

**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 2024**

**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 2024**

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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 2024 and the related condensed interim statements of profit or loss and other comprehensive income, 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" that are 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 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 financial statements is 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



Mazen A. Al-Omari  
Certified Public Accountant  
License No. 480



21 Shawwal 1445H  
30 April 2024

**SHL FINANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Notes	31 March 2024 (Unaudited)	31 December 2023 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	4	84,051	80,272
Due from a related party	5	375	504
Prepaid expenses and other assets	6	11,400	9,447
Other receivables, net	7	26,277	25,639
Deferred origination fees		11,450	12,105
Investments in finance lease, net	8	3,555,059	3,605,571
Murabaha receivables, net	9	690,866	577,590
Positive fair value of derivative financial instrument	16	-	26,947
Investment held at fair value through other comprehensive income ("FVOCI")		893	893
Other real estate, net		37,799	34,264
Right-of-use asset		2,223	2,860
Property and equipment, net		3,804	3,891
Intangible assets, net		1,454	1,619
Deferred tax	13	1,664	1,757
<b>TOTAL ASSETS</b>		<b>4,427,315</b>	<b>4,383,359</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Accounts payable and other liabilities	10	9,199	14,523
Accrued expenses and other liabilities	11	14,378	15,028
Advance lease rentals		9,907	11,183
Lease liability		447	2,684
Provision for zakat and income tax	12	1,564	526
Tawarruq financing facilities	14	2,714,475	2,667,085
End of service benefits	15	12,081	11,677
<b>Total liabilities</b>		<b>2,762,051</b>	<b>2,722,706</b>
<b>Shareholders' equity</b>			
Share capital	17	1,000,000	1,000,000
Statutory reserve	18	126,301	126,301
Other reserve		1,730	1,733
Retained earnings		537,233	532,619
<b>Total shareholders' equity</b>		<b>1,665,264</b>	<b>1,660,653</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,427,315</b>	<b>4,383,359</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	24		

  
Chairman

  
Chief Executive Officer

  
Chief Financial Officer

The accompanying notes from (1) to (25) 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 2024**  
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Notes	For the three-month period ended March 31 (unaudited)	
		2024	2023
Finance income		84,264	70,599
Service fees, net	23	933	1,182
Application and evaluation fee income		881	223
Origination expenses		(598)	(990)
<b>Total revenue</b>		<b>85,480</b>	<b>71,014</b>
Fair value loss on derivative financial instrument	16	(947)	-
Other income		825	1,709
<b>Total operating income</b>		<b>85,358</b>	<b>72,723</b>
Direct cost		(5,665)	(5,410)
Finance charges		(52,532)	(44,926)
General and administrative expenses	20	(22,831)	(19,657)
Reversal/(charge) of impairment losses and write offs		2,596	(173)
Selling and marketing expenses	19	(1,043)	(920)
<b>Total operating expenses</b>		<b>(79,475)</b>	<b>(71,086)</b>
<b>Net income before zakat and income tax</b>		<b>5,883</b>	<b>1,637</b>
Zakat and income tax	12	(1,176)	(1,371)
Income tax refund for previous periods	12	-	2,313
Deferred tax	13	(93)	(132)
<b>Net income for the period</b>		<b>4,614</b>	<b>2,447</b>
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	(3)	(63)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>4,611</b>	<b>2,384</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (SAUDI RIYAL)</b>	21	<b>0.04</b>	<b>0.02</b>

  
Chairman

  
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Chief Financial Officer

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**SHL FINANCE COMPANY**  
(A SAUDI JOINT STOCK COMPANY)

**CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

					For the three-month period ended 31 March 2024 (Unaudited)				
					Share capital	Statutory Reserve	Other reserve	Retained earnings	Total shareholders' equity
					Notes				
Balance at beginning of the period					1,000,000	126,301	1,733	532,619	1,660,653
Net income for the period					-	-	-	4,614	4,614
Actuarial loss on end of service benefits	15				-	-	(3)	-	(3)
Total comprehensive income for the period					-	-	(3)	4,614	4,611
Balance at end of the period					1,000,000	126,301	1,730	537,233	1,665,264

For the three-month period ended 31 March 2023 (Unaudited)

					Share Capital	Statutory Reserve	Other reserve	Retained earnings	Total shareholders' equity
					Notes				
Balance at beginning of the period					1,000,000	126,068	2,124	580,526	1,708,718
Net income for the period					-	-	-	2,447	2,447
Actuarial loss on end of service benefits	15				-	-	(63)	-	(63)
Total comprehensive income for the period					-	-	(63)	2,447	2,384
Balance at end of the period					1,000,000	126,068	2,061	582,973	1,711,102

  
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**SHL FINANCE COMPANY**  
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**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	For the three-month period ended March 31 (unaudited)	
	2024	2023
<b>OPERATING ACTIVITIES</b>		
Net income before zakat and income tax	5,883	1,637
<b>Adjustments to net income before zakat and income tax</b>		
Depreciation and amortisation	1,109	1,125
Amortisation of deferred origination fees	655	990
Fair value loss on derivative financial instrument	947	-
(Reversal)/charge of impairment losses and write offs	(2,596)	173
Provision for end of service benefits	571	480
Amortization of discount on lease liability	112	256
Finance charges	52,532	44,926
	<b>59,213</b>	<b>49,587</b>
<b><u>Net (increase)/decrease in operating assets:</u></b>		
Other receivables, net	260	(1,363)
Prepaid expenses and other assets, net	(1,580)	595
Due from a related party	129	67
Investments in finance lease	49,506	60,166
Murabaha receivables	(114,107)	(29,279)
Positive fair value of derivative financial instrument	26,000	-
<b><u>Net increase/(decrease) in operating liabilities:</u></b>		
Accounts payable and other liabilities	(5,324)	1,343
Accrued expenses and other liabilities	(650)	(5,830)
Advance lease rentals	(1,276)	7,983
<b>Net cash from operations</b>	<b>12,171</b>	<b>83,269</b>
Zakat and income tax paid	(511)	-
Zakat and income tax refund	-	2,904
End of service benefits paid	(170)	(45)
<b>Net cash generated from operating activities</b>	<b>11,490</b>	<b>86,128</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(210)	(228)
Proceeds from disposal of property and equipment	26	-
Purchase of intangible assets	(36)	(3)
<b>Net cash used in investing activities</b>	<b>(220)</b>	<b>(231)</b>
<b>FINANCING ACTIVITIES</b>		
Additions in Tawarruq financing facilities	75,000	110,000
Repayment of Tawarruq financing facilities	(32,888)	(76,852)
Finance charges paid	(47,254)	(37,636)
Lease liability paid - principal portion	(2,237)	(2,393)
Lease liability paid - interest portion	(112)	(256)
<b>Net cash used in financing activities</b>	<b>(7,491)</b>	<b>(7,137)</b>
<b>Net change in cash and cash equivalents</b>	<b>3,779</b>	<b>78,760</b>
Cash and cash equivalents at beginning of the period	80,272	42,847
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>84,051</b>	<b>121,607</b>

  
Chairman

  
Chief Executive Officer

  
Chief Financial Officer

The accompanying notes from (1) to (25) 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 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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**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 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 2024 and 31 December 2023, 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:

<u>Branch</u>	<u>CR Number</u>	<u>Date</u>
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 2024 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 2023.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

The results for the interim period of three-month ended 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

***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 2023 and the annual financial statements for the year ended 31 December 2023 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 2024, 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.

New and revised IFRS	Summary
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	The amendment aims to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

<b>New and revised IFRS</b>	<b>Summary</b>
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
Non-current Liabilities with Covenants (Amendments to IAS 1)	The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

**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:

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
<b>Lack of Exchangeability (Amendments to IAS 21)</b> The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	1 January 2025
<b>IFRS 18 Presentation and Disclosure in Financial Statements</b> IFRS 18 sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 Presentation of Financial Statements	1 January 2027

The management is in the process of assessing the potential financial impact of application and do not expect that the adoption of the standards listed above will have a material impact on the condensed interim financial statements of the Company in future periods except for IFRS 18.

**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 2023.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

**4. CASH AND CASH EQUIVALENTS**

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Cash in hand	<b>35</b>	35
Cash at banks	<b>73,710</b>	75,854
Certified cheques in hand (Note 4.1)	<b>10,306</b>	4,383
	<b>84,051</b>	80,272

Cash at banks include profit bearing Murabaha deposits of SR 26.4 million as at 31 March 2024 (31 December 2023: SR 31 million) with profit rate approximating 5.28% (2023: 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:

<b>Name</b>	<b>Relationship</b>
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  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

The significant transactions during the period are as follows:

	<b>For the three-month period ended 31 March (Unaudited)</b>	
	<b>2024</b>	2023
Tawarruq financing charges (ANB)	<b>33,781</b>	28,101
Residential unit purchased (Dar Alarkan)	<b>1,113</b>	-
Service fees, net (ANB)	<b>577</b>	801
Hedging (loss)/gain (ANB)	<b>(947)</b>	1,413
Rent paid (Tharwat Alasool Real Estate Company)	<b>2,180</b>	2,180
Profit on Murabaha deposits (ANB)	-	76
Technology support (Quara Digital PL)	<b>29</b>	26
Profit on Murabaha deposits - Al Khair Capital	<b>339</b>	-

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

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
	Loan obtained from a shareholder (ANB) (note 14)	<b>1,759,713</b>
Deferred origination fees (ANB)	<b>11,450</b>	12,105
Due from a related party related to service fees (ANB)	<b>375</b>	504
Murabaha deposits (Al Khair Capital) (note 4)	<b>26,463</b>	31,123
Fair value of derivative financial instruments (ANB) (note 16)	-	26,947

**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:

	<b>For the three-month period ended 31 March (Unaudited)</b>	
	<b>2024</b>	2023
Salaries	<b>1,137</b>	1,076
End of service benefits	<b>47</b>	51
Other allowances	<b>396</b>	333
Board of directors’ remuneration - connected persons	<b>1,188</b>	-
	<b>2,768</b>	1,460



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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

**6. PREPAID EXPENSES AND OTHER ASSETS**

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Prepaid financing facility fees	<b>1,333</b>	1,592
Prepaid Insurance	<b>1,826</b>	1,183
Prepaid software maintenance	<b>640</b>	801
Advance tax (note 12)	<b>1,048</b>	675
Prepaid sales commission	<b>4,093</b>	3,953
Others	<b>2,460</b>	1,243
	<b>11,400</b>	9,447

**7. OTHER RECEIVABLES, NET**

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Insurance claims receivable on deceased case leases	<b>28,688</b>	31,481
Receivables under litigation	<b>14,219</b>	12,131
VAT receivable from Ministry of housing	<b>5,833</b>	5,720
Due from Zakat, Tax and Customs Authority ("ZATCA")	<b>867</b>	867
Employees' advances and receivables	<b>165</b>	101
Others	<b>745</b>	477
	<b>50,517</b>	50,777
Allowance against insurance and legal claims	<b>(24,240)</b>	(25,138)
	<b>26,277</b>	25,639

Allowance against insurance and legal claims comprise the following:

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Allowance against insurance claims receivable on deceased case leases	<b>20,630</b>	21,528
Allowance against legal claims	<b>3,610</b>	3,610
	<b>24,240</b>	25,138

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

Movement in allowance is as follows:

	<b>Allowance against insurance claim</b>	<b>Allowance against receivable under litigations</b>
1 January 2024 (Audited)	<b>21,528</b>	<b>3,610</b>
Reversed during the period, net	<b>(898)</b>	-
31 March 2024 (Unaudited)	<b>20,630</b>	<b>3,610</b>

Movement in allowance during the year ended 31 December 2023 is as follows:

	<b>Allowance against insurance claim</b>	<b>Allowance against receivable under litigations</b>
1 January 2023 (Audited)	23,475	3,610
Reversed during the year, net	(1,947)	-
31 December 2023 (Audited)	21,528	3,610

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**

	<b>31 March 2024 (Unaudited)</b>	<b>31 December 2023 (Audited)</b>
<b>Investments in finance lease, gross</b>	<b>5,575,150</b>	5,668,811
Less: Unearned finance income	<b>(1,997,010)</b>	(2,037,777)
<b>Investments in finance lease before expected credit loss</b>	<b>3,578,140</b>	3,631,034
Less: Allowance for expected credit loss	<b>(23,081)</b>	(25,463)
<b>Investments in finance lease, net</b>	<b>3,555,059</b>	3,605,571

Total number of outstanding lease agreements as at 31 March 2024 is 5,857 (31 December 2023: 5,957).

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**  
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2024**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Balance at the beginning of the period/year	<b>25,463</b>	31,056
Provision written off during the period/year	<b>146</b>	974
Reversal during the period/year	<b>(2,528)</b>	(6,567)
<b>Balance at the end of the period/year</b>	<b>23,081</b>	25,463

During the three-month period ended March 31, 2024, the Company has written off an amount of SR 146,195 (three-month period ended 31 March 2023: SR 141,827) directly in the condensed interim statement of profit or loss and other comprehensive income as required by new SAMA rules governing credit risk exposure classification and provisioning.

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

<b>31 March 2024 (Unaudited)</b>	<b>12-month ECL</b>	<b>Lifetime ECL not credit impaired</b>	<b>Lifetime ECL credit impaired</b>	<b>Total</b>
Loss rate in %	0.07	2.06	12.45	0.65
Investments in finance lease before ECL	3,183,881	272,833	121,426	3,578,140
Allowance for ECL	(2,332)	(5,628)	(15,121)	(23,081)
<b>Net carrying amount</b>	<b>3,181,549</b>	<b>267,205</b>	<b>106,305</b>	<b>3,555,059</b>

  

31 December 2023 (Audited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss rate in %	0.12	2.19	13.01	0.70
Investments in finance lease before ECL	3,279,037	225,693	126,304	3,631,034
Allowance for ECL	(4,080)	(4,945)	(16,438)	(25,463)
<b>Net carrying amount</b>	<b>3,274,957</b>	<b>220,748</b>	<b>109,866</b>	<b>3,605,571</b>

8.3 Maturity profile of the lease receivables is as follows:

<u>Year</u>	<b>31 March 2024 (unaudited)</b>			31 December 2023 (audited)
	<b>Gross lease receivables</b>	<b>Unearned finance income</b>	<b>Investments in finance lease</b>	Investments in finance lease
Within one year	547,879	272,813	275,066	277,382
Year two	531,658	251,505	280,153	282,834
Year three	513,117	229,295	283,822	286,506
Year four	485,737	205,975	279,762	284,200
Year five and later	3,496,759	1,037,422	2,459,337	2,500,112
	<b>5,575,150</b>	<b>1,997,010</b>	<b>3,578,140</b>	3,631,034

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

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
1 - 3 months	<b>15,318</b>	13,230
4 - 6 months	<b>784</b>	707
7 - 12 months	<b>309</b>	121
Over 12 months	<b>22,778</b>	24,331
	<b>39,189</b>	38,389

The not yet due portion of above overdue lease receivables as at 31 March 2024 amounts to SR 1,645 million (31 December 2023: SR 1,592 million).

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**

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
<b>Murabaha receivables, gross</b>	<b>1,090,118</b>	921,477
Less: Unearned finance income	<b>(395,356)</b>	(340,823)
<b>Murabaha receivables before expected credit loss</b>	<b>694,762</b>	580,654
Less: Allowance for expected credit loss	<b>(3,896)</b>	(3,064)
<b>Murabaha receivables, net</b>	<b>690,866</b>	577,590

Below is the breakup of Murabaha receivables:

<b>31 March 2024 (Unaudited)</b>	<b>Personal Finance</b>	<b>SMEs</b>	<b>Real estate</b>	<b>Total</b>
<b>Murabaha receivables, gross</b>	<b>37,021</b>	<b>112,950</b>	<b>940,146</b>	<b>1,090,118</b>
Less: Unearned finance income	<b>(9,109)</b>	<b>(23,452)</b>	<b>(362,795)</b>	<b>(395,356)</b>
<b>Murabaha receivables before expected credit loss</b>	<b>27,912</b>	<b>89,498</b>	<b>577,351</b>	<b>694,762</b>
Less: Allowance for expected credit losses	<b>(376)</b>	<b>(603)</b>	<b>(2,917)</b>	<b>(3,896)</b>
<b>Murabaha receivables, net</b>	<b>27,536</b>	<b>88,895</b>	<b>574,434</b>	<b>690,866</b>

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31 December 2023 (Audited)	Personal Finance	SMEs	Real estate	Total
Murabaha receivables, gross	30,935	25,300	865,242	921,477
Less: Unearned finance income	(7,835)	(1,730)	(331,258)	(340,823)
Murabaha receivables before ECL	23,100	23,570	533,984	580,654
Less: Allowance for expected credit losses	(447)	(94)	(2,523)	(3,064)
Murabaha receivables, net	22,653	23,476	531,461	577,590

Total number of outstanding Murabaha contracts, including personal finance and small and medium enterprise (“SME”) loan receivables as at 31 March 2024 are 889 (31 December 2023: 806). 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 2024 (Unaudited)	31 December 2023 (Audited)
Balance at the beginning of the period/year	3,064	1,005
Charge for the period/year	832	2,059
<b>Balance at the end of the period/year</b>	<b>3,896</b>	<b>3,064</b>

9.2 The credit quality of Murabaha receivables is as follows:

31 March 2024 (Unaudited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss rate in %	0.32	1.85	17.42	0.56
Murabaha receivables before ECL	670,553	15,878	8,331	694,762
Allowance for ECL	(2,150)	(295)	(1,451)	(3,896)
Net carrying amount	668,403	15,583	6,880	690,866

31 December 2023 (Audited)	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss rate in %	0.31	1.89	15.37	0.53
Murabaha receivables before ECL	558,418	15,261	6,975	580,654
Allowance for ECL	(1,703)	(289)	(1,072)	(3,064)
Net carrying amount	556,715	14,972	5,903	577,590

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9.3 Maturity profile of the Murabaha receivables is as follows:

Year	31 March 2024 (Unaudited)		31 December 2023 (Audited)	
	Gross Murabaha receivables	Unearned finance income	Murabaha receivables	Murabaha receivables
Within one year	147,843	58,305	89,538	56,391
Year two	101,621	51,036	50,585	39,272
Year three	99,372	47,066	52,306	42,879
Year four	93,669	42,937	50,732	40,385
Year five and later	647,613	196,012	451,601	401,727
	<b>1,090,118</b>	<b>395,356</b>	<b>694,762</b>	<b>580,654</b>

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

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
1 - 3 months	1,593	1,058
4 - 6 months	113	99
7 – 12 Months	110	90
Over 12 Months	307	162
	<b>2,123</b>	<b>1,409</b>

The not yet due portion of above overdue Murabaha receivables as at 31 March 2024 amounts to SR 195 million (31 December 2023: SR 167.7 million).

**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 AND OTHER LIABILITIES**

	31 March 2024 (Unaudited)	31 December 2023 (Audited)
Employees' related expenses	4,716	6,906
Board related expenses	6,091	4,903
Accrued annual maintenance changes	278	65
Deferred application and accrued fee	1,969	1,239
Others	1,324	1,915
	<b>14,378</b>	<b>15,028</b>

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**12. PROVISION FOR ZAKAT AND INCOME TAX**

Movements in the provision for zakat is as follows:

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Balance at the beginning of the period/year	526	12,970
Provision for zakat for the current period/year	1,038	526
Payment during the period/year against previous years	-	(4,059)
Payment during the period	-	(8,911)
<b>Balance at the end of the period/year</b>	<b>1,564</b>	<b>526</b>

Movements in the provision for tax is as follows:

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Balance at the beginning of the period/year	-	-
Reclassified from prepaid expenses and other assets	(675)	(1,842)
Provision for income tax for the current period/year	138	2,191
Payment during the period/year	(511)	(1,024)
Reclassified to prepaid expenses and other assets	1,048	675
<b>Balance at the end of the period/year</b>	<b>-</b>	<b>-</b>

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 2018.

ZATCA conducted a review for the two years 2021 & 2022 and these are still under assessment.

**Prior years income tax adjustment**

During the three-month period ended 31 March 2024, ZATCA approved a refund of SR nil (three-month period ended 31 March 2023: 2.3 million) (presented as "income tax refund for previous periods" in the condensed interim statement of profit or loss and comprehensive income) which relates to previous' years income tax adjustments. The Company received SR nil (year ended 31 December 2023: SR 7.8 million) and remaining balance of SR 0.9 million (31 December 2023: SR 0.9 million) is expected to be received in next 12 months which is presented within other receivables in note 7.

**13. DEFERRED TAX**

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Balance at the beginning of the period/year	1,757	1,917
Movement during the period/year	(93)	(160)
Balance at end of the period/year	<b>1,664</b>	<b>1,757</b>

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**14. TAWARRUQ FINANCING FACILITIES**

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Principal amounts outstanding	<b>2,696,634</b>	2,654,522
Accrued Tawarruq financing charges	<b>17,841</b>	12,563
	<b><u>2,714,475</u></b>	<u>2,667,085</u>

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:

	<b>31 March 2024 (Unaudited)</b>	31 December 2023 (Audited)
Defined benefit obligation at the beginning of the period/year	<b>11,677</b>	9,732
Current service cost	<b>436</b>	1,628
Interest cost on defined benefit obligation	<b>135</b>	516
Benefits paid to outgoing employees	<b>(170)</b>	(590)
Actuarial loss on obligation	<b>3</b>	391
Defined benefit obligation at the end of the period/year	<b><u>12,081</u></b>	<u>11,677</u>

**16. DERIVATIVE FINANCIAL INSTRUMENT**

During 2022, the Company entered into an Interest Rate Swap ("IRS") agreement to hedge its interest rate exposure on certain finance lease contracts through exchanging fixed rate interest payments at 1.47% monthly with USD-SOFR based interest payments paid monthly. The hedging instrument was denominated in United States Dollar. The Company did not apply hedge accounting treatment.

During the period, on 3<sup>rd</sup> January 2024, the management cancelled the hedging agreement and received SR 26 million against cancelation of hedging instrument.

The positive fair value of the IRS as at 31 December 2023 was SR 26.95 million with a notional amount of SR 179 million. The notional amount provided an indication of the volumes of the transactions outstanding at the end of the period and did not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, were neither indicative of the Company's exposure to credit risk nor market risk.

The hedging loss recognized in the condensed interim statement of profit or loss and other comprehensive income during the three-month period ended is SR 0.95 million (hedging income for the three-month period ended 31 March 2023: SR 1.4 million).

Derivatives were valued using valuation techniques with market observable inputs. The fair value of interest rate swaps was calculated as the present value of the estimated future cash flows using the curves at the reporting date and adjusted to reflect the credit risk of the counterparties.



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**17. 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 2024 and 31 December 2023:

	<b>Number of shares in thousands</b>	<b>Share capital</b>
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
	<b>100,000</b>	<b>1,000,000</b>

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

**18. STATUTORY RESERVE**

As per the requirements of the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's Byelaws, the Company has established a statutory reserve by the appropriation of at least 10% of net income until the reserve equals to 30% of the share capital. This reserve is not available for dividend distribution. The new Regulations for Companies which is effective from 19 January 2023 does not require to establish a mandatory statutory reserve and allows the Company to decide on the required reserves which must be specified in the relevant Byelaws.

**19. SELLING AND MARKETING EXPENSES**

	<b>For the three-month period ended March 31 (Unaudited)</b>	
	<b>2024</b>	<b>2023</b>
Sales, collection & title commission	<b>609</b>	797
Marketing expenses	<b>130</b>	2
Others	<b>304</b>	121
	<b>1,043</b>	920

**20. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>For the three-month period ended March 31 (Unaudited)</b>	
	<b>2024</b>	<b>2023</b>
Employees' salaries and other benefits	<b>16,019</b>	13,659
Board of directors' remuneration	<b>1,188</b>	-
Consultation fees	<b>1,329</b>	1,087
Depreciation and amortisation	<b>1,109</b>	1,125
Software support charges	<b>869</b>	778
Collection commission	<b>636</b>	797
VAT expense	<b>696</b>	919
Telecommunication expenses	<b>365</b>	210
Repairs and maintenance	<b>105</b>	68
Others	<b>515</b>	1014
	<b>22,831</b>	19,657

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**21. 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.

	<b>For the three month ended March 31 (unaudited)</b>	
	<b>2024</b>	2023
Net income for the period	<b>4,614</b>	2,447
Weighted average number of ordinary shares	<b>100,000</b>	100,000
Basic and diluted earnings per share (expressed in SR per share)	<b>0.04</b>	0.02

**22. 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.

The fair value of interest rate swaps was calculated using level 2 techniques as the present value of the estimated future cash flows using the curves at the reporting date and adjusted to reflect the credit risk of the counterparties.

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**23. 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 0.93 million during the three-month period ended 31 March 2024 (31 March 2023: SR 1.2 million).

**24. 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 7.9 million (2023: SR 10.3 million)

**25. BOARD OF DIRECTORS' APPROVAL**

These financial statements were approved by the Board of Directors on 19 Shawwal 1445H (corresponding to 28 April 2024).