

SAHB FINANCE COMPANY

(A Saudi Closed Joint Stock Company)

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024
AND INDEPENDENT AUDITOR'S REVIEW REPORT**

SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INDEX OF THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024

	Pages
Independent auditor's review report on the interim condensed financial statements	2
Interim condensed statement of financial position	3
Interim condensed statement of comprehensive income	4
Interim condensed statement of changes in shareholders' equity	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial statements	7 - 20

Independent auditor's review report on the interim condensed financial statements

To the shareholders of
Sahb Finance Company
(A Saudi Closed Joint Stock Company)
Riyadh – KSA

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Sahb Finance Company** (A Saudi Closed Joint Stock Company) (the "Company") as of March 31, 2024 and the related interim condensed statements of profit or loss, other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standards 34 – "Interim Financial Reporting" (IAS 34) that is 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", that is 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

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

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
License Number 362



Date: 23 Shawal 1445 (H)
Corresponding to: 2 May 2024 (G)

SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024

(All amounts in Saudi Riyals unless otherwise stated)

	Notes	March 31, 2024 Unaudited	December 31, 2023 Audited
Assets			
Cash and bank balances	5	100,470,224	87,925,566
Murabaha receivables	6	130,278,732	138,390,237
Ijara receivables	7	63,659,713	63,335,156
Prepayments and other receivables	8	1,019,080	16,300,812
Investment properties	10	102,658,981	87,727,803
Property and equipment		4,482,849	4,342,490
Equity investment at FVTOCI	9	892,850	892,850
Total assets		403,462,429	398,914,914
Liabilities and equity			
Liabilities			
Accounts payable, accruals and others		17,658,542	20,219,616
Provision for employees' end of service benefits		1,078,090	1,006,834
Provision for Zakat	11	6,799,373	5,493,313
Total liabilities		25,536,005	26,719,763
Equity			
Share capital	12	311,392,870	311,392,870
Statutory reserve		31,416,509	31,416,509
Consensual reserve		3,000,000	3,000,000
Actuarial gain on employees' defined benefit obligations		498,172	498,172
Retained earnings		31,618,873	25,887,600
Total equity		377,926,424	372,195,151
Total liabilities equity		403,462,429	398,914,914

The accompanying notes (1) through (20) form an integral part of these interim condensed financial statements

SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

IN INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024

(All amounts in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	March 31, 2024 Unaudited	March 31, 2023 Unaudited
Income			
Income from Murabaha contracts		25,000	35,418
Finance income		1,098,658	197,467
NET INCOME FROM MURABAHA AND IJARA		1,123,658	232,885
Operating expenses			
General and administration expenses		(5,991,459)	(4,345,318)
Reversal of provision for expected credit losses	6.2	9,505,784	22,345,412
Other Income		188,123	-
Fair value gain for investment property		1,346,681	-
Fair value amortization	13	864,546	1,263,258
		5,913,675	19,263,352
Net profit before zakat for the period		7,037,333	19,496,237
Zakat	11	(1,306,060)	(3,899,247)
Net profit for the period		5,731,273	15,596,990
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Re-measurement gain on employees' defined benefit liabilities		-	-
Total comprehensive income for the period		5,731,273	15,596,990

The accompanying notes (1) through (20) form an integral part of these interim condensed financial statements

SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024
(All amounts in Saudi Riyals unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Consensual reserve</u>	<u>Accumulated losses</u>	<u>Actuarial gain on employees' defined benefit obligations</u>	<u>Total</u>
Balance at January 1, 2024 (Audited)	311,392,870	31,416,509	3,000,000	25,887,600	498,172	372,195,151
Net profit for the period	-	-	-	5,731,273	-	5,731,273
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	5,731,273	-	5,731,273
Balance as at March 31, 2024 (Unaudited)	311,392,870	31,416,509	3,000,000	31,618,873	498,172	377,926,424
Balance at January 1, 2023 (Audited)	311,392,870	25,437,279	3,000,000	(27,925,470)	503,350	312,408,029
Net profit for the period	-	-	-	15,596,990	-	15,596,990
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	15,596,990	-	15,596,990
Balance as at March 31, 2023 (Unaudited)	311,392,870	25,437,279	3,000,000	(12,328,480)	503,350	328,005,019

The accompanying notes (1) through (20) form an integral part of these interim condensed financial statements

SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE THREE-MONTH PERIOD
ENDED MARCH 31, 2024

(All amounts in Saudi Riyals unless otherwise stated)

	March 31, 2024	March 31, 2023
	Unaudited	Unaudited
Cash flows from operating activities		
Profit before zakat	7,037,333	19,496,237
<i>Adjustments for non-cash items</i>		
Depreciation	304,092	286,844
Provision for employees' end of service benefits	86,807	64,024
Reversal of provision for credit losses	(9,505,784)	(22,345,412)
Fair value gain for investment property	(1,346,681)	-
Fair value amortization	(864,546)	(1,263,258)
	(4,288,779)	(3,761,565)
<i>Changes in operating assets and liabilities</i>		
Murabaha receivables	4,999,032	42,885,508
Prepayments and other receivables	259,177	(405,878)
Accounts payable, accruals and others	(2,561,074)	27,376
Employees' end of service benefits paid	(15,551)	-
cash generated from operating activities	(1,607,195)	38,745,441
Zakat refund	15,022,552	-
Net cash generated from operating activities	13,415,357	38,745,441
Cash flows from investing activities		
Additions to property and equipment	(4,866)	(3,798)
Capital Work in Progress	(172,710)	-
Addition to investment property	(693,123)	-
Net cash used in investing activities (note 10.1.1)	(870,699)	(3,798)
Net increase in cash and bank balances	12,544,658	38,741,643
Cash and bank balances at beginning of the period	87,925,566	20,080,078
Cash and bank balances at end of the period	100,470,224	58,821,721
Non cash transactions		
Addition to investment property (note 10.1.1)	13,159,247	-

The accompanying notes (1) through (20) form an integral part of these interim condensed financial statements

**SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

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

(All amounts in Saudi Riyals unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

Sahb Finance Company (the “Company”) is a Saudi closed joint stock company, registered in Riyadh, Kingdom of Saudi Arabia. The Company obtained a license number 201411/S A/23 dated 9 Muharram 1436H (corresponding to November 2, 2014) from the Saudi Central Bank (SAMA). The Company is registered under commercial registration number 1010265551 dated 9 Rabie Al Thani 1430H (corresponding to April 5, 2009). The unified number of the Company as per commercial registration certificate is 7001586903.

The objectives of the Company are to provide financing to small and medium companies, financing production assets and providing finance leases.

The general assembly in their meeting held on July 12, 2023, approved to change the name of the Company from Kirnaf Finance Company to Sahb Finance Company. The legal formalities have been completed during the year.

The Company’s renewed the Saudi Central Bank (SAMA) license in September 3, 2023 for a period of five years, to perform financing activities in the Kingdom of Saudi Arabia.

The Company’s Head Office is located at the following address:

Sahb Finance Company
Abi Tahir Al Dhahabi street
Al Mutamarat, P.O. Box 64124, Riyadh 11536
Kingdom of Saudi Arabia

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

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2-1 Statement of compliance

These interim condensed financial statements of the Company as at and for the period March 31, 2024 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia.

The interim condensed statement of financial position is presented in descending order of liquidity, as this presentation is more appropriate to the Company’s operations.

These interim condensed 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 for the year ended December 31, 2023.

2-2 Basis of measurement

These interim condensed financial statements are prepared on a going concern basis under the historical cost convention, except for investment at fair value through other comprehensive income (“FVOCI”), which is measured at fair value, and the provision for employees’ end of service benefits which are recognized at the present value of future obligations using the projected unit credit method.

2-3 Functional and presentational currency

These interim condensed financial statements have been presented in Saudi Riyals, which is also the functional and presentation currency of the Company, except as otherwise indicated.

**SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

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

(All amounts in Saudi Riyals unless otherwise stated)

3. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty including the risk management policies were the same as those that applied to the annual financial statements as at and for the year ended December 31, 2023.

4. MATERIAL ACCOUNTING POLICIES

The accounting policies, used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2023

4-1 Impact of changes in accounting policies due to adoption of new standards

There are new standards and number of amendments to standards which are effective from 1 January 2024 and have been explained in Company's annual Financial Statements, but they do not have a material effect on the Company's Condensed Interim Financial Statements.

5. CASH AND BANK BALANCES

	March 31, 2024 Unaudited	December 31, 2023 Audited
Cash on hand	25,000	15,008
Cash at banks	48,677,636	19,892,924
Term Deposits	51,767,588	68,017,634
	100,470,224	87,925,566

6. MURABAHA RECEIVABLES

6-1 Reconciliation between gross to net receivables:

	March 31, 2024 Unaudited	December 31, 2023 Audited
Gross Murabaha receivables	171,462,078	189,619,356
Less: Unearned income	-	-
	171,462,078	189,619,356
Less: Provision for expected credit losses	(32,878,184)	(42,383,968)
	138,583,894	147,235,388
Less: Fair value losses	(8,305,162)	(8,845,151)
	130,278,732	138,390,237
Murabaha receivables	130,278,732	138,390,237

SAHB FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024

(All amounts in Saudi Riyals unless otherwise stated)

6. MURABAHA RECEIVABLES (Continued)

6-2 The movement in provision for credit losses is as follows:

	March 31, 2024	December 31, 2023
	Unaudited	Audited
Opening balance	42,383,968	340,878,544
Reversal for the period / year	(9,505,784)	(47,354,387)
Written-off during the period / year	-	(251,140,189)
Ending balance	32,878,184	42,383,968

6-2-1 The reversal in provision is mainly due to collection of Murabaha receivables of Saudi Riyals 5.2 million during the period ended on March 31, 2024. In addition, the Company acquired an investment property as a settlement of Murabaha receivable balance amounted to Saudi Riyals 13.9 million (refer to note 10.1.1).

7. IJARA RECEIVABLES

	March 31, 2024	December 31, 2023
	Unaudited	Audited
7-1 Reconciliation between gross to net receivables:		
Gross Ijara receivables	77,368,192	77,368,192
Less: Unearned income	-	-
	77,368,192	77,368,192
Less: Provision for expected credit losses	(8,716,714)	(8,716,714)
	68,651,478	68,651,478
Less: Fair value losses	(4,991,765)	(5,316,322)
Ijara receivables	63,659,713	63,335,156

7-2 Movement in provision for expected credit losses is as follows:

	March 31, 2024	December 31, 2023
	Unaudited	Audited
Opening balance	8,716,714	68,719,926
Charge for the period / year	-	1,103,783
Written-off during the period / year	-	(61,106,995)
Ending balance	8,716,714	8,716,714

SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

(All amounts in Saudi Riyals unless otherwise stated)

8. PREPAYMENTS AND OTHER RECEIVABLES

	Notes	March 31, 2024 Unaudited	December 31, 2023 Audited
Receivable from sale of an investment property	8.1	38,385,684	38,385,684
Provision for expected credit losses		(38,385,684)	(38,385,684)
Net receivable from sale of investment property		-	-
Receivable from former employee for transfer of title deeds	8.2	51,500,012	51,500,012
Provision for expected credit losses		(51,500,012)	(51,500,012)
Net receivable from former employee		-	-
Net Zakat refundable (non-financial asset)		-	15,022,550
Prepaid expenses (non-financial asset)		1,019,080	584,556
		1,019,080	15,607,106
Other receivables		1,017,724	1,711,430
Provision for expected credit losses		(1,017,724)	(1,017,724)
		-	693,706
		1,019,080	16,300,812

8-1 The receivable from sale of investment property has been fully provided for in prior years, based on management assessment of its recoverability.

8-2 This represents the amount transferred to the former employee to comply with the requirements in relation to transfer of properties in the name of the Company which were previously registered in his name. The amount is still outstanding till the approval of these interim condensed financial statements; therefore, a full provision was recognised for this non-performing receivable (Also refer to note 16.4).

9 EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 14 December 2017, the Company made an investment amounting to Saudi Riyals 892,850 for 89,285 shares at Saudi Riyals 10 each which represents 2.38% shareholding in Saudi Company for Registration of Financial Leasing Contracts ("Registration Company"), registered in the Kingdom of Saudi Arabia. The Registration Company has been formed for registration of contracts relating to financial leases, amendments, registration and transfer of title deeds of the assets under the finance leases. The investment is not held for trading and the Company has decided to irrevocably classify it as equity investment at FVOCI. Moreover, as at March 31, 2024 and December 31, 2023, the investment was classified under level 3 of fair value hierarchy.

**SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

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

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES

10-1 Cost and accumulated depreciation movement during the period is as follows:

2024	Land	Building	Total
Cost:			
As at January 1, 2024	124,471,675	26,687,756	151,159,431
Additions (note 10.1.1)	15,198,051	-	15,198,051
At March 31, 2024	139,669,726	26,687,756	166,357,482
Accumulated Depreciation/impairment:			
As at January 1, 2024	58,894,716	4,536,912	63,431,628
Depreciation charge for the period	-	266,873	266,873
At March 31, 2024	58,894,716	4,803,785	63,698,501
Net book value:			
At March 31, 2024	80,775,010	21,883,971	102,658,981
2023	Land	Building	Total
As at January 1, 2023	113,882,627	26,687,756	140,570,383
Additions	10,589,048	-	10,589,048
At December 31, 2023	124,471,675	26,687,756	151,159,431
Accumulated Depreciation/impairment:			
As at January 1	57,410,668	3,469,406	60,880,074
Depreciation charge for the year	-	1,067,506	1,067,506
Fair value loss charged for the year	1,484,048	-	1,484,048
At December 31, 2023	58,894,716	4,536,912	63,431,628
Net book value:			
At December 31, 2023	65,576,959	22,150,844	87,727,803

SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES RECEIVABLES (CONTINUED)

10-1-1 The addition during the period represents the fair value of an investment property acquired by the company as a result of a debt settlement agreement with a customer. The customer's receivable balance settled in respect of such agreement amounted to 13.16 million Saudi riyals; in addition, the company incurred 693 thousand Saudi riyals of real estate transaction tax to transfer the title deed to the company's name. The legal formalities to transfer the title deed has been completed during the period. The said investment property was held as a collateral for such customer's receivable balance and underwent a fair value evaluation by an independent and qualified evaluator at December 31, 2023 of 15.2 million Saudi riyals. Accordingly, the company recognized a fair value gain for investment property of 1.3 million Saudi riyals as follows:

	March 31, 2024 Unaudited
Investment's property fair value	<u>15,198,051</u>
Customer's account receivable balance	13,159,247
Real estate transaction tax	<u>692,123</u>
	<u>14,505,928</u>
Fair value gain	<u>1,346,681</u>

10-2 Reconciliation between gross to net investment property:

	March 31, 2024 Unaudited	December 31, 2023 Audited
Cost of investment properties	166,357,482	151,159,431
Less: accumulated depreciation	(4,803,785)	(4,536,912)
Less: impairment provision for Riyadh land (refer note 10.4)	(58,894,716)	(58,894,716)
Investment properties, net value	<u>102,658,981</u>	<u>87,727,803</u>

SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES RECEIVABLES (CONTINUED)

10.2 Reconciliation between gross to net investment property: (CONTINUED)

Investment properties consist of freehold lands and buildings located in Saudi Arabia. Below are the details of the cost of investment properties and fair values as at the reporting date:

<u>March 31, 2024</u>	<u>Type of property</u>		<u>Accumulated depreciation/ impairment (Unaudited)</u>	<u>Net book value (Unaudited)</u>	<u>Fair value (Unaudited)</u>
<u>Location</u>	<u>Land (Unaudited)</u>	<u>Building (Unaudited)</u>			
Riyadh (note 10.4)	57,410,668	-	(57,410,668)	-	328,250,874
Al Khobar (note 10.3)	7,707,600	-	-	7,707,600	9,728,000
Yanbu (note 10.3)	36,039,413	-	-	36,039,413	62,458,022
Al Khobar	4,362,240	22,367,940	(3,973,900)	22,756,280	22,916,600
Al Khobar (note 10.3)	2,006,048	4,319,816	(829,885)	5,495,979	6,939,414
Al Khobar	6,356,658	-	-	6,356,658	6,164,032
Jizan	10,589,048	-	(1,484,048)	9,105,000	9,105,000
Makkah	15,198,051	-	-	15,198,051	15,198,051
	<u>139,669,726</u>	<u>26,687,756</u>	<u>(63,698,501)</u>	<u>102,658,981</u>	<u>460,759,993</u>

<u>December 31, 2023</u>	<u>Type of property</u>		<u>Accumulated depreciation/ impairment (Audited)</u>	<u>Net book value (Audited)</u>	<u>Fair value (Audited)</u>
<u>Location</u>	<u>Land (Audited)</u>	<u>Building (Audited)</u>			
Riyadh (note 10.4)	57,410,668	-	(57,410,668)	-	328,250,874
Al Khobar (note 10.3)	7,707,600	-	-	7,707,600	9,728,000
Yanbu (note 10.3)	36,039,413	-	-	36,039,413	62,458,022
Al Khobar	4,362,240	22,367,940	(3,750,227)	22,979,953	22,916,600
Al Khobar (note 10.3)	2,006,048	4,319,816	(786,685)	5,539,179	6,939,414
Al Khobar	6,356,658	-	-	6,356,658	6,164,032
Jizan	10,589,048	-	(1,484,048)	9,105,000	9,105,000
	<u>124,471,675</u>	<u>26,687,756</u>	<u>(63,431,628)</u>	<u>87,727,803</u>	<u>445,561,942</u>

**SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

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

(All amounts in Saudi Riyals unless otherwise stated)

10 INVESTMENT PROPERTIES (CONTINUED)

- 10-3** Until 2021 three investment properties, located Al Khobar and Yanbu were registered under the name of the former employee acting as a custodian on behalf of the Company. The company has received final judgements from court, instructing the former employee to transfer back the properties to the Company, with respect to two investment properties located in Yanbu and Al Khobar having book value of Saudi Riyals 36.03 million and 7.70 million, respectively. The legal formalities to complete title transfer have been completed.
- 10-4** This investment property was registered under the name of the former employee and a full impairment loss **has** been recognized for this property.
- 10-5** The Company engaged an external, independent and qualified evaluator to determine the fair value of its investment properties at the end of the financial year ended at December 31, 2023. The evaluator engaged by the Company specialises in the valuation of transferable and non-transferable assets, including commercial valuation, industrial, real estate, intellectual property, trade names, and equipment. The evaluator used 'market approach' for the valuation of properties as at December 31, 2023.

11 PROVISION FOR ZAKAT

11-1 Movement in zakat provision during the period / year was as follows:

	March 31, 2024 Unaudited	December 31, 2023 Audited
As at January 1	5,493,313	18,281,993
Charge for the period / year	1,306,060	6,979,916
Zakat payments during the period/ year	-	(1,866,743)
Prior years charge	-	(17,901,853)
Net zakat payable	<u>6,799,373</u>	<u>5,493,313</u>

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

(All amounts in Saudi Riyals unless otherwise stated)

11 PROVISION FOR ZAKAT (continued)

11-2 Status of assessment

The Company has filed Zakat returns with the Zakat, Tax and Customs Authority (“ZATCA”) for all years up to and including the year ended December 31, 2023.

ZATCA has raised two assessment orders demanding the payment of Saudi Riyals 19.70 million and Saudi Riyals 15.44 million for the years ended December 31, 2018, and 2019, respectively. The Company filed objection on the assessment orders with first appellate committee (GSTC1). In October 2022, the first appellate committee rejected the Company’s appeal, and the Company has filed another appeal to the second appeal committee (GSTC 2).

The Company also submitted the file to the Internal Settlement Committee. At December 31, 2022 based on the prudence principle, the Company has provided full amount of Saudi Riyals 35.16 million to cover the expected liability.

During 2023 based on a final settlement with the ZATCA regarding the zakat due for the years 2018 and 2019, the settlement resulted in final settlement of Saudi Riyals 2.2 million and accordingly, the Company reversed a provision of Saudi Riyals 32.9 million to the statement of profit or loss. This final settlement led to a receivable balance in the favor of the company by an amount of SR 15,022,550 that refunded from ZATCA during the period.

Zakat and tax assessments have been finalized up to the year ended December 31, 2021.

The Company received the final zakat certificates for the years up to December 31, 2023, valid till April 30, 2025.

12 SHARE CAPITAL

The shareholding position as at March 31, 2024 and December 31, 2023 is as follows:

	Percentage of shares	Number of shares	Share Capital
Masaraf Al Rayan – Qatar	48.76%	15,182,133	151,821,330
Saudi Higher Education Fund	20.22%	6,297,055	62,970,550
Mohammed Al Rumaizan & Sons Investment	10%	3,113,929	31,139,290
Saleh Bin AbdulAziz Bin Rashed Al Rumaizan	10%	3,113,929	31,139,290
Ahmed Bin Rashid Abdullah Al-Ameer	4.5%	1,401,268	14,012,680
Hassan Bin Musa Yousef	4.5%	1,401,268	14,012,680
Mohammed Bin Hamad Bin Abdullah Al Hammad	2.02%	629,705	6,297,050
	100%	31,139,287	311,392,870

**SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

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

(All amounts in Saudi Riyals unless otherwise stated)

13 FAIR VALUE AMORTIZATION

Other income represents unwinding of fair valuation loss arising from rescheduling of loans (notes 6.1 & 7.1).

14 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the shareholders, their affiliated entities and certain key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

In the ordinary course of its activities, the Company transacts business with related parties on mutually agreed terms. The following are the details of major related party transactions/balances during the period:

Related party	Nature of transactions	March 31, 2024	March 31, 2023
Key management personnel	Compensation to key management personnel	1,364,008	1,322,209
Key management personnel	Retirement benefits expenses	80,334	81,119

All transactions with related parties are on normal commercial terms. None of the balances is secured. The Company has fully provided for the amount receivable from former employee in respect of transfer of properties amounting to Saudi Riyals 51.5 million (refer note 8).

There are certain properties in the name of the former employee. For details, please refer note 16.4

15 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 the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and bank balances, Murabaha and Ijara receivables, margin deposits and accounts and other receivables. Financial liabilities consist of accrued expenses and accounts and other payables. All financial liabilities are carried at amortised cost.

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

(All amounts in Saudi Riyals unless otherwise stated)

15 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

Management has classified all the financial assets and financial liabilities within level 2 of fair value hierarchy other than Murabaha and Ijara receivables, Equity investment at fair value through other comprehensive income which is classified within level 3. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair values of the financial assets and liabilities of the Company at the reporting date are not materially different from their carrying values.

16 RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including special commission rate risks, interest rate risk, price risk and currency risk), legal risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's interim condensed financial statements. Risk management is carried out by senior management. The most important risks and their management are summarized below:

16-1 Risk management structure

Board of Directors

The Board of Directors are responsible for establishing the Company's policies, including risk management framework, and to review the performance of the Company to ensure compliance with these policies.

Credit and risk management committee

The credit and risk management committee are appointed by the Board of Directors. The credit and risk management committee assists the Board in reviewing overall risks which the Company might face, evaluate and review operational and non-operational risks and decide on mitigating factors related therewith.

Audit committee

The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof and the soundness of the internal controls of the Company.

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

(All amounts in Saudi Riyals unless otherwise stated)

16 RISK MANAGEMENT (continued)

16-2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk on cash and bank balances, ijara receivables, Murabaha financing receivables, employees' receivables and other receivables. The Company has established procedures to manage credit exposure including, credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines.

Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers.

The Company manages concentration of credit risk exposure through diversification of activities and sale of future net investment in finance lease receivables to different banks through purchase and agency agreements. However, the Company mitigates its credit risk through evaluation of credit worthiness internally and by obtaining promissory notes and by retaining the title of the asset leased out. An allowance for doubtful finance lease and murabaha financing receivable is maintained at a level which, in the judgement of management, is adequate to provide for impairment losses on delinquent receivables.

All Ijara and Murabaha receivables are secured mainly through promissory notes and by retaining the title of the assets leased out and generate a fixed rate of commission for each contract. The title of the assets under Ijara agreements is held in the name of the Company as collateral to be repossessed, in case of default by the customer.

The carrying amount of financial assets recorded in the interim condensed financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

16-3 Market Risk

16-3-1 Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Company is not subject to any special commission rate risk on its Murabaha

and Ijara receivables and term loans as the receivables are priced by the Company at fixed rates and the term loans obtained by the Company also carry special commission at fixed rates. All other assets and liabilities of the Company are non-special commission bearing.

The Company manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of special market commission rates on its interim condensed financial position and interim condensed cash flows. The Company is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature in a given period. The Company manages this risk through diversification of funding resources.

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

(All amounts in Saudi Riyals unless otherwise stated)

16 RISK MANAGEMENT (continued)

16-3 Market Risk (continued)

16-3-2 Interest rate risk

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to interest rate adjustment within a specified period. The Company's management has analysed that as at statement of financial position date, the Company's activities are not subject to interest rate risk as the interest rates are fixed at the inception of the financing facilities. Further, the Company's borrowings are at fixed rates of interest.

16-3-3 Price risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not materially exposed to price risk as it does not have any significant financial instrument whose prices are fluctuated based on internal or external factors as mentioned above.

16-3-4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business as all contracts are denominated in Saudi Riyals. There are some expenses incurred in foreign currencies while staff are on training programs, but these expenses are settled when incurred. Since the Company does not have any significant foreign currency denominated monetary assets and liabilities, management believes that the Company is not exposed to any significant foreign currency risk.

16-4 Legal risk

The title deeds of certain investment properties and collateralized real estate properties against Ijara and Murabaha contracts were registered in the name of the former employee, holding senior management position, ("former employee") in his capacity as a nominee to the Company.

During the year 2021, the Company filed legal cases against the former employee to transfer the ownership of the properties (i.e., investment properties and other collateralized properties) to the Company's name and to collect the outstanding receivable amounts from former employee. (Refer note 10.3 & 8.2).

As of December 31, 2023, the latest fair value of the collateralized properties against Ijara and Murabaha contracts that are held in the name of the former employee, amounts to Saudi Riyals 66.5 million. In addition, the former employee signed power of attorneys for 6 collateralized properties amounted to Saudi Riyals 4.04 million to be mortgaged back in the name of the Company.

The book value of investment property that was held in the name of the former employee amounts to Saudi Riyals 5.5 million.

**SAHB FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)**

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

(All amounts in Saudi Riyals unless otherwise stated)

16 RISK MANAGEMENT (continued)

16-5 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company monitors and manages the liquidity structure of its assets and liabilities to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements.

17 CONTINGENCIES AND COMMITMENTS

Contingencies

The Company has no contingent assets or liabilities as at March 31, 2024 and December 31, 2023.

Commitments

The company has two outstanding Murabaha and Ijara commitments for disbursements to customers, which amounted to 30 million as of March 31, 2024, and (December 31, 2023 Nil).

18 CAPITAL RISK MANAGEMENT

The primary objectives of the Company's capital management are to safeguard its ability to continue as a going concern, maintain healthy capital ratios in order to support its business and to provide an optimal return to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period/year ended March 31, 2024 and December 31, 2023.

The Company monitors the aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Company's law and SAMA. SAMA requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

	March 31, 2024	December 31, 2023
Aggregate financing to capital ratio (Net Ijara plus Murabaha financing receivables before provision divided by total equity)	0.66 times	0.7 times

19 SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-end that require disclosure or adjustment in these financial statements.

20 APPROVAL OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been approved by the Board of Directors on 2 May, 2024 (corresponding to 23 Shawal, 1445).