ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
License #323/11/96/1
Date 24/4/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON
CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders
Abdul Latif Jameel United Finance Company
(A Saudi Closed Joint Stock Company)
Jeddah, Saudi Arabia

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of Abdul Latif Jameel United Finance Company (a Saudi Closed Joint Stock Company) ("the Company") as of March 31, 2023 and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and explanatory notes. 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"), 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 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 condensed 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

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
فرع مكتب جدة
س.ت: ٤٠٣٠٢٩٧٠٤٩
CR.: 4030297049
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Chartered Accountants
Deloitte and Touche & Co.

Mohammed Abdulrazzaq Morya
Certified Public Accountant
License No. 494

13 Shawwal, 1444 AH
May 03, 2023

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2023
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**57,599**	58,194
Intangible assets		**6,295**	6,377
Investment classified as fair value through other comprehensive income		**893**	893
Net investment in finance lease	5	**1,158,602**	1,065,522
Notes receivable carried at amortized cost	6	**2,300**	2,674
Notes receivable carried at fair value through other comprehensive income	6	**10,534**	10,341
Loans and advances to customers, net	7	**381,102**	270,569
Term deposits	10	**-**	1,343,424
Other non-current assets	8	**250,619**	309,396
Total non-current assets		**1,867,944**	3,067,390
Current assets			
Net investment in finance lease	5	**374,071**	347,214
Notes receivable carried at amortized cost	6	**4,348**	5,274
Notes receivables carried at fair value through other comprehensive income	6	**26,903**	32,182
Loans and advances to customers, net	7	**186,561**	143,958
Inventories		**54,854**	27,331
Prepayments and other receivables		**398,704**	276,503
Deferred consideration receivable	8	**107,179**	108,311
Due from related parties	9	**1,123**	755
Cash and bank balances	10	**2,188,835**	1,306,554
Total current assets		**3,342,578**	2,248,082
TOTAL ASSETS		**5,210,522**	5,315,472
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1	**1,000,000**	1,000,000
Statutory reserve		**300,000**	300,000
Retained earnings		**1,452,809**	1,359,347
Fair value reserve		**1,516**	1,881
Actuarial gains		**54,089**	54,089
Total shareholders' equity		**2,808,414**	2,715,317
Non-current liabilities			
Employee benefits liabilities		**97,507**	98,910
Lease liabilities		**1,522**	1,722
Bank borrowings		**13,608**	13,720
Other non-current liabilities	11	**161,485**	159,580
Total non-current liabilities		**274,122**	273,932
Current liabilities			
Accounts payable, accrued and other liabilities	12	**1,235,881**	1,206,035
Payable to SAMA	21	**377,653**	430,326
Bank borrowings		**12,237**	15,458
Due to related parties	9	**502,215**	674,404
Total current liabilities		**2,127,986**	2,326,223
TOTAL LIABILITIES		**2,402,108**	2,600,155
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,210,522**	5,315,472

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2023
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	Three month period ended March 31 (Unaudited) 2023	2022
Revenues	13	**108,319**	64,403
Direct costs	14	**(13,150)**	(10,652)
GROSS MARGIN		**95,169**	53,751
Net gain on derecognition of receivables	18	**71,715**	53,587
Net change in present value of assets and liabilities relating to derecognized receivables		**(543)**	(2,350)
TOTAL OPERATING INCOME		**166,341**	104,988
Selling and marketing expenses		**(40,225)**	(40,292)
General and administrative expenses		**(47,992)**	(41,238)
Impairment charge on financial assets, net	15	**(6,996)**	(7,636)
Total operating expenses		**(95,213)**	(89,166)
INCOME FROM OPERATIONS, net		**71,128**	15,822
Finance charges		**(4,082)**	(6,296)
Finance income	10 (a)	**30,072**	7,530
Other income		**11,344**	23,089
Income before zakat		**108,462**	40,145
Zakat	16	**(15,000)**	(6,000)
NET INCOME FOR THE PERIOD		**93,462**	34,145
Other comprehensive income			
Items that may be reclassified to income:			
Movement in fair value reserve	6.1	**(365)**	(378)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**93,097**	33,767
Basic and diluted earnings per share (expressed in Saudi Riyal per share)	17	**0.93**	0.34

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS
THREE MONTH PERIOD ENDED MARCH 31, 2023
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	For the three month period ended March 31 (Unaudited)	
	2023	2022
OPERATING ACTIVITIES		
Income before zakat	**108,462**	40,145
Adjustments for:		
Depreciation	**3,146**	3,054
Depreciation of right of use assets	**421**	1,132
Amortization of intangible assets	**1,460**	593
Impairment charge on financial assets	**6,996**	7,636
Gain on disposal of property and equipment	**(8)**	(2)
Finance charges	**4,082**	6,296
Finance income	**(30,072)**	(7,530)
Present value loss on receivables under purchase and agency agreements	**(2,030)**	-
Allowance for inventory	**(431)**	(337)
Net gain on derecognition of receivables	**(71,715)**	(53,587)
Net change in present value of assets and liabilities relating to derecognition of receivables	**543**	2,350
Provision for employee benefits liabilities	**5,392**	3,040
Provision for onerous contracts	**(3,800)**	138
	22,446	2,928
Changes in operating assets and liabilities:		
Net investment in finance lease	**(42,013)**	(10,594)
Notes receivable	**1,794**	7,668
Loans and advances to customers, net	**(161,925)**	(5,427)
Prepayments, other receivables and other non-current assets	**(112,820)**	(147,963)
Inventories	**(27,092)**	(9,964)
Due from related parties	**(368)**	222
Accounts payable, accrued and other liabilities and other non- current liabilities	**107,018**	63,069
Due to related parties	**(172,189)**	10,680
Cash used in operations	**(385,149)**	(89,381)
Employees benefits liabilities paid	**(6,795)**	(6,313)
Finance charges paid	**(1,824)**	(1,819)
Zakat Paid	**(32,585)**	(27,893)
Net cash used in operating activities	**(426,353)**	(125,406)
INVESTING ACTIVITIES		
Purchase of property and equipment and intangibles	**(4,353)**	(3,933)
Proceeds from the disposal of property and equipment	**11**	13
Finance income received	**30,072**	7,530
Other deposits	**(26,164)**	247,037
Net cash (used in)/generated from investing activities	**(434)**	250,647
FINANCING ACTIVITIES		
Proceeds from Saudi Central Bank loan	**-**	47,047
Finance cost paid	**(43)**	(79)
Repayment of lease liabilities	**(226)**	(1,709)
Repayment of bank borrowings	**(3,617)**	-
Repayment of Saudi Central Bank loan	**(56,634)**	(3,000)
Cash (used in)/generated from financing activities	**(60,520)**	42,259
Net (decrease)/increase in cash and cash equivalents	**(487,307)**	167,500
Cash and cash equivalents at the beginning of the period	**1,196,609**	188,577
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (note 10)	**709,302**	356,077
NON-CASH TRANSACTIONS:		
Movement in fair value reserve	**(365)**	(378)

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements

1. GENERAL INFORMATION

Abdul Latif Jameel United Finance Company (the "Company") is a Saudi Closed Joint Stock Company, initially registered in the Kingdom of Saudi Arabia as a Limited Liability Company under Commercial Registration number 4030206631, (Unified number 7001715155), issued on 28 Dhul-Hijjah 1431H (corresponding to December 4, 2010).

The Company's head office is in Jeddah. The activities of the Company include real estate financing, financing of productive assets, finance leasing, consumer financing, financing for small and medium companies and microfinance activities in the Kingdom of Saudi Arabia.

On 16 Safar 1436H (corresponding to December 8, 2014), the Company received a license from Saudi Central Bank ((SAMA)), previously Saudi Arabian Monetary Authority) to undertake activities of finance leasing, financing of productive assets and consumer financing in the Kingdom of Saudi Arabia under license number 28/AU/201412. During 2019, the Company renewed its license for another five years until 14 Safar 1446H (corresponding to August 18, 2024).

During 2021, a request was submitted to SAMA, seeking to merge Abdul Latif Jameel United Real Estate Finance Company ("ALJUREF") and Bab Rizq Jameel Micro Finance Company ("BRJMF") with the Company, all affiliates and ultimately owned by the same shareholders. During 2021, SAMA provided No Objection letter dated August 18, 2021 and requested that a detailed plan for the merger be submitted to SAMA for approval within a period of one year from the date of the No Objection letter.

Accordingly, the Board of Directors on August 30, 2021 approved the merger of the affiliates with the Company and authorized the Chairman of the Board of Directors to execute the merger and obtain all the required shareholders and regulatory approvals.

The said plan including exact steps and timelines including the impact on companies systems and jobs specially for Saudis in the merged company was submitted to SAMA during October 2021. After the approval of the plan by SAMA, the Company shall also seek approvals of the Ministry of Commerce and Zakat, Tax and Customs Authority ("ZATCA").

During the three-month period ended March 31, 2022, SAMA also suggested to consider another scenario whereby ALJUF would acquire the portfolio of BRJMF and ALJUREF. Also, the Company requested an exception from SAMA to offer real-estate and microfinance products after the merger with ALJUREF and BRJMF since the Financing companies control law ('the Law') prohibits the Company from practicing such activities. The Company received an initial NOC (no objection certificate) from SAMA, valid for one year, conditional upon submission of a comprehensive plan detailing the phases of the merger. On March 24, 2022, SAMA announced the amendment to the Law allowing the finance companies to deal in the above activities by applying for real-estate and microfinancing licenses. On April 5, 2022, the Company applied for real-estate and microfinance license, which was granted during the quarter ended December 31, 2022.

During the quarter ended March 31, 2022, SAMA requested the Company to consider transferring the portfolios of ALJUREF and BRJMF instead of a merger. During the period ended September 30, 2022, the management of Company along with its consultant, finalized the approach of going ahead with a portfolio purchase of ALJUREF and BRJMF rather than a merger. Accordingly, a detailed integration plan was prepared to cover the different phases/aspects of the approach and was shared with SAMA by the Company for approval. Accordingly, ALJUREF and BRJMF submitted an application to SAMA for the approval of the portfolio transfers to the Company. SAMA advised ALJUREF and BRJMF to include the values of the portfolios in their application which was duly submitted to SAMA on December 8, 2022 for ALJUREF and November 10, 2022 for BRJMF incorporating the values amounting to SR 224.69 million and SR 179.29 million of the ALJUREF's and BRJMF's portfolios respectively to be transferred. As part of the transfer agreement, the contract with the employees of ALJUREF and BRJMF were transferred to the Company. The Company also advised the customers of ALJUREF and BRJMF of the transfer of business to ALJUF.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

On 13 Jumada I, 1444 and 18 Jumada I, 1444 (corresponding to December 7, 2022 and December 12, 2022 respectively), BRJMF and ALJUREF respectively received No objection letters from SAMA to transfer the portfolio to the Company subject to completing the necessary internal procedures and approvals and other requirements of relevant regulations, rules and instructions issued by SAMA.

Consequently, the Company entered into a business transfer agreement with ALJUREF and BRJMF signed on December 22, 2022 and its subsequent addendum signed on December 31, 2022, where by ALJUREF and BRJMF transferred the following assets and liabilities to the Company as of December 31, 2022:

	BRJMF	ALJUREF	Total
ASSETS			
Loans and advances to customers, net (note a)	158,408	-	158,408
Net investment in finance lease relating to real estate (note b)	-	198,293	198,293
Cash and bank balances	-	28,054	28,054
Property and equipment	43	40	83
Loans to employees	3,183	754	3,937
Total assets	161,634	227,141	388,775
LIABILITIES			
Payable to SAMA	32,994	25,578	58,572
Bank borrowings	28,373	-	28,373
Accounts payable, accrued and other liabilities	440	-	440
Deferred income	1,136		1,136
Employee benefits liabilities	5,701	4,622	10,323
Total Liabilities	68,644	30,200	98,844
Net assets transferred	92,990	196,941	289,931

a) Loans and advances to customers transferred from BRJMF are net of allowance for impairment loss amounting to SR 10.61 million.

b) Net investment in finance lease relating real estate transferred from ALJUREF are net of allowance for impairment loss amounting to SR 7.38 million.

All the above items, except borrowings, were transferred as of December 1, 2022. Borrowings were transferred as of December 31, 2022. The transfer of assets satisfied the definition of "business" transfer between entities under common control and therefore, the transaction was executed at the carrying values in the records of ALJUREF and BRJMF. In accordance with the amended business transfer agreement, the Company will settle the amounts due to ALJUREF and BRJMF during 2023 The Company was also required to submit the transfer agreement with SAMA upon its signoff which was duly made on December 26, 2022. The management is in the process of finalizing the addendum to the business transfer agreement which will be submitted to SAMA in due course.

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.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

Moreover, during the year ended December 31, 2022, pursuant to shareholder's decision of Abdul Latif Jameel Company for information and services Limited ("ALJISR"), the Company entered into agreement with Abdul Latif Jameel United Finance Company ("ALJUF") whereby certain assets and liabilities of the Company would be transferred to ALJUF, effective 1 January 2023. Consequent to this transfer, the Company will cease its operational activities and details of certain assets and liabilities to be transferred to ALJUF are as below:

The following assets (except cash and bank balances) and liabilities has been transferred at their carrying amount (net book value) as of 1 January 2023.

End of Service and Ex-gratia provision balances relating to employee benefit liabilities and other staff liabilities have been transferred for those associates, who are transferred to ALJUF as of 1 January 2023.

	January 1, 2023
ASSETS	
Property and equipment, net	588,429
Intangible assets, net	37,631
Prepayments	716,227
Advances to employees	148,326
Total assets	**1,490,613**
LIABILITIES	
Employees' other liabilities	408,248
Employees' benefits liabilities	2,097,259
Total Liabilities	**2,505,507**

a) Share capital of the Company

The share capital of the Company is divided into 100,000,000 shares of SR 10 each and is owned as follows:

	March 31, 2023 ***No. of shares of SR 10 each***	**March 31, 2023 Amount SR'000**	December 31, 2022 Amount SR'000
Abdul Latif Jameel Modern Trading Company Limited	**88,500,000**	**885,000**	885,000
Altawfiq United Company	**10,000,000**	**100,000**	100,000
Taif First United Company Limited	**500,000**	**5,000**	5,000
Bader First United Company Limited	**500,000**	**5,000**	5,000
Najid Al Raeda United Company Limited	**500,000**	**5,000**	5,000
	100,000,000	**1,000,000**	1,000,000

The Ultimate Parent of the Company is Al Mumaizah United Company ("Ultimate Parent"). The Company, the Parent, the Ultimate Parent and other shareholders are wholly owned by Saudi shareholders.

b) Insurance arrangement

With effect from 1 January 2017, the Company entered into arrangements with Insurers for an initial period of six months, (renewed every six months) for three years. Upon each renewal, the premium rate, insurance charges and profit share was subject to be reviewed for any subsequent renewal period. As a result of this arrangement, the Company does not retain any insurance risk. During 2019, the said agreement was renewed for another three years (renewable every six months) with effect from 1 January 2020.

The above-mentioned agreement matured on 31 December 2022. During the period, the Company has renewed the insurance agreement for another three years (renewable every six months) with effect from 1 January 2023.

As per the terms of the insurance agreements, the Company is entitled to a profit share after the completion of three years from the expiry of the agreements, as agreed with the insurers. In respect of the underwriting years 2017 to 2019 that ended on December 31, 2019, the Company received a preliminary profit share during 2022 which was included in other income.

During 2020, SAMA issued the Rules for Comprehensive Insurance of Motor vehicles financially leased to individuals to regulate the relationship between the financing entities and their individual customers with regard to the insurance coverage on the financially leased vehicles. As per these rules, at the end of the finance contract between the lessee and the lessor, the lessor shall pay back the lessee the extra amount of premiums paid by the lessee or shall ask the lessee to pay the extra amount paid by the lessor to the insurer for the insurance policy.

As part of the periodic installments due from customers, the Company charges customers for insurance cover on the leased properties under lease contracts. Insurance charges represent cost of insurance (premium). Consequently, premiums are paid to the Insurers for the insurance cover for the properties leased.

c) Branches of the Company

As of March 31, 2023, the Company operates through 78 branches (December 31, 2022: 78 branches). The accompanying condensed interim financial statements include the assets, liabilities and results of these branches (including those of ALJUREF and BRJMF) as the beneficial owner of these branches is the Company.

2. ADOPTION OF NEW AND REVISED STANDARDS

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 2023, 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
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.
IFRS 17 Insurance Contracts and its amendments	Amendments require insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. These Amendments to IFRS 17 also address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017.
Amendments to IAS 1 and IFRS Practice Statement 2 (Disclosure of Accounting Policies)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
Amendments to IAS 8 (Definition of Accounting Estimates)	The amendments replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Amendments clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current aim 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.	January 1, 2024
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.	January 1, 2024
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.	January 1, 2024
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Postponed

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

2.3 New SAMA rules governing credit risk exposure classification and provisioning effective from January 1, 2022.

During 2020, SAMA issued rules governing credit risk exposure classification and provisioning. These rules set out the minimum requirements on credit risk exposure classification and provisioning. These rules shall be applicable to all finance companies licensed pursuant to finance companies control law effective from July 1, 2021. In a subsequent communication, SAMA deferred implementation of the rules to January 1, 2022, except for certain rules (relating to write offs) to be implemented on or before December 31, 2023.

Moreover, the new rules require the Company to write off any exposures meeting the following criteria:

a) Unsecured exposures (including retail, micro and small enterprises and excluding mortgages) should be written off within 360 days once they are classified as Stage 3 exposures;

b) Secured exposures (including retail, micro and small enterprises and excluding mortgages) should be written off within 720 days once they are classified as Stage 3 exposures;

c) Mortgages (including retail, micro and small enterprises mortgages) and corporate exposures (including medium corporates as per MSME definition by SAMA) should be written off before 1,080 days from the date they are classified as Stage 3 exposures;

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
THREE MONTH PERIOD ENDED MARCH 31, 2023
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve	Actuarial gains	Total
January 1, 2022 (audited)		1,000,000	300,000	1,137,684	20,159	34,255	2,492,098
Net income for the period		-	-	34,145	-	-	34,145
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	6.1	-	-	-	(378)	-	(378)
Total comprehensive income for the period		-	-	34,145	(378)	-	33,767
March 31, 2022 (unaudited)		1,000,000	300,000	1,171,829	19,781	34,255	2,525,865
January 1, 2023 (audited)		**1,000,000**	**300,000**	**1,359,347**	**1,881**	**54,089**	**2,715,317**
Net income for the period		-	-	**93,462**	-	-	**93,462**
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	6.1	-	-	-	**(365)**	-	**(365)**
Total comprehensive income for the period		-	-	**93,462**	**(365)**	-	**93,097**
March 31, 2023 (unaudited)		**1,000,000**	**300,000**	**1,452,809**	**1,516**	**54,089**	**2,808,414**

The accompanying notes from 1 to 23 form an integral part of these condensed interim financial statements

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

Had the management implemented the above-mentioned rules in the year 2021, the allowance for credit losses would have increased and the net profit for that year would have decreased by SR 16.09 million.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The condensed interim financial statements of the Company as of and for the three month period ended March 31, 2023 are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia.

These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2022.

The results for the interim period of three month period ended March 31, 2023 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2023.

In preparing these condensed interim financial statements, the significant judgments made by the management are same as those that are applied to the financial statements for the year ended December 31, 2022.

3.2 Basis of preparation

These condensed interim financial statements have been prepared under the historical cost convention using accrual basis of accounting, except for employees benefit liability which is carried at present value of defined benefit obligation, using actuarial present value calculations based on projected unit credit method, the measurement at fair value of 'Investment classified at fair value through other comprehensive income' (FVTOCI) and a segment of notes receivable portfolio, which have been measured at their fair values and both of which have been classified as 'FVTOCI'.

3.3 Functional and presentation currency

These condensed interim financial statements have been presented in Saudi Riyals and have been rounded off to the nearest thousand Saudi Riyals, except as otherwise indicated.

The accounting policies used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2022.

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The accounting 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 for the year ended December 31, 2022.

5. NET INVESTMENT IN FINANCE LEASE

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Net investment in finance lease relating to vehicles (note 5.1)	**1,295,508**	1,192,974
Net investment in finance lease relating to real estate (note 5.2)	**237,165**	219,762
Total net investment in finance lease	**1,532,673**	1,412,736

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Non-current portion		
Net investment in finance lease relating to vehicles (note 5.1)	**946,326**	869,727
Net investment in finance lease relating to real estate (note 5.2)	**212,276**	195,795
	1,158,602	1,065,522
Current portion		
Net investment in finance lease relating to vehicles (note 5.1)	**349,182**	323,247
Net investment in finance lease relating to real estate (note 5.2)	**24,889**	23,967
	374,071	347,214

5.1 Net investment in finance lease relating to vehicles

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Gross investment in finance lease relating to vehicles	**1,751,585**	1,608,809
Less: unearned finance income	**(392,234)**	(352,699)
Present value of lease payments receivables	**1,359,351**	1,256,110
Less: Allowance for impairment loss (note a)	**(63,843)**	(63,136)
Net investment in finance lease relating to vehicles	**1,295,508**	1,192,974

	March 31, 2023 (Unaudited)			
	Gross investment	**Unearned finance income**	**Allowance for impairment loss**	**Net investment**
Current portion	**585,385**	**(172,360)**	**(63,843)**	**349,182**
Non-current portion	**1,166,200**	**(219,874)**	**-**	**946,326**
Total	**1,751,585**	**(392,234)**	**(63,843)**	**1,295,508**

	December 31, 2022 (Audited)			
	Gross investment	Unearned finance income	Allowance for impairment loss	Net investment
Current portion	539,742	(153,359)	(63,136)	323,247
Non-current portion	1,069,067	(199,340)	-	869,727
Total	1,608,809	(352,699)	(63,136)	1,192,974

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

a) The movement in allowance for impairment loss is given below:

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
January 1	**63,136**	64,126
(Reversal) / charge during the period (note 15)	**(8,293)**	4,184
Provision transferred on closure of 'purchase and agency agreements'	**41,425**	-
Amount written off during the period	**(32,425)**	(837)
March 31	**63,843**	67,473

b) The ageing of gross finance lease receivables relating to vehicles which are past due and considered impaired by the management is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
1 - 3 months	**4,645**	13,110
4 - 6 months	**4,856**	2,634
7 - 12 months	**6,218**	4,489
More than 12 months	**24,531**	22,475
	40,250	42,708

The not yet due portion of above overdue finance lease receivables relating to vehicles as of March 31, 2023 amounts to SR 65.39 million (December 31, 2022: SR 62.29 million).

5.2 Net investment in finance lease relating to real estate

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Gross investment in finance lease relating to real estate	**363,147**	336,602
Less: unearned finance income	**(117,412)**	(110,006)
Present value of lease payments receivables	**245,735**	226,596
Less: Allowance for impairment loss (note a)	**(8,570)**	(6,834)
Net investment in finance lease relating to real estate	**237,165**	219,762

	March 31, 2023 (Unaudited)			
	Gross investment	**Unearned finance income**	**Allowance for impairment loss**	**Net investment**
Current portion	**62,733**	**(29,274)**	**(8,570)**	**24,889**
Non-current portion	**300,414**	**(88,138)**	**-**	**212,276**
Total	**363,147**	**(117,412)**	**(8,570)**	**237,165**

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

	December 31, 2022 (Audited)			
	Gross investment	Unearned finance income	Allowance for impairment loss	Net investment
Current portion	57,915	(27,114)	(6,834)	23,967
Non-current portion	278,687	(82,892)	-	195,795
Total	336,602	(110,006)	(6,834)	219,762

a) The movement in allowance for impairment loss is given below:

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
January 1	**6,834**	-
Charge during the period (note 15)	**1,736**	-
March 31	**8,570**	-

b) The ageing of gross finance lease receivables relating to real estate which are past due and considered impaired by the management is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
1 - 3 months	**798**	849
4 - 6 months	**406**	150
7 - 12 months	**1,595**	2,368
More than 12 months	**1,534**	1,777
	4,333	5,144

The not yet due portion of above overdue finance lease receivables relating to real estate as of March 31, 2023 amounts to 60.75 SR million (December 31, 2022: SR 53.67 million).

6. NOTES RECEIVABLE

Notes receivable comprise of receivables arising from instalment sales of equipment and vehicles. For the purposes of these condensed interim financial statements, the notes receivable pertaining to instalment sale of vehicles have been carried at fair value through other comprehensive income (note 6.1) and notes receivable pertaining to instalment sales of equipment have been carried at amortized cost (note 6.2), as detailed below:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Notes receivable carried at fair value through other comprehensive income (note 6.1)	**37,437**	42,523
Notes receivable carried at amortized cost (note 6.2)	**6,648**	7,948

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

6.1 Notes receivable carried at fair value through other comprehensive income

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Notes receivable	**37,437**	42,523
Less: current portion	**(26,903)**	(32,182)
Non- current portion	**10,534**	10,341

As of March 31, 2023, the amortized cost of notes receivable measured at fair value through other comprehensive income was 35.92 SR million (December 31, 2022: SR 40.64 million), whereas the fair value of this portfolio was determined to be 37.44 SR million (December 31, 2022: SR 42.52 million) resulting in fair value reserve of SR 1.52 million (December 31, 2022: SR 1.88 million). The changes in the fair value during the three month period ended March 31, 2023 of SR 0.37 million (March 31, 2022: SR 0.38 million) is recognized in the 'condensed interim statement of other comprehensive income'.

The movement in allowance for doubtful debts against notes receivable carried at fair value through other comprehensive income is as follows:

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
January 1	**6,012**	6,881
Transfer of write off to notes receivable carried at amortized cost (note 6.2)	-	1,094
Charge during the period (note 15)	**4,998**	1,582
Amount written off during the period	**(684)**	(3,061)
March 31	**10,326**	6,496

6.2 Notes receivable carried at amortized cost

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Notes receivable, gross	**7,969**	9,254
Less: unearned finance income	**(1,138)**	(1,052)
	6,831	8,202
Less: impairment loss allowance (6.2a)	**(183)**	(254)
Notes receivable, net	**6,648**	7,948

	March 31, 2023 (Unaudited)			
	Gross notes receivables	**Unearned finance income**	**Allowance for impairment loss**	**Net notes receivables**
Current portion	**5,365**	**(834)**	**(183)**	**4,348**
Non-current portion	**2,604**	**(304)**	**-**	**2,300**
Total	**7,969**	**(1,138)**	**(183)**	**6,648**

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

	December 31, 2022 (Audited)			
	Gross notes receivables	Unearned finance income	Allowance for impairment loss	Net notes receivables
Current portion	6,328	(800)	(254)	5,274
Non-current portion	2,926	(252)	-	2,674
Total	9,254	(1,052)	(254)	7,948

a) The movement in impairment loss allowance is as follows:

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
January 1	**254**	1,748
Transfer of write off from notes receivable carried at fair value through other comprehensive income (note 6.1)	**-**	(1,094)
Reversal during the period (note 15)	**(71)**	(155)
March 31	**183**	499

b) The ageing of notes receivables which are past due and considered impaired by the management is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
1 - 3 months	**65**	67
4 - 6 months	**78**	110
7 - 12 months	**11,415**	8,548
More than 12 months	**40**	798
	11,598	9,523

The not yet due portion of above overdue notes receivables as of March 31, 2023 amounts to SR 20.84 million (December 31, 2022: SR 24.3 million).

7. LOANS AND ADVANCES TO CUSTOMERS, net

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Loans and advances to customers – net	**567,663**	414,527
Less: current portion	**(186,561)**	(143,958)
Non-current portion	**381,102**	270,569
Gross loans and advances to customers	**741,523**	535,093
Less: unearned finance income	**(154,716)**	(109,262)
Present value of loans and advances to customers	**586,807**	425,831
Less: Allowance for impairment loss (note a)	**(19,144)**	(11,304)
Loans and advances to customers – net	**567,663**	414,527

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

	March 31, 2023 (Unaudited)			
	Gross loans and advances to customers	**Unearned finance income**	**Allowance for impairment loss**	**Net loans and advances to customers**
Current portion	**292,024**	**(86,319)**	**(19,144)**	**186,561**
Non-current portion	**449,499**	**(68,397)**	**-**	**381,102**
Total	**741,523**	**(154,716)**	**(19,144)**	**567,663**

	December 31, 2022 (Audited)			
	Gross loans and advances to customers	Unearned finance income	Allowance for impairment loss	Net loans and advances to customers
Current portion	215,989	(60,727)	(11,304)	143,958
Non-current portion	319,104	(48,535)	-	270,569
Total	535,093	(109,262)	(11,304)	414,527

a) The movement in allowance for impairment loss is as follows:

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
January 1	**11,304**	-
Charge during the year (note 15)	**8,789**	-
Amount written off during the year	**(949)**	-
March 31	**19,144**	-

b) The ageing of loans and advances to customers which are past due and considered impaired by the management is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
1 - 3 months	**2,960**	3,549
4 - 6 months	**1,941**	1,701
7 - 12 months	**2,793**	1,769
More than 12 months	**570**	292
	8,264	7,311

The not yet due portion of above overdue loans and advances to customers as of March 31, 2023 amounts to SR 79.25 million (December 31, 2022: 84.48 million).

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

8. OTHER NON-CURRENT ASSETS

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Employees' receivables - non-current portion	**5,602**	6,480
Present value of net servicing asset (note 18)	**13,306**	12,071
Receivable under purchase and agency agreements - non-current portion (note 8.1)	**76,423**	138,047
Deferred consideration receivable - non-current portion (note 8.2 & 18)	**155,288**	152,798
	250,619	309,396

8.1 Current portion of receivables under purchase and agency agreements as of March 31, 2023 amounts to SR 114.38 million (December 31, 2022: SR 103.28 million) and is included in prepayments and other receivables.

8.2 Current portion of deferred consideration receivables as of March 31, 2023 amounts to SR 107.18 million (December 31, 2022: SR 108.31 million)

9. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and agreed between the concerned parties.

i) Following are the details of related party transactions during the period:

Related party	**Nature of transaction**	**Three month period ended March 31**	
		2023 (Unaudited)	2022 (Unaudited)
Ultimate Parent	Collections from Company's customers	**207**	345
Other related parties	Purchases, net	**400,967**	336,231
	Advertisement expenses	**100**	336
	Expenses charged by	**3,802**	3,597
	Supports received (rebates)	**403**	1,641
	Charges for customer evaluations prior to lease	**-**	1,218
	Repairs and maintenance	**186**	-
	Amounts collected on behalf of an affiliate	**67**	1,209

Vehicles are purchased from a related party for further lease to lessees.

Due from related parties comprised of the following:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Abdul Latif Jameel Import and Distribution Company	**334**	77
Abdul Latif Jameel Company for Information and Services Limited	**411**	-
Abdul Latif Jameel Bodywork and Paint Company Limited	**-**	113
Al Mumaizah United Company ("Ultimate Parent")	**-**	186
Al-Tasweyah for Debts Collection Company Limited	**86**	49
Al Ufuq Auction Company	**292**	330
	1,123	755

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

Due to related parties comprised of the following:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Abdul Latif Jameel Retail Company Limited	**118,874**	192,071
Abdul Latif Jameel for Automotive Wholesale Company Limited	**68,675**	193,926
Salim Saleh Saeed Babqui Trading Company Limited	**1,213**	1,173
Abdul Latif Jameel Lands Company Limited	**272**	487
Abdul Latif Jameel Bodywork and Paint Company Limited	**219**	-
Al Mumaizah United Company ("Ultimate Parent")	**153**	-
Abdul Latif Jameel Company Limited	**1,899**	576
Abdul Latif Jameel Technology Company Limited	**4,131**	1,828
Abdul Latif Jameel Technology Products Company Limited	**140**	46
Abdul Latif Jameel Company for Information and Services Limited	**-**	871
Abdul Latif Jameel United Real Estate Finance Company	**193,425**	193,214
Bab Rizq Jameel Microfinance Company	**111,973**	89,697
Abdul Latif Jameel Industrial Equipment Company Limited	**1,241**	300
Abdul Latif Jameel Modern Trading Company Limited	**-**	215
	502,215	674,404

ii) The total amount of compensation to key management personnel during the period is as follows:

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
Directors' remuneration	**1,102**	1,206
Short-term employee benefits	**3,000**	3,000
Employee benefits liabilities	**77**	207
	4,179	4,413

The Company's Board of Directors includes the Board and other Board related committees (Credit and Risk Management Committee and Audit Committee). Compensation to Company's key management personnel includes salaries, non-cash benefits allowances (excluding bonuses) and post-employment defined benefits plans.

10. CASH AND BANK BALANCES

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash in hand	**1,586**	2,091
Bank balances	**707,716**	1,194,518
Cash and cash equivalents	**709,302**	1,196,609
Other deposits (having original maturity of more than three months) (note 'b')	**1,749,533**	109,945
Total cash and bank balances	**2,188,835**	1,306,554

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

a) During the period, the Company earned SR 30.07 million (March 31, 2022: SR 7.53 million) on the murabaha deposits at the rate of return ranging from 4.25% to 5.65% (March 31, 2022: 0.88% to 3%).

b) As of March 31, 2023, this includes murabaha deposits of SR 120.35 million (December 31, 2022: SR 109.7 million), representing amounts set aside in respect of employees' benefits liabilities. Additionally, these also include foreign currency deposits maturing in January 2024.

c) Details of foreign currency time deposits and cash and cash equivalents is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and cash equivalents	**431**	431
Term deposits (note 'e')	**1,359,185**	1,343,424
	1,359,616	1,343,855

d) At each reporting date, all bank balances including short-term Murabaha and other deposits are assessed to have low credit risk as they are held with reputable and high credit rating institutions and there has been no history of default with any of the Company's bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are considered to be negligible.

e) These are foreign currency deposits maturing in January 2024.

11. OTHER NON-CURRENT LIABILITIES

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Present value of net servicing liability - non-current portion (note 18)	**6,197**	6,850
Provision against expected defaults and discounts in respect of sold finance lease and notes receivable - non-current portion (note 18)	**155,288**	152,730
	161,485	159,580

12. ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Accounts payable - trade	**84,329**	32,085
Accrued expenses*	**40,296**	50,333
Zakat payable (note 16)	**37,189**	54,774
Payable under purchase and agency agreements (note 18)	**805,653**	841,366
Present value of net servicing liability - current portion (note 18)	**8,079**	9,617
Amount due to the insurer	**82,636**	57,802
Current portion of lease liabilities	**1,197**	1,179
Provision for onerous arrangement (note a)	**16,955**	20,756
Advance collections and other payables	**159,547**	138,123
	1,235,881	1,206,035

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

* Accrued expenses include amount due to related parties amounting to SR 2.3 million (December 31, 2022: SR 1.3 million).

a) The movement in the provision for onerous insurance arrangements is as follows:

	Three month period ended March 31	
	2023	2022
	(Unaudited)	(Unaudited)
January 1	**20,756**	1,086
(Reversal)/charge for the period (note 14)	**(3,801)**	138
March 31	**16,955**	1,224

13. REVENUES

	Three month period ended March 31	
	2023	2022
	(Unaudited)	(Unaudited)
Income from finance lease relating to vehicles	**32,530**	22,776
Income from finance lease relating to real estate	**7,877**	-
Income from instalment sales	**6,497**	4,191
Income from loans and advances to customers	**21,861**	98
Contract fee income	**9,247**	5,715
Income from purchase and agency agreements (note 18)	**23,859**	26,553
Others	**6,448**	5,070
	108,319	64,403

14. DIRECT COSTS

	Three month period ended March 31	
	2023	2022
	(Unaudited)	(Unaudited)
Direct costs on finance lease relating to vehicles	**10,084**	7,738
Direct costs on finance lease relating to real estate	**563**	-
Direct cost on instalment sales	**4,789**	2,776
Direct costs on loans and advances to customers, net	**1,515**	-
(Reversal) / charge for provision for onerous insurance arrangements (note 12)	**(3,801)**	138
	13,150	10,652

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

15. IMPAIRMENT OF LEASE AND NOTES RECEIVABLES

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
(Reversal of) / impairment charge on lease receivables relating to vehicles (note 5.1)	**(8,293)**	4,184
Impairment charge on lease receivables relating to real estate (note 5.2)	**1,736**	-
Impairment charge on notes receivable carried at fair value through other comprehensive income (note 6.1)	**4,998**	1,582
Reversal of impairment on notes receivable carried at amortized cost (note 6.2)	**(71)**	(155)
Impairment charge on loans and advances to customers (note 7)	**8,789**	-
Reversal of impairment on receivables under purchase and agency agreements	**(163)**	-
Impact of additional write off due to SAMA rules (note 2.3)	**-**	2,025
	6,996	7,636

16. ZAKAT

During the three month period ended March 31, 2023, an amount of SR 15 million has been recorded as zakat charge (March 31, 2022: SR 6 million) and an amount of SR 32.59 million has been paid to Zakat, Tax And Customs Authority (ZATCA).

Status of zakat assessments

For the year 2012, ZATCA issued an assessment claiming additional zakat of SR 27.6 million against which the Company filed an objection, which was not accepted by the ZATCA, therefore, the Company requested that the objection be forwarded to the Preliminary Objection Committee. However, the Company has retracted the objection and settled the above amount. The zakat declaration for the year 2013 is currently under review by the ZATCA and the declarations for the years 2014 to 2018 have been finalized (with an overpayment of SR 5.53 million as an excess amount refunded by ZATCA on March 23, 2022), while the declaration for 2019, 2020, 2021 and 2022 is under review. Further, the Company has a zakat certificate valid up to April 30, 2024.

17. EARNINGS PER SHARE

Basic earnings per share amounts is calculated by dividing the net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the three month period ended March 31, 2023 and 2022.

There has been no dilutive effect on the weighted average number of shares during the three month period ended March 31, 2023 and 2022.

The basic and diluted earnings per share are calculated as follows:

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
Net income for the period *(in SR '000)*	**93,462**	34,145
Weighted average number of ordinary shares *(in'000)* (note 1(a))	**100,000**	100,000
Basic and diluted earnings (expressed in SR per share)	**0.93**	0.34

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

18. PURCHASE AND AGENCY AGREEMENTS

The Company has entered into purchase and agency agreements (the 'agreements') with certain local banks in respect of certain finance lease and notes receivables (collectively referred as 'receivables').

Under the terms of the purchase and agency agreements, the Company first sells the eligible receivables to the banks and then manages them on behalf of the banks as an agent for a monthly fee as per the terms of the agreements.

During the three month period ended March 31, 2023, the Company sold SR 537.9 million (March 31, 2022: SR 507 million) of its net receivables and the total amount received from the bank in respect of such sale was SR 586.6 million (March 31, 2022: SR 557.9 million). Upon sale, the Company derecognizes the receivables from its books and recognizes the difference as either gain or loss on derecognition of receivables (note (c)).

The following are the significant terms of the agreement:

a) The Company continues to manage the sold receivables on behalf of the banks for a fee (agency fee). The total settlement of net receivables to be made to the banks (as per the agreed cash flows), as an agent under purchase and agency arrangements amount to SR 5,388 million as of March 31, 2023 (December 31, 2022: SR 5,362 million).

The maturity analysis of derecognized receivables is as follows:

Under purchase and agency agreements	**Up to 1 year**	**2 - 3 years**	**After 3 years**	**Total**
March 31, 2023 (Unaudited)	**2,024,061**	**2,359,984**	**1,003,805**	**5,387,850**
December 31, 2022 (Audited)	2,047,597	2,256,192	1,058,623	5,362,412

b) Each agreement is supported by a "cash flow statement" which stipulates the principal amount and the monthly receivables falling due. Under the terms of the agreements, the Company, in the capacity of an agent, settles to the banks a monthly amount based on the cash flow statement. Any excess collections over and above the stipulated amounts and after retaining the amount for the next month's repayment, are transferred monthly by the Company to the banks. The amount of the next month's repayment is recognized as a liability and included in payable under purchase and agency agreements (note 12).

c) A reserve is to be maintained out of the monthly receipts, which is to be distributed at the end of the term of the agreements after deducting the actual defaults and discounts due to premature terminations. The balance in the reserve account after deducting the actual defaults and discounts shall be retained by the Company as deferred consideration on sale of receivables. Any shortfall in the reserve account is to be borne by the banks.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

During the three month period ended March 31, 2023, the Company made gain amounting to SR 52.6 million (March 31, 2022: SR 53.6 million) on derecognition of receivables sold to the banks under the agreements, which is calculated as follows:

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
Gross amount of receivables	**716,163**	664,466
Less: deferred finance income	**(178,182)**	(157,426)
Less: present value of deferred consideration receivable (note (i))	**-**	-
Less: present value of net servicing liability (note (ii))	**(3,968)**	(2,677)
Less: amounts received from the banks	**(586,590)**	(557,950)
Net gain on derecognition of receivables	**52,577**	53,587

During the three-month period ended March 31, 2023 certain purchase and agency agreements entered into by the Company, matured and the Company recorded a net gain amounting to SR 19.1 million (March 31, 2022: nil) after deducting the actual customer defaults and discounts on premature terminations. The Company obtained final settlement and discharge letters from the banks with respect to these agreements.

The total gain on derecognized receivables for the period is as follows:

	Three month period ended March 31	
	2023 (Unaudited)	2022 (Unaudited)
Gain on derecognition of receivables	**52,577**	53,587
Gain on maturity of derecognized pools	**19,138**	-
	71,715	53,587

i. The deferred consideration receivable represents the continuing involvement in the transferred asset. Provision against expected defaults in respect of sold finance lease and notes receivable represents a guarantee provided by the Company under purchase and agency agreements to pay for default losses on a transferred asset. These have been disclosed as deferred consideration receivable (note 8) and provision against expected defaults and discounts in respect of sold finance lease and notes receivable (notes 11 and 12).

ii. The Company's net servicing assets and related liabilities are calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreement and by estimating the present value of servicing liability and related provisions. The net amount is classified as a net servicing asset or a net servicing liability on the condensed interim statement of financial position. This has been presented as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Present value of net servicing assets (note 8)	**13,306**	12,071
Present value of net servicing liability	**14,276**	16,467
Less: current portion (note 12)	**(8,079)**	(9,617)
Non-current portion (note 11)	**6,197**	6,850

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

The present value of net deferred consideration receivable and the present value of net servicing asset and net servicing liability is calculated by using the appropriate discount rate.

19. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit quality analysis

i) Financial assets carried at fair value through other comprehensive income (FVTOCI)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income as of March 31, 2023 and December 31, 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

a) Net carrying amounts

	March 31, 2023 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Notes receivable carried at fair value through other comprehensive income	**18,109**	**332**	**18,996**	**37,437**

	December 31, 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	17,309	454	24,760	42,523

b) Allowance for ECL

	March 31, 2023 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Notes receivable carried at fair value through other comprehensive income	**234**	**11**	**10,081**	**10,326**

	December 31, 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	225	15	5,772	6,012

ii) Financial assets carried at amortized cost

The following tables set out information about the credit quality of financial assets measured at amortized cost as of March 31, 2023 and December 31, 2022. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

a) Gross carrying amounts

	March 31, 2023 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease relating to vehicles	**1,651,924**	**58,712**	**40,949**	**1,751,585**
Net investment in finance lease relating to real estate	**325,562**	**17,792**	**19,793**	**363,147**
Notes receivable carried at amortized cost	**7,456**	**283**	**230**	**7,969**
Loans and advances to customers, net	**692,745**	**23,542**	**25,236**	**741,523**
Carrying amount	**2,677,687**	**100,329**	**86,208**	**2,864,224**

	December 31, 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease relating to vehicles	1,533,273	31,204	44,332	1,608,809
Net investment in finance lease relating to real estate	288,870	19,252	28,480	336,602
Notes receivable carried at amortized cost	8,345	367	542	9,254
Loans and advances to customers, net	500,463	20,624	14,006	535,093
Carrying amount	2,330,951	71,447	87,360	2,489,758

b) Allowance for ECL

	March 31, 2023 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease relating to vehicles	**20,490**	**3,353**	**40,000**	**63,843**
Net investment in finance lease relating to real estate	**2,453**	**927**	**5,190**	**8,570**
Notes receivable carried at amortized cost	**84**	**13**	**86**	**183**
Loans and advances to customers, net	**7,979**	**867**	**10,298**	**19,144**
	31,006	**5,160**	**55,574**	**91,740**

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

	December 31, 2022 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease relating to vehicles	18,059	2,275	42,802	63,136
Net investment in finance lease relating to real estate	578	988	5,268	6,834
Notes receivable carried at amortized cost	95	17	142	254
Loans and advances to customers, net	2,746	352	8,206	11,304
	21,478	3,632	56,418	81,528

The allowance for ECL for net investment in finance lease also includes the ECL on insurance, which the Company arranges on behalf of the customers.

Amounts arising from ECL - Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company groups its receivables into Stage 1, Stage 2, Stage 3 as described below:

Stage 1: When loans are first recognized, the Company recognizes an allowance based on 12 months ECLs. Stage 1 receivables also include receivables where the credit risk has improved, and the balance has been reclassified from Stage 2.

Stage 2: When a receivable has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECL. Stage 2 receivables also include receivables, where the credit risk has improved, and the receivable has been reclassified from Stage 3.

Stage 3: Receivables considered credit impaired. The Company records an allowance for the Lifetime ECL.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

a) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors as well as in depth analysis of the input of certain other factors (e.g. forbearance experience) on the risk of default include oil prices, inflation, manufacturing purchasing manager's index, money supply, GDP etc. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

ECL Methodology related to loans and advances to customers transferred from BRJMF
The primary input into the determination of the term structure of PD for exposures is days past due as opposed to credit risk grades used.
The structure of pools are based on the type of product itself.

b) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Company's staging criteria.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

No change has been made in the backstop criteria for all types of exposures.

c) Modified financial assets

The contractual terms of finance lease, notes receivables and loans and advances to customers may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing and advances whose terms have been modified may be derecognized and the renegotiated financing and advances recognized as a new financing and advances at fair value in accordance with the accounting policy.

When the terms of finance lease, notes receivables and loans and advances to customers are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company renegotiates finance lease, notes receivables and loans and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's forbearance policy, finance lease, notes receivable and loans and advances to customers forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of leasing and instalments covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

d) Definition of 'Default'

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

- The obligor is past due for 90 days or more on any material credit obligations to the Company including principal instalments, interest payments and fees.
- The Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

e) Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom of Saudi Arabia and selected private sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

There have been no changes to the types of forward looking variables (key economic drivers) used as model inputs in the current year.

f) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties while also incorporating forward-looking information through Jacobs & Frye method. The LGD models consider the structure, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization.

The Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a finance lease, notes receivables and loans and advances arrangement.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of finance lease, notes receivables and loans and advances to customers in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

Updates to the ECL Methodology

As of January 1, 2022, the Company has made following material changes as a result of the change in the ECL Methodology and new SAMA rules:

- It has aligned with the SAMA guidelines the governance and controls framework over ECL estimation and reporting focusing on data integrity and model validation.
- Revised and more recent portfolio data has been used to compute the PD and LGD.
- Updated macroeconomic forecasts were used to update PIT PD and LGD estimates.
- The gross outstanding as of reporting date and each future prediction date (monthly) is considered as the EAD as opposed to net outstanding.
- Cool off periods have been defined with minimum time interval for which an account needs to stay in the worse stage before being transferred to a better stage after the criteria for classification into worse stage no longer persists.

g) Governance and controls

In addition to the existing risk management framework, the Company has established a Steering Committee for oversight of IFRS 9 impairment process that includes representation from Finance, Risk and Information Technology (IT), as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors. The Framework and related controls have been approved by the board of directors.

h) Capital management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of 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 amount of dividends paid to shareholders, return capital to shareholders or issue new shares. Share capital was reduced by SR 700 million during 2020.

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA. SAMA requires finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times. For real estate financing, the requirement for capital ratio is five times.

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Aggregate financing to capital ratio (Total financing (net investment in finance lease, notes receivable and loans and advances to customers) divided by total shareholders' equity)	**0.76 times**	0.69 times

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, net investment in finance lease relating to vehicles, net investment in finance lease relating to real estate, notes receivable, loans and advances to customers, due from related parties, net deferred consideration receivable, employees' receivables, amount due from insurer and other receivables. Its financial liabilities consist of due to related parties, accounts payable, payable under purchase and agency agreements, lease liabilities and amount due to Insurer.

The fair values of the financial instruments are not materially different from their carrying values except for the net investment in finance lease and a segment of notes receivable portfolio measured at amortized cost.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides the fair value measurement hierarchy of the Company's financial assets as of March 31, 2023 and December 31, 2022:

March 31, 2023 (Unaudited)		**Fair value measurement using**		
	Total	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets measured at fair value				
Notes receivable classified as fair value through other comprehensive income	**37,437**	-	-	**37,437**
Investment classified as fair value through other comprehensive income	**893**	-	-	**893**

December 31, 2022 (Audited)		Fair value measurement using		
	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value				
Notes receivable classified as fair value through other comprehensive income	42,523	-	-	42,523
Investment classified as fair value through other comprehensive income	893	-	-	893

(Expressed in Thousands of Saudi Riyals unless otherwise stated)

21. SAMA SUPPORT PROGRAMS AND INITIATIVES

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2021 to provide the necessary support to the Micro, Small and Medium Enterprises ("MSMEs") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

Deferred payments program

As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Company deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support Programs	Instalments deferred for net investment in finance lease/ notes receivables	Instalments deferred for sold receivables under purchase and agency agreements	Cost of deferral*
April 2020 – September 2020	108,863	229,937	29,495
October 2020 – December 2020	71,510	152,670	13,055
January 2021 – March 2021	36,540	180,252	5,244
April 2021 – June 2021	23,110	174,045	2,359
July 2021 – September 2021	19,480	155,124	1,824
October 2021 – December 2021	5,753	36,473	1,392
January 2022 – March 2022	6,261	33,719	1,374
	271,517	**962,220**	**54,743**

* Cost of deferral pertains to the deferment of net investment in finance lease/notes receivables relating to on-balance sheet portfolio only.

As part of business transfer agreement, ALJUREF and BRJMF transferred the profit free deposits amounting to SR 25.6 million and SR 30.1 million respectively, received by them from SAMA under deferred payment programs (note 1).

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement. The deferred payment program ended on March 31, 2022.

In order to compensate the related cost that the Company had incurred under the SAMA and other public authorities program, during the years 2022 and 2021, the Company has received multiple profit free deposits from SAMA amounting to SR 488.2 million with varying maturities, which qualify as government grants. During the year ended December 31, 2022, an amount of SR 2.9 million was recorded in the statement of profit or loss and other comprehensive income for the year then ended.

Management determined based on communication from SAMA that the government grant primarily related to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidized funding rate was accounted for on a systematic basis, in accordance with government grant accounting requirements. Management exercised certain judgements in the recognition and measurement of this grant income. During the three month period ended March 31, 2023, a total of SR 3.96 million (March 31, 2022: SR 6.25 million) has been charged to the condensed interim statement of profit or loss and other comprehensive income relating to unwinding of profit free deposit from SAMA.

Funding for lending program

During 2020, the Company had received additional profit free deposit from SAMA amounting to SR 10 million with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment. The benefit of the interest free deposit has been accounted for on a systematic basis, in accordance with government grant accounting requirements.

Loan guarantee program

In a separate communication from SAMA, the above funding for lending program was superseded with loan guarantee program, whereby the Company would be required to provide finance to specific segment of the customers in accordance with the terms and conditions of the program and SAMA regulations. During 2020, the Company received an additional amount of SR 20 million with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment.

As part of business transfer agreement, BRJMF transferred the profit free deposits amounting to SR 2.8 million received from SAMA under loan guarantee program (note 1).

Repayments of SAMA Programs

The Company has repaid a total of SR 771.56 million to SAMA upon maturity since the start of the programs till March 31, 2023. An amount of SR 56.6 million was paid during the three month period ended March 31, 2023.

Based on clarification by SAMA, the Company has applied the above programs on MSME and individuals.

The Company has not participated in the Point of sale ("POS") and e-commerce service fee support program.

During May 2020, SAMA issued a guidance document entitled "Guidance on Accounting and Regulatory Treatment of COVID-19 - Extraordinary Support Measures". The Company has considered the guidance issued in the preparation of these condensed interim financial statements.

As of December 1, 2022, pursuant the business transfer agreement signed on December 22, 2022 and amended on December 31, 2022 with ALJUREF and BRJMF, SR 25.58 million and SR 32.74 million respectively were transferred to the Company by ALJUREF and BRJMF respectively at carrying values in their respective books as of December 1, 2022. Prior to signing the agreement and transfer of the loan, ALJUREF and BRJMF obtained the no-objection letter from SAMA confirming that the SAMA Agreement as well as the liability to repay SAMA Loan Instalments, as they become due, shall be transferred from BRJMF and ALJUREF to ALJUF.

22. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the period end, the Company executed a purchase and agency agreement with a local commercial bank to sell SR 251.1 million of its financial assets. Under the terms of the purchase and agency agreement, the Company sold the eligible financial assets to the bank net of insurance premiums and undertook to manage them on behalf of the bank as an agent for a monthly fee as per the terms of the purchase and agency agreement.

23. BOARD OF DIRECTORS' APPROVAL

These condensed interim financial statements were approved by the Board of Directors on May 02, 2023 (corresponding to 12 Shawwal, 1444 AH).