	-	-	4,614	4,614
	-	-	(3)	-	(3)
	-	-	(3)	4,614	4,611
	1,000,000	126,301	1,730	537,233	1,665,264

Balance at beginning of the period
Net income for the period
Actuarial loss on end of service benefits
Total comprehensive income for the period
Balance at end of the period


Chairman


Chief Executive Officer


Chief Financial Officer

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SHL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	For the three-month period ended 31 March (unaudited)	
	2025	2024
OPERATING ACTIVITIES		
Net income before zakat and income tax	16,671	5,883
<i>Adjustments to net income before zakat and income tax</i>		
Depreciation and amortisation	1,067	1,109
Amortisation of deferred origination fees	478	655
Fair value loss on derivative financial instrument	-	947
(Reversal)/charge of impairment losses and write offs	(759)	(2,596)
Provision for end of service benefits	545	571
Amortization of discount on lease liability	425	112
Finance charges	49,453	52,532
	67,880	59,213
<i>Net (increase)/decrease in operating assets:</i>		
Other receivables, net	(1,603)	260
Prepaid expenses and other assets, net	(731)	(1,580)
Due from a related party	52	129
Investments in finance lease	53,347	49,506
Murabaha receivables	(76,745)	(114,107)
Positive fair value of derivative financial instrument	-	26,000
<i>Net increase/(decrease) in operating liabilities:</i>		
Accounts payable and other liabilities	(4,355)	(5,324)
Accrued expenses and other liabilities	(1,063)	(650)
Advance lease rentals	4,753	(1,276)
Net cash from operations	41,535	12,171
Zakat and income tax paid	-	(511)
End of service benefits paid	(18)	(170)
Net cash generated from operating activities	41,517	11,490
INVESTING ACTIVITIES		
Purchase of property and equipment	(46)	(210)
Proceeds from disposal of property and equipment	47	26
Purchase of intangible assets	(48)	(36)
Net cash used in investing activities	(47)	(220)
FINANCING ACTIVITIES		
Additions in Tawarruq financing facilities	35,000	75,000
Repayment of Tawarruq financing facilities	(53,132)	(32,888)
Finance charges paid	(49,564)	(47,254)
Lease liability paid - principal portion	(1,755)	(2,237)
Lease liability paid - interest portion	(425)	(112)
Net cash used in financing activities	(69,876)	(7,491)
Net change in cash and cash equivalents	(28,406)	3,779
Cash and cash equivalents at beginning of the period	69,189	80,272
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	40,783	84,051

Chairman

Chief Executive Officer

Chief Financial Officer

The accompanying notes from (1) to (24) are an integral part of these
condensed interim financial statements

SHL FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025**
(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

SHL Finance Company (the "Company") is a Saudi joint stock Company which was registered in Riyadh, Kingdom of Saudi Arabia under the commercial registration no. 1010241934 dated 22 Dhul Hijjah 1428H (corresponding to 1 January 2008), unified number (7001540165). The Company is regulated, controlled and licensed by Saudi Central Bank ("SAMA") license no: 14/A SH/201403 dated 27 Rabi Al-Thani 1435H (corresponding to 27 February 2014). The address of the Company is as follows:

SHL Finance Company
P.O. Box 27072
Riyadh 11417
Kingdom of Saudi Arabia

The principal activities of the Company are to finance the purchase of houses and residential land and apartments, financing of real estate properties and financing the establishment of commercial and industrial projects. During 2023, the Company has also obtained license from SAMA to practice the financing of small and medium enterprise activities and consumer financing activities.

On 14 February 2023, in an extra-ordinary general assembly meeting, the shareholders of the Company have resolved to change the name of the Company to SHL Finance Company from Saudi Home Loans Company.

The Company has also updated its byelaws to reflect the above changes.

The Ministry of Commerce and Investment (MC) of the Kingdom of Saudi Arabia has issued new Regulations for Companies, effective 19 January 2023 with a grace period of two years for implementation. The management of the Company is in the process of assessing the potential impact of implementation of the new regulations on the Company, if any, and expects to be fully compliant with the new regulations by the end of the grace period which is 17 January 2025.

Branches of the Company

As at 31 March 2025 and 31 December 2024, the Company operates through following branches. The accompanying condensed interim financial statements include the assets, liabilities and results of these branches. The details of these branches are as follows:

Branch	CR Number	Date
Jeddah Branch	4030289627	22/08/1437 H
Dammam Branch	2050109572	22/08/1437 H

2. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements of the Company as at and for the three-month period ended 31 March 2025 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 Organization for Chartered and Professional Accountants ("SOCPA").

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2024.

The results for the interim period of three-month ended 31 March 2025 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2025.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025
(Expressed in thousands of Saudi Riyal unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

b) Basis of measurement and presentation

These financial statements are prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption, except for the following:

Items	Measurement bases
Employee benefits liabilities	Present value of the defined benefit obligation, using actuarial present value calculations based on projected unit credit method.
Investment classified as fair value through other comprehensive income ("FVOCI")	The investment is carried at cost.
Derivative financial instrument	These are valued using valuation techniques with market observable inputs at end of each reporting period.
Other real estate properties	These are carried at lower of outstanding receivables net of expected credit losses from customer at amortized cost and fair value of the property.
Investment classified as FVOCI is measured at cost as measurement of fair value would entail undue cost and efforts.	

c) Functional and presentation currency

These condensed interim financial statements are presented in thousands of Saudi Riyals (except when otherwise indicated), which is the functional and presentation currency of the Company.

The figures in condensed interim financial statements for the three-month period ended 31 March 2025 and the annual financial statements for the year ended 31 December 2024 were rounded to nearest Saudi Riyal.

2.1 New and amended International Financial Reporting Standards ("IFRSs") Standards that are effective for the current period

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2025, have been adopted in these condensed interim financial statements.

The adoption has not had any material impact on the disclosures or on the amounts reported in these condensed interim financial statements.

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	1 January 2025

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025
(Expressed in thousands of Saudi Riyal unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

At the date of authorisation of these condensed interim financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Standard, interpretation, amendments	Description	Effective date
IFRS 18- Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations. It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	1 January 2027
IFRS 19 - Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	1 January 2027
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	1 January 2026
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	Not yet endorsed by SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	Not yet endorsed by SOCPA

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025
(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. MATERIAL ACCOUNTING POLICIES, JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The accounting policies, judgements, estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements as at and for the year ended 31 December 2024.

4. CASH AND CASH EQUIVALENTS

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Cash in hand	35	35
Cash at banks	33,018	54,747
Certified cheques in hand (Note 4.1)	7,730	14,407
	40,783	69,189

Cash at banks include profit bearing Murabaha deposits of SR 10.0 million as at 31 March 2025 (31 December 2024: SR 7.4 million) with profit rate approximating 5.28% (2024: 5.28%) annually.

As at each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating banking institutions and there has been no history of default with any of the Company's bank balances. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

4.1 Certified cheques in hand

This balance represents the value of certified cheques issued for the purchase of properties under the approved Ijarah and Murabaha contracts and for which the transfer of title deeds is under process. These certified cheques are submitted by official Company representatives directly at the government offices at the time of transfer of title deeds. Risk and rewards and control of such underlying properties and related Ijarah and Murabaha contracts are not transferred to the Company as at the reporting date and there are no contractual rights and obligations of Company as at the reporting date under such Ijarah and Murabaha contracts.

5. RELATED PARTY TRANSACTIONS

The related parties of the Company include the shareholders and affiliates, and key management personnel. In the ordinary course of business, the Company enters into transactions with its related parties, which are based on prices and contract terms approved by the Company's management and on an agreed basis with these related parties:

Name	Relationship
Arab National Bank ("ANB")	Shareholder
Dar Alarkan	Shareholder
Tharwat Alasool Real Estate Company	Affiliate
Wasalt Real Estate Services	Affiliate
Quara Digital Private Limited	Affiliate
Al Khair Capital	Affiliate

SHL FINANCE COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025
(Expressed in thousands of Saudi Riyal unless otherwise stated)

5. RELATED PARTY TRANSACTIONS (CONTINUED)

The significant transactions during the period are as follows:

	For the three-month period ended 31 March (Unaudited)	
	2025	2024
Tawarruq financing charges (ANB)	31,282	33,781
Residential unit purchased (Dar Alarkan)	1,072	1,113
Service fees, net (ANB)	724	577
Hedging loss (ANB)	-	(947)
Rent paid (Tharwat Alasool Real Estate Company)	2,180	2,180
Technology support (Quara Digital PL)	10	29
Profit on Murabaha deposits - Al Khair Capital	266	339

The following related party balances are included in the condensed interim statement of financial position:

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Loan obtained from a shareholder (ANB) (note 14)	1,726,380	1,741,702
Deferred origination fees (ANB)	9,338	9,816
Due from a related party related to service fees (ANB)	235	287
Murabaha deposits (Al Khair Capital) (note 4)	10,007	7,395

Compensation of key management personnel ("KMP")

KMP are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the Company's KMP includes the Board of Directors (including executive and non-executive directors) and selected key employees who meet the above criteria.

The compensation details of Company's KMP are provided below:

	For the three-month period ended 31 March (Unaudited)	
	2025	2024
Salaries	1,219	1,137
End of service benefits	63	47
Other allowances	367	396
Board of directors' remuneration - connected persons	1,188	1,188
	2,837	2,768

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025
(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. PREPAID EXPENSES AND OTHER ASSETS

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Prepaid financing facility fees	7,226	6,492
Prepaid Insurance	535	715
Prepaid software maintenance	899	1,636
Advance tax (note 12)	594	986
Prepaid sales commission	640	752
Others	2,366	1,340
	12,260	11,921

7. OTHER RECEIVABLES, NET

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Insurance claims receivable on deceased case leases	27,240	25,642
Receivables under litigation	4,360	4,360
VAT receivable from Ministry of housing	389	396
Due from Zakat, Tax and Customs Authority ("ZATCA")	867	867
Due from Saudi Real Estate Refinance Company ("SRC")	229	254
Employees' advances and receivables	245	208
Others		-
	33,330	31,727
Allowance against insurance and legal claims	(23,028)	(23,246)
	10,302	8,481

Allowance against insurance and legal claims comprise the following:

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Allowance against insurance claims receivable on deceased case leases	18,418	18,636
Allowance against legal claims	4,610	4,610
	23,028	23,246

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025
(Expressed in thousands of Saudi Riyal unless otherwise stated)

7. OTHER RECEIVABLES, NET (CONTINUED)

Movement in allowance is as follows:

	Allowance against insurance claim	Allowance against receivable under litigations
1 January 2025 (Audited)	18,636	4,610
Reversed during the period, net	(218)	-
31 March 2025 (Unaudited)	18,418	4,610

Movement in allowance during the year ended 31 December 2024 is as follows:

	Allowance against insurance claim	Allowance against receivable under litigations
1 January 2024 (Audited)	21,528	3,610
Reversed during the year, net	(2,892)	1,000
31 December 2024 (Audited)	18,636	4,610

The Company recognizes 100% allowance against all rejected insurance claims. The Company is following the collection rules and procedures to settle and recover these due amounts.

8. INVESTMENTS IN FINANCE LEASE, NET

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Investments in finance lease, gross	5,441,606	5,523,120
Less: Unearned finance income	(1,969,991)	(2,004,285)
Investments in finance lease before expected credit loss	3,471,615	3,518,835
Less: Allowance for expected credit loss	(16,712)	(17,356)
Investments in finance lease, net	3,454,903	3,501,479

Total number of outstanding lease agreements as at 31 March 2025 is 5,666 (31 December 2024: 5,733).

The Company generates substantially all of its revenues from leasing real estate properties in the Kingdom of Saudi Arabia. Investment in finance lease represents amounts due from individual customers.

SHL FINANCE COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2025
(Expressed in thousands of Saudi Riyal unless otherwise stated)

8. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

8.1 The movement in the allowance for expected credit losses is shown below:

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Balance at the beginning of the period/year	17,356	25,463
Provision written off during the period/year	-	2,034
Reversal during the period/year	(644)	(10,141)
Balance at the end of the period/year	16,712	17,356

During the three-month period ended 31 Mar 2025, the Company has reversed previously written off provision of SR NIL after repossessing the underlying properties from defaulted customers (three-month period ended 31 March 2024: SR 0.15 million written off).

8.2 The credit quality of investments in finance lease is as follows:

31 March 2025 (Unaudited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss rate in %	0.06	2.03	9.52	0.48
Investments in finance lease before ECL	3,100,313	273,721	97,581	3,471,615
Allowance for ECL	(1,858)	(5,565)	(9,289)	(16,712)
Net carrying amount	3,098,455	268,156	88,292	3,454,903

31 December 2024 (Audited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss rate in %	0.06	2.11	9.06	0.49
Investments in finance lease before ECL	3,154,939	251,665	112,231	3,518,835
Allowance for ECL	(1,872)	(5,314)	(10,170)	(17,356)
Net carrying amount	3,153,067	246,351	102,061	3,501,479

8.3 Maturity profile of the lease receivables is as follows:

	31 March 2025 (unaudited)			31 December 2024 (audited)
Year	Gross lease receivables	Unearned finance income	Investments in finance lease	Investments in finance lease
Within one year	561,448	(281,256)	280,192	279,708
Year two	545,075	(256,552)	288,523	287,390
Year three	520,809	(230,199)	290,610	290,682
Year four	493,445	(203,877)	289,568	290,258
Year five and later	3,320,829	(998,107)	2,322,722	2,370,797
	5,441,606	(1,969,991)	3,471,615	3,518,835

SHL FINANCE COMPANY
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8. INVESTMENTS IN FINANCE LEASE, NET (CONTINUED)

8.4 The ageing of gross lease receivables which are past due is as follows:

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Current	2,528,797	2,481,523
1 – 30 days	570,603	574,126
31-60 days	304,453	362,429
61-90 days	29,685	44,480
91-180 days	7,384	6,908
+180 days	30,693	32,013
Total	3,471,615	3,501,479

The Company in ordinary course of its business, holds collateral in respect of the finance lease receivables (being the title of properties leased out) in order to mitigate the credit risk associated with them. These collaterals (i.e. real estate) are not readily convertible into cash and are accepted by the Company with intent to dispose-off in case of customer default.

The Company is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in SR. No residual value is considered when entering or accounting for the lease contracts.

9. MURABAHA RECEIVABLES, NET

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Murabaha receivables, gross	1,414,061	1,294,667
Less: Unearned finance income	(494,846)	(452,197)
Murabaha receivables before expected credit loss	919,215	842,470
Less: Allowance for expected credit loss	(6,049)	(6,690)
Murabaha receivables, net	913,166	835,780

Below is the breakup of Murabaha receivables:

31 March 2025 (Unaudited)	Personal Finance	SMEs	Real estate	Total
Murabaha receivables, gross	48,936	154,404	1,210,721	1,414,061
Less: Unearned finance income	(10,727)	(27,103)	(457,016)	(494,846)
Murabaha receivables before expected credit loss	38,209	127,301	753,705	919,215
Less: Allowance for expected credit losses	(937)	(615)	(4,497)	(6,049)
Murabaha receivables, net	37,272	126,686	749,208	913,166

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9. MURABAHA RECEIVABLES, NET (CONTINUED)

31 December 2024 (Audited)	Personal Finance	SMEs	Real estate	Total
Murabaha receivables, gross	51,189	140,429	1,103,049	1,294,667
Less: Unearned finance income	(11,738)	(26,022)	(414,437)	(452,197)
Murabaha receivables before ECL	39,451	114,407	688,612	842,470
Less: Allowance for expected credit losses	(1,173)	(575)	(4,942)	(6,690)
Murabaha receivables, net	38,278	113,832	683,670	835,780

Total number of outstanding Murabaha contracts, including personal finance and small and medium enterprise ("SME") loan receivables as at 31 March 2025 are 998 (31 December 2024: 976). Amounts due under Murabaha receivables and personal finance are due from individual natural person.

9.1 The movement in allowance for expected credit losses is shown below:

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Balance at the beginning of the period/year	6,690	3,064
(Reversal) /Charge for the period/year	(641)	3,626
Balance at the end of the period/year	6,049	6,690

9.2 The credit quality of Murabaha receivables is as follows:

31 March 2025 (Unaudited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss rate in %	0.28	2.64	19.04	0.66
Murabaha receivables before ECL	879,929	23,708	15,578	919,215
Allowance for ECL	(2,458)	(625)	(2,966)	(6,049)
Net carrying amount	877,471	23,083	12,612	913,166

31 December 2024 (Audited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss rate in %	0.29	2.37	19.17	0.79
Murabaha receivables before ECL	802,108	20,143	20,219	842,470
Allowance for ECL	(2,337)	(477)	(3,876)	(6,690)
Net carrying amount	799,771	19,666	16,343	835,780

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9. MURABAHA RECEIVABLES, NET (CONTINUED)

9.3 Maturity profile of the Murabaha receivables is as follows:

Year	31 March 2025 (Unaudited)		31 December 2024 (Audited)	
	Gross Murabaha receivables	Unearned finance income	Murabaha receivables	Murabaha receivables
Within one year	216,243	(87,310)	128,933	115,474
Year two	153,662	(73,553)	80,109	75,448
Year three	146,180	(64,471)	81,711	75,032
Year four	134,912	(55,382)	79,529	73,912
Year five and later	763,064	(214,131)	548,933	502,604
	1,414,061	(494,847)	919,215	842,470

9.4 The ageing of gross Murabaha receivables which are past due is as follows:

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Current	773,507	678,346
1 – 30 days	100,318	92,353
31-60 days	34,507	40,300
61-90 days	2,684	11,155
91-180 days	2,056	1,946
+180 days	6,143	11,680
Total	919,215	835,780

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable mainly includes amounts pertaining to VAT payable to ZATCA and payable for evaluation and other services provided to the Company.

11. ACCRUED EXPENSES

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Employees' related expenses	5,038	8,163
Board related expenses	6,040	4,852
Deferred application and accrued fee	3,366	2,970
Others	1,901	1,423
	16,345	17,408

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12. PROVISION FOR ZAKAT AND INCOME TAX

Movements in the provision for zakat is as follows:

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Balance at the beginning of the period/year	6,168	526
Provision for zakat for the current period/year	2,203	6,168
Payment during the period/year	-	(526)
Balance at the end of the period/year	8,371	6,168

Movements in the provision for tax is as follows:

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Reclassified from prepaid expenses and other assets	(986)	(675)
Provision for income tax for current year	392	657
Under provision for previous year	-	394
Payment during the period/year	-	(1,362)
Reclassified to prepaid expenses and other assets	594	986
Balance at the end of the period/year	-	-

Zakat is a levy as defined by the ZATCA in the Kingdom of Saudi Arabia on the Saudi shareholders.

Income tax charge for the period has been calculated based on adjusted net income of the Company attributable to non-Saudi shareholders at the rate of 20% per annum.

The Company has filed its zakat and income tax returns for the years from 2008 up to 2023 and have received final assessment up to 2023.

13. DEFERRED TAX

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Balance at the beginning of the period/year	1,605	1,757
Movement during the period/year	10	(152)
Balance at end of the period/year	1,615	1,605

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14. TAWARRUQ FINANCING FACILITIES

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Principal amounts outstanding	2,730,625	2,748,757
Accrued Tawarruq financing charges	7,678	7,789
	2,738,303	2,756,546

All facilities are secured by promissory notes and assignment of contracts and proceeds from investments in finance lease, these facilities bear finance charges at interest margin plus market variable rates. Facility repayment schedule is based on equal semi-annual or quarter payment except for SRC that would be paid fully at the end of the facility period.

15. END OF SERVICE BENEFITS

The Company operates an end of service benefit plan for its staff based on prevailing Saudi Labor Laws. The movements in the present value of defined benefit obligation is as follows:

	31 March 2025 (Unaudited)	31 December 2024 (Audited)
Defined benefit obligation at the beginning of the period/year	11,866	11,677
Current service cost	390	1,651
Interest cost on defined benefit obligation	155	552
Benefits paid to outgoing employees	(18)	(1,557)
Actuarial loss on obligation	589	(457)
Defined benefit obligation at the end of the period/year	12,982	11,866

16. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each.

The shareholding of the Company as at 31 March 2025 and 31 December 2024:

	Number of shares in thousands	Share capital
ANB	29,400	294,000
Dar Al Arkan Real Estate Development Company	10,500	105,000
Youssef bin Abdullah Al Shalash	5,600	56,000
Public and others (listed on Tadawul)	54,500	545,000
	100,000	1,000,000

Public and others include the public shareholders and the founding shareholders who own less than 5% shares.

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17. SELLING AND MARKETING EXPENSES

	For the three-month period ended 31 March (Unaudited)	
	2025	2024
Sales, collection & title commission	1,010	609
Marketing expenses	339	130
Others	130	304
	1,479	1,043

18. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three-month period ended 31 March (Unaudited)	
	2025	2024
Employees' salaries and other benefits	15,326	16,019
Board of directors' remuneration	1,188	1,188
Consultation fees	1,793	1,068
Depreciation and amortisation	1,067	1,109
Software support charges	849	869
Collection commission	861	636
VAT expense	926	696
Telecommunication expenses	375	365
Auditors' remuneration	261	261
Repairs and maintenance	83	105
Others	1,047	515
	23,776	22,831

19. ALLOWANCE FOR IMPAIREMENT LOSSES

Below is the break-up of reversal of allowance for expected credit losses recognized during the period:

	For the three-month period ended 31 March (unaudited)	
	2025	2024
Reversal of allowance - investment in finance lease (note 8)	(641)	(2,528)
(Reversal)/Charge for the year - Murabaha receivables (note 9)	(644)	832
Reversal for the year - insurance claims receivable, deceased cases (note 7)	(218)	(898)
Impairment loss/(reversal) on other real estate - net	744	(2)
Total	(759)	(2,596)

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20. EARNINGS PER SHARE

The basic and diluted earnings per share have been computed by dividing net profit after zakat and income tax for the period by the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share is not applicable to the Company.

	For the three month ended 31 March (unaudited)	
	2025	2024
Net income for the period	14,085	4,614
Weighted average number of ordinary shares	100,000	100,000
Basic and diluted earnings per share (expressed in SR per share)	0.14	0.04

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial instruments comprise mainly of cash and cash equivalents, due from related parties, other receivables, investment held at FVOCI, derivative financial instrument, investments in finance leases, murabaha receivables, Tawarruq financing facilities, accounts payable and lease liabilities.

All financial assets and financial liabilities are measured at amortized cost except for derivative financial instrument which was classified as FVTPL.

Investment classified as held at FVOCI is measured at cost as measurement of fair value would entail undue cost and efforts and any changes are not expected to be material to the condensed interim financial statements.

Tawarruq financing facilities bear floating rate of interest based on market variable rates and hence, there is no significant difference between the carrying value and fair value.

The fair values of the financial instruments are not materially different from their carrying amounts except for the finance lease receivables and Murabaha receivables measured at amortized cost.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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22. PURCHASE AND AGENCY AGREEMENTS

The Company entered into Portfolio Purchase Agreements and Servicing Agreements (collectively referred to as the "Agreements") with SRC. Under the terms of these Agreements, the Company first sells eligible investment in finance lease receivables to SRC and then manages them on behalf of SRC as an agent for a monthly fee as per the terms of the Servicing Agreements. The Company has assumed an obligation to pay the cashflows from the investment in finance lease to SRC and as such, upon sale, the Company derecognizes the investment in finance lease receivables from its books and recognizes the difference as either gain or loss on derecognition of investment in finance lease receivables.

In 2014, the Company also entered into Leased Assets Sale Agreements and Service Agreements with ANB, a shareholder and sold eligible lease agreements with all associated rights and obligations to ANB. Under the agreement, the Company's right to cashflows have expired and transferred to ANB.

The Company services them on behalf of ANB as an agent for a monthly fee as per the terms of the Service Agreements. The services mainly relate to arranging insurance coverage for the entire period of the lease agreements sold and in respect of coverage of no less than the outstanding principal balance. The Company has contractually transferred the rights to cashflows of the sold contracts.

The Company recognized servicing fee income, net of insurance charges of SR 0.92 million during the three-month period ended 31 March 2025 (31 March 2024: SR 0.93 million).

23. COMMITMENT AND CONTINGENCIES

The Company is, from time to time, a defendant in lawsuits in respect of leased properties and receivables. Some of these suits make no specific claim for relief. Although final determination of any liability and resulting financial impact with respect to any such matters cannot be ascertained with any degree of certainty, management does not believe that any ultimate uninsured liability resulting from these matters in which it is currently involved will individually, or in the aggregate, have a material adverse effect on the financial position, liquidity or results of operations of the Company.

Further, the Company is also a plaintiff in a number of lawsuits mainly relating to eviction from properties and maintenance claims where any expected recovery, representing a contingent asset has not been recognized.

As at the reporting date, the Company has committed undisbursed financing of SR 4.7 million (2024: SR 7.9 million)

24. BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 29 Shawwal 1446H (corresponding to 27 April 2025).