YANAL FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024

YANAL FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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Independent auditor's report to the shareholders of YANAL Finance Company, A Saudi Closed Joint Stock Company

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of YANAL Finance Company (the "Company") as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2024;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in shareholders' equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of the board of directors and those charged with governance for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Independent auditor's report to the shareholders of YANAL Finance Company, A Saudi Closed Joint Stock Company (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Adel F. Alqahtani
License Number 614

February 19, 2025

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless stated otherwise)

	Note	As at December 31, 2024	As at December 31, 2023
ASSETS			
Cash and cash equivalents	9	**32,839,677**	46,355,961
Advances, prepayments, and other receivables	8	**19,708,644**	37,353,570
Net investment in finance leases	6	**789,168,358**	843,732,060
Net investment in murabaha finance	7	**801,036,405**	617,100,352
Positive fair value of derivative	13	**-**	73,453
Equity investment designated at fair value through other comprehensive income ("FVOCI")	5	**892,850**	892,850
Intangible assets	4.1	**571,670**	794,633
Property, equipment and right of use assets	4	**8,414,830**	9,506,558
Total assets		**1,652,632,434**	1,555,809,437
LIABILITIES AND EQUITY			
LIABILITIES			
Short-term loan	12	**20,003,870**	56,279,859
Accounts payable	16	**33,175,198**	48,402,922
Accrued expenses and other liabilities	17	**45,947,539**	31,093,649
Zakat and income tax	14	**14,699,694**	10,232,268
Negative fair value of derivative	13	**1,133**	-
Long-term loans, lease liability and grants	11	**542,213,891**	441,411,683
Employees' end of service benefits	15	**24,665,514**	21,640,861
Total liabilities		**680,706,839**	609,061,242
EQUITY			
Share capital	10	**550,000,000**	550,000,000
Statutory reserve		**106,397,004**	106,397,004
Retained earnings		**315,529,724**	290,277,738
Cash flow hedge	13	**(1,133)**	73,453
Total equity		**971,925,595**	946,748,195
TOTAL LIABILITIES AND EQUITY		**1,652,632,434**	1,555,809,437

The accompanying notes (1) through (30) form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31,
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2024	2023
Finance income	18	**196,392,488**	165,781,120
Special commission expense	20	**(36,667,845)**	(29,434,225)
Net finance income		**159,724,643**	136,346,895
Other income	19	**4,469,066**	4,153,540
OPERATING EXPENSES			
Expected credit losses ("ECL") on financial assets	6.3, 7.2, 8.1	**1,639,435**	9,059,960
Salaries and employee related expenses		**(54,724,546)**	(49,085,787)
Other general and administrative expenses	21	**(10,536,366)**	(12,770,871)
Depreciation and amortization	4, 4.1	**(2,441,562)**	(1,936,796)
Total operating expenses		**(66,063,039)**	(54,733,494)
Income for the year before zakat and income tax		**98,130,670**	85,766,941
Zakat expense	14	**(11,706,537)**	(10,265,972)
Income tax expense	14	**(5,493,357)**	(3,714,378)
Income for the year after zakat and income tax		**80,930,776**	71,786,591
Earnings per share - basic and diluted	22	**1.47**	1.31

The accompanying notes (1) through (30) form an integral part of these financial statements.

Chief Executive Officer	Director	Chief Financial Officer

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31,
(All amounts in Saudi Riyals unless stated otherwise)

	Note	2024	2023
Income for the year after zakat and income tax		**80,930,776**	71,786,591
Other comprehensive (loss) / income			
Item that will not be reclassified to statement of income in subsequent periods			
Actuarial (loss) / gain on employees' end of service benefits	15	**(678,790)**	859,461
Item that are or maybe reclassified to statement of income in subsequent periods			
Cash flow hedge – effective portion of changes in fair value		**(74,586)**	367,140
Total comprehensive income for the year		**80,177,400**	73,013,192

The accompanying notes (1) through (30) form an integral part of these financial statements.

Chief Executive Officer | Director | Chief Financial Officer

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31,
(All amounts in Saudi Riyals unless stated otherwise)

	Share capital	Statutory reserve	Retained earnings	Cash flow hedge	Total equity
Balance as at December 31, 2023	**550,000,000**	**106,397,004**	**290,277,738**	**73,453**	**946,748,195**
Total comprehensive income / (loss):					
Income for the year after zakat and income tax	**-**	**-**	**80,930,776**	**-**	**80,930,776**
Other comprehensive loss	**-**	**-**	**(678,790)**	**(74,586)**	**(753,376)**
Total comprehensive income for the year	**-**	**-**	**80,251,986**	**(74,586)**	**80,177,400**
Transaction with shareholders of the Company, recorded directly in shareholders' equity:					
Dividend paid (Note 29)	**-**	**-**	**(55,000,000)**	**-**	**(55,000,000)**
Balance as at December 31, 2024	**550,000,000**	**106,397,004**	**315,529,724**	**(1,133)**	**971,925,595**
Balance as at December 31, 2022	550,000,000	99,218,345	279,810,345	(293,687)	928,735,003
Total comprehensive income:					
Income for the year after zakat and income tax	-	-	71,786,591	-	71,786,591
Other comprehensive income	-	-	859,461	367,140	1,226,601
Total comprehensive income for the year	-	-	72,646,052	367,140	73,013,192
Transfer to statutory reserve	-	7,178,659	(7,178,659)	-	-
Transaction with shareholders of the Company, recorded directly in shareholders' equity:					
Dividend paid (Note 29)	-	-	(55,000,000)	-	(55,000,000)
Balance as at December 31, 2023	550,000,000	106,397,004	290,277,738	73,453	946,748,195

The accompanying notes (1) through (30) form an integral part of these financial statements.

Chief Executive Officer

Director

Chief Financial Officer

YANAL FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,
(All amounts in Saudi Riyals unless stated otherwise)

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the year before zakat and income tax		**98,130,670**	85,766,941
Adjustments for non-cash items:			
Depreciation of property and equipment and right of use assets	4	**2,155,789**	1,646,134
Amortisation of intangible assets	4.1	**285,773**	290,662
Special commission expense	20	**36,667,845**	29,434,225
Government grants, net		**-**	9,528,470
ECL allowance on financial assets	6.3,7.2,8.1	**(1,639,435)**	(9,059,960)
Employees' end of service benefits	15	**3,370,105**	3,194,112
Gain on disposal of property and equipment		**(1,304)**	(1,217)
		138,969,443	120,799,367
Changes in operating assets and liabilities:			
Advances, prepayments and other receivables		**13,803,668**	15,015,878
Net investment in finance leases		**62,670,099**	57,077,856
Net investment in murabaha finance		**(189,150,413)**	(127,845,886)
Accrued expenses and other liabilities		**14,723,366**	(7,430,362)
Accounts payable		**(15,227,724)**	(66,809,226)
Zakat and income tax paid	14	**(12,732,468)**	(15,131,350)
Employees' end of service benefits paid	15	**(1,024,242)**	(523,156)
Net cash generated from / (used in) operating activities		**12,031,729**	(24,846,879)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment and intangible assets		**(1,126,871)**	(4,303,939)
Proceeds from disposal of property and equipment		**1,304**	1,217
Net cash used in investing activities		**(1,125,567)**	(4,302,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loan	12	**105,000,000**	84,375,000
Proceeds from long-term loan	11.4	**386,500,000**	423,250,000
Proceeds from commission-free Saudi Central Bank ("SAMA") deposit	11.4	**-**	31,317,948
Repayments of short-term loan		**(141,250,000)**	(84,375,000)
Repayments of long-term loans		**(269,341,667)**	(101,033,347)
Payment of lease liability	11.6	**(1,154,000)**	(1,154,000)
Repayment of commission-free SAMA deposit		**(16,085,470)**	(240,905,778)
Special commission and other bank charges paid		**(35,724,151)**	(17,052,578)
Dividends paid, net of zakat and income tax recovered		**(52,367,158)**	(52,367,158)
Net cash (used in) / generated from financing activities		**(24,422,446)**	42,055,087
Net (decrease) / increase in cash and cash equivalents		**(13,516,284)**	12,905,486
Cash and cash equivalents at the beginning of the year		**46,355,961**	33,450,475
Cash and cash equivalents at the end of the year		**32,839,677**	46,355,961
Supplemental non-cash information			
Addition to right of use asset and lease liability	4.2	**-**	5,770,585

The accompanying notes (1) through (30) form an integral part of these financial statements.

Chief Executive Officer   Director   Chief Financial Officer

(All amounts are in Saudi Riyals unless stated otherwise)

1 CORPORATE INFORMATION

YANAL Finance Company (the "Company") is a Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under commercial registration number 1010163957 issued in Riyadh on Shawal 21, 1421H (corresponding to January 16, 2001), non-industrial license number 99 dated Safar 27, 1421H (corresponding to May 31, 2000) issued by the Ministry of Commerce and a Finance company license number 7/A Sh/201403 dated Rabi-al-Thani 27, 1435H (corresponding to February 27, 2014) issued by the Saudi Central Bank ("SAMA"), through its six branches (2023: five branches) in the Kingdom of Saudi Arabia.

The Company's head office is located in Riyadh at the following address:

YANAL Finance Company
3612, Prince Fawaz Bin Abdul Aziz, Ar Rabwa Dist.
Riyadh 12813 - 7997
Kingdom of Saudi Arabia

The Company has the following branches:

Branch Commercial Registration Number	***Date***	***Location***
2050046083	9 Jamada Awal 1425H	Dammam
4030150057	9 Jamada Awal 1425H	Jeddah
2055013067	9 Rabi-Al-Awwal 1432H	Jubail
5855036378	9 Rabi-Al-Awwal 1432H	Khamis Mushait
4031090240	26 Rabi-Al-Thanni 1436H	Makkah Al-Mukaramah
1131344162	30 Rabi Al Awwal 1446	Buraidah

The results, assets and liabilities of the branches are included in these financial statements.

The objective of the Company is to provide lease financing for movable and immovable assets and murabaha financing to all economic sectors in the Kingdom of Saudi Arabia.

2 BASIS OF PREPARATION

The financial statements of the Company as at and for the year ended December 31, 2024 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants ("SOCPA").

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include the measurement at fair value of derivative financial instruments. However, in line with IFRS requirements, employees defined benefit liabilities are recognised at the present value of future obligations using the Projected Unit Credit Method.

(All amounts are in Saudi Riyals unless stated otherwise)

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted in the preparation of these financial statements are set out below:

3.1 New standards and interpretations

a) New standards and interpretations adopted by the Company

The International Accounting Standard Board ("IASB") has issued following accounting standards, amendments, which were effective from periods on or after January 1, 2024. The management has assessed that the amendments have no significant impact on the Company's financial statements.

- Amendment to IFRS 16 – Leases on sale and leaseback – These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- Amendment to IAS 7 and IFRS 7 on Supplier finance arrangements – These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

- Amendment to IAS 1 – Non-current liabilities with covenants and classification of liabilities as current or non-current – These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

b) New standards and interpretations not yet adopted

The listing of standards and interpretations issued which the Company reasonably expects to be applicable at a future date are as follows. The Company intends to adopt these standards when they become effective, where applicable.

Standard / Interpretation	Description	Effective from periods beginning on or after
Amendment to IAS 21	Lack of exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date deferred indefinitely
Amendments to IFRS 9 and IFRS 7	Financial Instruments and Financial Instruments: Disclosures	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Reducing subsidiaries` disclosures	January 1, 2027

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with IFRS, that are endorsed in the KSA and other standards and pronouncements issued by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

The material accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods.

The principal accounting policies adopted in the preparation of these financial statements, which are consistently applied, are set out below:

3.3 Property and equipment and intangible assets

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Cost incurred to replace a component of an item of property and equipment is capitalised and the asset so replaced is retired from use. All other repairs and maintenance expenditure are charged to the statement of income during the period in which they are incurred.

Depreciation is charged using the straight-line method over its estimated useful life as mentioned below, after considering residual value.

	Years
Leasehold improvements	10
Office furniture and fixtures	5
Motor vehicles	5
Information technology equipment	4

Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains / losses on disposal of property and equipment, if any, are taken to the statement of income in the period in which they arise.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Property and equipment and intangible assets (continued)

The assets' residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets comprise of computer software and licenses acquired by the Company and are measured at cost less accumulated amortization. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is calculated over the cost of the asset and are amortized on a straight-line basis over its estimated useful life, from the date on which it is available for use. The estimated useful life of intangible assets for the current and comparative periods is four years.

3.4 Net investment in finance leases and murabaha finance

Finance lease

Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. Finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Finance lease receivables include the total of future lease payments on finance leases, plus estimated residual amounts receivable. The Company takes down payments on leases with the right to set off against the residual value of leased assets and these down payments along with prepaid lease rentals are deducted to arrive at finance lease receivables. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the finance lease receivables.

Murabaha finance

Murabaha is an Islamic form of financing wherein the Company, based on a request from its customers, purchases specific commodities and sells them to the customers at a price equal to the Company's cost-plus profit, payable on deferred basis in instalments.

3.5 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

3.6 Assets classified as held for sale

The Company classifies a non-current asset, if any, as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised in the statement of income for any initial or subsequent write down of the non-current asset to fair value less costs to sell. Any rental income is charged to statement of income. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.7 Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its loan exposure to commission rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives are taken directly to the statement of income, except for the effective portion of cash flow hedges, which is recognised in the statement of changes in shareholders' equity.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been and are expected to be highly effective throughout the financial reporting periods for which they were / are designated. A hedge is expected to be highly effective if changes in fair value or cash flows attributed to the hedged risk during which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness, if any, is recognized in the statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of income for the period.

3.8 Financial instruments

a) Initial recognition

The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

b) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVOCI");
- those to be measured subsequently at fair value through statement of income ("FVSI"); and
- those to be measured at amortised cost.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.8 Financial instruments (continued)

b) Classification (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

Solely payment of principal and profit ("SPPP"): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit (i.e. finance income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Company classifies its debt instruments into one of the three measurement categories as described in (c) below.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Classification and subsequent measurement of the Company's equity instruments are described in (c) below.

c) Measurement

At initial recognition, the Company measures financial assets at its fair value plus or minus, in the case of a financial asset not at FVOCI, transactions costs that are directly attributable to the acquisition of the financial asset. Transactions costs of financial assets carried at FVSI are expensed in statement of income.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.8 Financial instruments (continued)

c) Measurement (continued)

Subsequent measurement of debt instruments

It depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognised in statement of income when the asset is derecognised or impaired. Profit from these financial assets is calculated using the effective yield method.
- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, profit on financial instrument (revenue) and foreign exchange gains and losses which are recognised in statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income and recognised in other gains / (losses). Profit from these financial assets is included in finance income using the effective yield method.
- Fair value through statement of income ("FVSI"): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVSI. A gain or loss on a debt investment that is subsequently measured at FVSI and is not part of a hedging relationship is recognised in statement of income and presented net in the statement of income within other gains / (losses) in the period in which it arises. Income from these financial assets is included in the finance income.

Subsequent measurement of equity instruments

The Company measures all equity investments at FVSI. The Company's management has elected to present fair value gains and losses on equity investments that are not held for trading in other comprehensive income. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

There is no subsequent reclassification of fair value gains and losses to statement of income following the de-recognition of the investment and no impairment or reversal of impairment is recognised in statement of income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on derecognition of the investment.

Dividends from such investments are recognized in statement of income as other income when the Company's right to receive payments is established unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income.

d) Impairment of financial assets

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective commission rate used in measuring the lease receivable in accordance with IFRS 16 Leases. While calculating the cash flows expected to receive, probability of default and loss given default (i.e. the magnitude of the loss if there is a default) is considered and the related assessment is based on historical overdue data adjusted by factors that are specific to the lessees and forward-looking information which includes macro-economic factors such as oil price and gross fixed capital formation.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.8 Financial instruments (continued)

d) Impairment of financial assets (continued)

The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Definition of default:

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full; or
- the borrower is past due more than 90 days on any material credit obligation to the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- qualitative - e.g., breaches of covenant;
- quantitative - e.g., overdue status and non-payment on another obligation of the same issuer to the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect changes in circumstances.

Lease receivables

For investment in finance leases, “lease receivables”, the Company applies the simplified approach as permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from the initial recognition.

Murabaha receivables

The financial assets of the Company are categorized as follows:

1. Performing: these represent the financial assets that have not deteriorated significantly in credit quality since initial recognition or customers that have a low risk of default and a strong capacity to meet contractual cash flows.

   The Company’s Murabaha receivables primarily represent corporate loans. Management believes that past due information is the most appropriate basis for assessing the increase in credit risk and based on management experience and analysis of other business, the balances which are less than or equal to 30 days past due do not result in significant increase in credit risk and are considered as performing.

   The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.8 Financial instruments (continued)

d) Impairment of financial assets (continued)

Murabaha receivables (continued)

2. Underperforming: these represent the financial assets that have deteriorated significantly in credit quality since initial recognition but that do not have objective evidence of a credit loss event and is presumed if the customer is more than 30 days past due in making a contractual payment / instalment.

   The Company measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses i.e., expected credit losses that result from all possible default events over the life of the financial asset.

3. Non-performing: these represent financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is considered when the customer fails to make a contractual payment / instalment within 90 days after they fall due.

   The Company measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

Measurement of Expected Credit Loss ("ECL"):

The key inputs into the measurement of ECL are as follows:

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

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Company and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as oil price and gross fixed capital formation. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its carrying amount.

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

(a) The contractual cash flows that are due to the Company under the contract; and
(b) The cash flows that the Company expects to receive.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.8 Financial instruments (continued)

d) Impairment of financial assets (continued)

Write-offs

Financial assets are written-off as per below criteria:

Finance lease or murabaha financing segment	Days past due
Micro and small enterprises	720 days after classification to stage 3
Medium and corporate customers, or exposures secured by real estate collateral, irrespective of the financing segment	1080 days after classification to stage 3

Where financial assets are written-off, the Company continues enforcement activities and recoveries after write-off, are recognised as other income.

e) Financial liabilities - subsequent classification and measurement

All financial liabilities are subsequently measured at amortised cost using the effective rate method or FVSI. The Company has not designated any financial liabilities at FVSI, and it has no current intention to do so. The effective rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

f) Derecognition of financial instruments

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of income.

3.9 Employees’ end of service benefits

Employee termination benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Laws applicable on the Company, on termination of their employment contracts. End of service payments are based on employees’ final salaries and allowances and their cumulative years of service, as stated in the Saudi Labor law.

The calculation of obligation is performed using the projected unit credit method to make a reliable estimate of the ultimate cost to the Company of the benefit payable to employees. Actuarial gains or losses on re-measurement of obligation are recognized immediately in the statement of other comprehensive income.

Actuarial gains and losses represent changes in the present value of the obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.10 Fair value measurement

The Company measures financial instruments, such as derivatives, at fair value at each statement of financial position date.

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 of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3.11 Regular way contracts

Regular way purchases or sales of financial assets are those, the contract which requires delivery of assets within the timeframe generally established by regulation or convention in the market. All “regular way” purchases and sales of financial assets are recognised on the settlement date, i.e. the date on which the asset is delivered to or by the Company.

3.12 Offsetting

Financial assets and liabilities are offset and are reported net in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously. Similarly, income and expense items of such assets and liabilities are also offset and the net amount is reported in the financial statements.

3.13 Right of use assets and lease liability

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the commission rate implicit in the lease, if that rate can be determined, or the Company’s incremental borrowing rate.

Subsequently, the lease liabilities are measured at amortised cost using the effective commission rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are re-measured in this way, a corresponding income adjustment is made to the carrying amount of the right-of-use asset or is recorded in statement of income if the carrying amount of right-of-use asset reduced to zero.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.13 Right of use assets and lease liability (continued)

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the statement of income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases
Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. Short-term leases are leases with a lease term of 12 months or less.

3.14 Zakat, Income tax, Withholding tax and Value added tax (“VAT”)

The Company’s Saudi shareholders are subject to Zakat and the non-Saudi shareholders are subject to income tax in accordance with the regulations of the Zakat, Tax, and Customs Authority (“ZATCA”), as applicable in the Kingdom of Saudi Arabia.

Zakat

The Company is subject to Zakat in accordance with the regulations of the ZATCA. Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax, and as such no deferred tax is calculated relating to zakat.

Income tax

The income tax expense for the period is the tax payable on the current period’s taxable income, based on the applicable income tax rate in KSA, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.14 Zakat and income tax and Value added tax ("VAT") (continued)

Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the Kingdom of Saudi Arabia where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Adjustments arising from the final income tax assessments are recorded in the period in which such assessments are made.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available, and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

Withholding Tax

Withholding tax is withheld from payments made to non-resident vendors for services rendered and goods purchased according to the tax law applicable in Saudi Arabia and are directly paid to the Zakat, Tax and Customs Authority ("ZATCA") on a monthly basis.

Where withholding tax is not withheld from the payments and borne by the Company, they are charged to the statement of income as expense.

Value added tax

The Company is subject to VAT in accordance with the regulations of ZATCA in the Kingdom of Saudi Arabia. Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of assets / services to customers or (c) the invoice date. Input VAT is recoverable to the extent of taxable supplies and upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT receivable or VAT payable is recognised in the statement of financial position on a net basis and disclosed as an asset or a liability.

Input VAT that is not recoverable is charged to the statement of income as expense.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks including bank overdrafts and investments with original maturity of less than three months from the contract date.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.16 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Arabian Riyals ("SR") which is the Company's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to the nearest Riyal, unless otherwise mentioned.

3.17 Foreign currency translation

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the respective transactions. At statement of financial position date, monetary assets and liabilities in foreign currencies are translated to Saudi Arabian Riyals at the prevailing exchange rates. Gains and losses resulting from changes in exchange rates are recognised as income or expense. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction are not retranslated at statement of financial position date.

3.18 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the statement of financial position date are considered as non-adjusting events and are recorded in the financial statements in the year in which they are approved/ transfers are made.

3.19 Revenue recognition-finance leases and murabaha finance

Finance lease and murabaha finance income are recognised using the effective rate method. The effective yield is the rate that exactly discounts the estimated future cash flows through the expected life (or where appropriate, a short period) of the financial asset or liability to its carrying amount.

Service fees charged in respect of processing and other services are recognised as income as the services are rendered.

3.20 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of special commission expense and other costs that the Company incurs in connection with the borrowing of funds.

3.21 Government grants

The Company recognizes a government grant related to income if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of profit is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in statement of income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants is intended to compensate.

(All amounts are in Saudi Riyals unless stated otherwise)

4 PROPERTY, EQUIPMENT, RIGHT OF USE ASSET AND INTANGIBLE ASSETS

	Right of use assets	Leasehold improvements	Office furniture and fixtures	Motor vehicles	Information technology equipment	Total
Cost:						
As at January 1, 2024	**5,770,585**	**4,541,539**	**2,283,822**	**751,850**	**6,681,943**	**20,029,739**
Additions during the year	**-**	**670,237**	**51,123**	**-**	**342,701**	**1,064,061**
Disposals during the year	**-**	**-**	**-**	**-**	**(259,713)**	**(259,713)**
As at December 31, 2024	**5,770,585**	**5,211,776**	**2,334,945**	**751,850**	**6,764,931**	**20,834,087**
Accumulated depreciation:						
As at January 1, 2024	**865,590**	**1,633,030**	**2,277,177**	**463,598**	**5,283,786**	**10,523,181**
Charge for the year	**1,154,120**	**378,080**	**7,091**	**81,583**	**534,915**	**2,155,789**
Disposals during the year	**-**	**-**	**-**	**-**	**(259,713)**	**(259,713)**
As at December 31, 2024	**2,019,710**	**2,011,110**	**2,284,268**	**545,181**	**5,558,988**	**12,419,257**
Net book value:						
As at December 31, 2024	**3,750,875**	**3,200,666**	**50,677**	**206,669**	**1,205,943**	**8,414,830**
Cost:						
As at January 1, 2023	3,294,919	1,675,315	2,278,822	751,850	5,414,661	13,415,567
Additions during the year	5,770,585	2,866,224	5,000	-	1,318,577	9,960,386
Disposals during the year	-	-	-	-	(51,295)	(51,295)
Expiry of lease	(3,294,919)	-	-	-	-	(3,294,919)
As at December 31, 2023	5,770,585	4,541,539	2,283,822	751,850	6,681,943	20,029,739
Accumulated depreciation:						
As at January 1, 2023	3,294,919	1,406,275	2,269,731	374,098	4,878,238	12,223,261
Charge for the year	865,590	226,755	7,446	89,500	456,843	1,646,134
Disposals during the year	-	-	-	-	(51,295)	(51,295)
Expiry of lease	(3,294,919)	-	-	-	-	(3,294,919)
As at December 31, 2023	865,590	1,633,030	2,277,177	463,598	5,283,786	10,523,181
Net book value:						
As at December 31, 2023	4,904,995	2,908,509	6,645	288,252	1,398,157	9,506,558

4.1 The Company also holds computer software and licenses with a cost amounting to SR 2,693,455 (2023: SR 2,630,645) and net book value amounting to SR 571,670 (2023: SR 794,633). Amortization charge for the year amounts to SR 285,773 (2023: SR 290,662). During the year ended December 31, 2024, the Company acquired additional intangible assets related to computer software, amounting to SR 62,810 (2023: SR 114,138).

(All amounts are in Saudi Riyals unless stated otherwise)

4 PROPERTY, EQUIPMENT, RIGHT OF USE ASSET AND INTANGIBLE ASSETS (continued)

4.2 During the prior year, the Company has entered a lease contract for its leasehold office for a period of 5 years. The Company recognized a lease liability (disclosed in note 11.6) for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term against a consideration.

5 EQUITY INVESTMENTS DESIGNATED AT FVOCI

The Company made an investment amounting to SR 892,850 for 89,285 shares at SR 10 each share representing 2.3% ownership in the share capital of "Saudi Finance Leasing Contract Registry Company". 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.

Equity investment designated at fair value is classified under level 3 of the fair value hierarchy.

6. NET INVESTMENT IN FINANCE LEASES

6.1 Reconciliation between gross and net investment in finance leases are as follows:

	Note	As at December 31, 2024	As at December 31, 2023
Finance lease receivables	6.2	**1,005,565,591**	1,088,086,859
Unearned lease finance income		**(144,980,051)**	(153,530,392)
Net investment in finance leases		**860,585,540**	934,556,467
Modification loss ("ML")	6.4	**(70,700,694)**	(70,700,694)
Income on modified finance lease	18.1	**70,163,316**	67,637,819
		(537,378)	(3,062,875)
Net investment in finance leases after ML	6.2	**860,048,162**	931,493,592
Expected credit loss	6.3	**(70,879,804)**	(87,761,532)
		789,168,358	843,732,060
Current maturity		**(454,179,429)**	(444,629,917)
		334,988,929	399,102,143

6.2 The maturity of the gross investment in finance leases (i.e., minimum lease payments ("MLPs") and net investment in finance leases (i.e., present value of MLPs) is as follows:

	As at December 31, 2024		As at December 31, 2023	
	MLPs	PV of MLPs	MLPs	PV of MLPs
Not later than one year	**612,800,838**	**502,482,802**	555,356,628	448,152,543
Later than one year and less than five years	**384,079,936**	**349,039,709**	521,771,873	472,887,346
Later than five years	**8,684,817**	**8,525,651**	10,958,358	10,453,703
	1,005,565,591	**860,048,162**	1,088,086,859	931,493,592

(All amounts are in Saudi Riyals unless stated otherwise)

6. NET INVESTMENT IN FINANCE LEASES (continued)

6.3 The movement in the ECL on net investment in finance lease was as follows:

	Note	As at December 31, 2024	As at December 31, 2023
Balance at the beginning of the year		**87,761,532**	116,325,429
ECL reversal for the year, net		**(8,106,397)**	(12,003,768)
Bad debts written-off		**(8,775,331)**	(16,560,129)
Balance at the end of the year	6.3.1	**70,879,804**	87,761,532

6.3.1 Portfolio ECL analysis for investment in finance leases is as follows:

As at December 31, 2024	**Net investment in finance lease**	**Expected credit losses**	**Expected default rates**
Not yet due	**624,375,546**	**1,810,310**	**0.00%-0.03%**
1-90 days*	**167,120,612**	**675,157**	**0.04%-1.18%**
91-180 days*	**690,804**	**24,681**	**1.19%-14.14%**
181-365 days	**-**	**-**	**14.15%-51.57%**
366 days – 730 days	**940,527**	**911,605**	**51.58%-100%**
Above 730 days and Specific accounts**	**67,458,051**	**67,458,051**	**100%**
	860,585,540	**70,879,804**	

As at December 31, 2023	**Net investment in finance lease**	**Expected credit losses**	**Expected default rates**
Not yet due	656,263,466	329,975	0.00%-0.03%
1-90 days*	193,654,803	7,257,381	0.04%-1.30%
91-180 days*	1,655,068	299,693	1.31%-10.44%
181-365 days	4,731,087	1,622,440	10.45%-40.63%
366 days – 730 days	-	-	40.64%-100%
Above 730 days and Specific accounts**	78,252,043	78,252,043	100%
	934,556,467	87,761,532	

* Net investment in finance lease of SR 20.1 million (2023: SR 28.3 million) under overdue category of 1-90 days and 91-180 days are secured by real estate collateral, while the balance is secured by title to vehicle, machinery and equipment.

** Includes fully provided specific accounts reclassified from below 730 days overdue category with net investment in finance lease amounting to SR 61 million (2023: SR 73.0 million).

6.4 Modification loss was recognised in respect of deferral of cash flows under Deferred Payment Program announced by SAMA and Small and Medium Enterprises General Authority (“Monsha’at”). Against the deferral, the Company received profit free deposits from SAMA and loan moratorium from Monsha’at. Government grant benefit was recognized in the financial statements as a difference in the book value and present value of repayments.

(All amounts are in Saudi Riyals unless stated otherwise)

6 NET INVESTMENT IN FINANCE LEASES (continued)

6.5 Generating the term structure of Probability of Default (PD): Loss rates are calculated using a 'flowrate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates, average of past thirty-six months, adjusted by the outlook of the economy.

7 NET INVESTMENT IN MURABAHA FINANCE

7.1 Reconciliation between murabaha finance receivables and net murabaha finance is as follows:

	Note	As at December 31, 2024	As at December 31, 2023
Murabaha finance receivables		**943,911,452**	720,499,034
Unearned murabaha finance income		**(134,659,902)**	(99,986,770)
Net investment in murabaha finance	7.3	**809,251,550**	620,512,264
Modification loss	7.5	**(11,580,516)**	(11,580,516)
Income on modified murabaha finance	18.1	**11,237,145**	10,826,018
		(343,371)	(754,498)
Net investment in murabaha finance after ML		**808,908,179**	619,757,766
Expected credit loss	7.2, 7.4	**(7,871,774)**	(2,657,414)
		801,036,405	617,100,352
Current maturity		**(347,212,591)**	(242,493,943)
		453,823,814	374,606,409

7.2 The movement in the ECL on net investment in murabaha finance receivables was as follows:

	Note	As at December 31, 2024	As at December 31, 2023
Balance at the beginning of the year		**2,657,414**	150,646
ECL charge for the year, net		**5,214,360**	2,506,768
Balance at the end of the year	7.2.1	**7,871,774**	2,657,414

7.2.1 Stage wise analysis of murabaha finance receivables and ECL is as follow:

	Performing (Stage 1)	Under-performing (Stage 2)	Non-performing (Stage 3)	Total
As at December 31, 2024				
Net investment in murabaha finance	**782,285,297**	**9,732,676**	**17,233,577**	**809,251,550**
Expected credit losses	**(2,035,279)**	**(25,761)**	**(5,810,734)**	**(7,871,774)**
Net receivables	**780,250,018**	**9,706,915**	**11,422,843**	**801,379,776**
As at December 31, 2023				
Net investment in murabaha finance	577,924,053	28,333,615	14,254,596	620,512,264
Expected credit losses	(96,164)	(98,650)	(2,462,600)	(2,657,414)
Net receivables	577,827,889	28,234,965	11,791,996	617,854,850

(All amounts are in Saudi Riyals unless stated otherwise)

7 NET INVESTMENT IN MURABAHA FINANCE (continued)

7.3 Stage-wise movement of net investment in murabaha finance:

	Performing	Under-performing	Non-performing	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
As at December 31, 2024				
Balances as at January 1, 2024	**577,924,053**	**28,333,615**	**14,254,596**	**620,512,264**
Transfer from Stage 1	**(18,410,223)**	**8,606,145**	**9,804,078**	**-**
Transfer from Stage 2	**12,348,787**	**(12,348,787)**	**-**	**-**
Transfer from Stage 3	**2,071,126**	**-**	**(2,071,126)**	**-**
Financial assets settled	**(38,422,138)**	**(459,250)**	**(2,675,044)**	**(41,556,432)**
New financial assets originated	**227,879,562**	**-**	**1,666,314**	**229,545,876**
Net re-measurements	**18,894,130**	**(14,399,047)**	**(3,745,241)**	**749,842**
	204,361,244	**(18,600,939)**	**2,978,981**	**188,739,286**
Balances as at December 31, 2024	**782,285,297**	**9,732,676**	**17,233,577**	**809,251,550**
As at December 31, 2023				
Balances as at January 1, 2023	468,523,984	25,548,882	-	494,072,866
Transfer from Stage 1	(41,577,148)	28,200,548	13,376,600	-
Transfer from Stage 2	1,362,430	(2,240,426)	877,996	-
Financial assets settled	(27,621,958)	(18,206,343)	-	(45,828,301)
New financial assets originated	238,213,296	133,067	-	238,346,363
Net re-measurements	(60,976,551)	(5,102,113)	-	(66,078,664)
	109,400,069	2,784,733	14,254,596	126,439,398
Balances as at December 31, 2023	577,924,053	28,333,615	14,254,596	620,512,264

7.4 Stage-wise movement in ECL of net investment in murabaha finance is as follows:

	Performing	Under-performing	Non-performing	Total
	(Stage 1)	(Stage 2)	(Stage 3)	
As at December 31, 2024				
ECL as at January 1, 2024	**96,164**	**98,650**	**2,462,600**	**2,657,414**
Transfer from Stage 1	**(196,189)**	**23,316**	**172,873**	**-**
Transfer from Stage 2	**3,078**	**(3,078)**	**-**	**-**
Transfer from Stage 3	**1,904,208**	**-**	**(1,904,208)**	**-**
Financial assets settled	**(14,545)**	**(346)**	**(119,258)**	**(134,149)**
New financial assets originated	**24,455**	**-**	**28,584**	**53,039**
Net re-measurement of ECL	**218,108**	**(92,781)**	**5,170,143**	**5,295,470**
	1,939,115	**(72,889)**	**3,348,134**	**5,214,360**
ECL as at December 31, 2024	**2,035,279**	**25,761**	**5,810,734**	**7,871,774**
As at December 31, 2023				
ECL as at January 1, 2023	78,711	71,935	-	150,646
Transfer from Stage 1	(2,515,092)	98,330	2,416,762	-
Transfer from Stage 2	1,075	(46,913)	45,838	-
Financial assets settled	(12,215)	(51,600)	-	(63,815)
New financial assets originated	23,980	324	-	24,304
Net re-measurement of ECL	2,519,705	26,574	-	2,546,279
	17,453	26,715	2,462,600	2,506,768
ECL as at December 31, 2023	96,164	98,650	2,462,600	2,657,414

(All amounts are in Saudi Riyals unless stated otherwise)

7 NET INVESTMENT IN MURABAHA FINANCE (continued)

7.5 Modification loss was recognised in respect of deferral of cash flows, and government grant benefit was recognised on profit free SAMA deposits in these financial statements. (Refer Note 6.4 for details).

7.6 Generating the term structure of Probability of Default (PD): Loss rates are calculated using a 'flowrate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates, average of past thirty-six months, adjusted by the outlook of the economy.

8 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Note	As at December 31, 2024	As at December 31, 2023
Deferred value added tax ("VAT") and VAT refund		**10,398,633**	11,356,920
Prepaid expenses		**4,713,547**	4,093,720
Loans and advances to staff		**2,622,327**	2,526,698
Receivable from lessees, net	8.1	**729,927**	1,773,607
Advance to suppliers		**56,695**	3,801,729
Receivable from Saudi shareholders for prior period Zakat settlement		**-**	2,632,841
Receivable from Jeddah Municipality	8.2	**-**	11,036,539
Other		**1,187,515**	131,516
		19,708,644	37,353,570

8.1 Receivable from lessees are state net of ECL balance of SR 1,667,059 (2023: SR 437,040). ECL of SR 1,252,602 was charged during the year ended December 31, 2024 (2023: SR 437,040).

8.2 This pertained to receivable against a land for which the Company holds the legal title as collateral, under a finance lease contract, with a right of disposal and settlement against the default. The land was acquired by Jeddah Municipality as a part of development project and the outstanding amount was settled during the year.

9 CASH AND CASH EQUIVALENTS

	As at December 31, 2024	As at December 31, 2023
Cash at banks	**32,822,251**	46,344,325
Cash in hand	**17,426**	11,636
	32,839,677	46,355,961

(All amounts are in Saudi Riyals unless stated otherwise)

10 SHARE CAPITAL AND STATUTORY RESERVE

As at December 31, 2024 and 2023, the authorised, issued and fully paid-up share capital of the Company was SR 550 million (2023: SR 550 million) divided into 55 million shares (2023: 55 million shares) with a nominal value of SR 10 each.

The pattern of shareholding as of December 31, 2024 and 2023 are as follows:

Shareholders	As at December 31, 2024	As at December 31, 2023
The Saudi Investment Bank ("SAIB")	**209,000,000**	209,000,000
Trade Development & Investment Company	**176,000,000**	176,000,000
ORIX Corporation – Japan	**151,250,000**	151,250,000
OLP Financial Services Pakistan Limited - Pakistan	**13,750,000**	13,750,000
	550,000,000	550,000,000

10.1 The portion of Saudi to non-Saudi shareholders is 70% to 30% (2023: 70% to 30%) as of the reporting date.

10.2 In 2023, the Company Law was amended, eliminating the requirement to maintain a statutory reserve. Consequently, the Company updated its By-laws in 2024. As a result, no transfer from net income to the statutory reserve was made during the year.

11 LONG-TERM LOANS, LEASE LIABILITY AND GRANTS

	Note	As at December 31, 2024	As at December 31, 2023
Long-term loans	11.1	**519,572,918**	402,414,585
Commission-free deposits payable to SAMA	11.2	**14,987,609**	31,073,079
		534,560,527	433,487,664
Government grant on SAMA		**(1,285,599)**	(1,285,599)
Special commission expense on grants		**1,285,599**	1,279,297
		-	(6,302)
Accrued special commission expense		**3,770,272**	3,188,096
Total loans and deposits, net of grants	11.4	**538,330,799**	436,669,458
Less: unamortised fee		**(69,183)**	(102,805)
		538,261,616	436,566,653
Lease liability	11.6	**3,952,275**	4,845,030
		542,213,891	441,411,683
Less: current maturity		**(250,357,835)**	(177,835,019)
Non-current portion of long-term loans, lease liability and grants		**291,856,056**	263,576,664

11.1 During the year ended December 31, 2024 the Company obtained long-term loans from commercial banks amounting to SR 386.5 million (2023: SR 423.3 million) at prevailing commercial commission rates which are payable by December 2027. The Company was fully compliant with the covenants on long-term loans during the year ended December 31, 2024.

11.2 Represents the commission-free deposit received from SAMA against funding for lending program of SAMA to support Small and Medium Enterprise (SME) customers. The financing tenure is thirty-six months including six-month repayments grace period. The net impact of the commission-free deposit from SAMA and commission charged on financing to SME customers with a low commission rate is not significant to the financial statements.

(All amounts are in Saudi Riyals unless stated otherwise)

11 LONG-TERM LOANS, LEASE LIABILITY AND GRANTS (continued)

11.3 The Company has revolving and non-revolving loan facilities from commercial banks amounting to SR 636.3 million (2023: SR 513.8 million) which stood unutilized as at December 31, 2024.

11.4 The schedule for movement of long-term loans and SAMA commission-free deposits is as follows:

	Long-term loans and SAMA deposits	Special commission	Total
Balances as at January 1, 2024	**432,202,065**	**4,467,393**	**436,669,458**
Proceeds during the year	**386,500,000**	**-**	**386,500,000**
Charge during the year (Note 20)	**-**	**33,980,387**	**33,980,387**
Government grant	**1,285,599**	**-**	**1,285,599**
Payments during the year	**(285,427,137)**	**(34,677,508)**	**(320,104,645)**
Balances as at December 31, 2024	**534,560,527**	**3,770,272**	**538,330,799**
Balances as at January 1, 2023	273,086,418	38,753,390	311,839,808
Proceeds during the year	454,567,948	-	454,567,948
Charge during the year (Note 20)	-	27,075,295	27,075,295
Government grant	46,486,824	-	46,486,824
Payments during the year	(341,939,125)	(61,361,292)	(403,300,417)
Balances as at December 31, 2023	432,202,065	4,467,393	436,669,458

11.5 Special commission expense includes an amount of SR 6,302 (2023: SR 9.7 million) being amortisation of grant benefit recognized against SAMA commission-free deposit.

11.6 Lease liability

During the prior year, the Company has entered a lease contract for its leasehold office for a period of 5 years. The Company recognized a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term against a consideration.

	Note	2024	2023
Balance as at January 1		**4,845,030**	-
Additions during the year		**-**	5,770,585
Commission on lease liabilities	20	**261,245**	228,445
Payments against lease liabilities		**(1,154,000)**	(1,154,000)
Balance as at December 31		**3,952,275**	4,845,030

The liabilities and deferred commission cost resulting from the contract is as follows:

	December 31, 2024		
	Current	Non-current	Total
Lease liability	**1,241,719**	**2,710,556**	**3,952,275**
Deferred commission cost	**200,781**	**174,444**	**375,225**
Lease contracts obligations	**1,442,500**	**2,885,000**	**4,327,500**

	December 31, 2023		
	Current	Non-current	Total
Lease liability	892,755	3,952,275	4,845,030
Deferred commission cost	261,245	375,225	636,470
Lease contracts obligations	1,154,000	4,327,500	5,481,500

(All amounts are in Saudi Riyals unless stated otherwise)

11 LONG-TERM LOANS, LEASE LIABILITY AND GRANTS (continued)

11.6 Lease Liability (continued)

The minimum future lease payments as at the date of the statement of financial position as a whole are as follows:

	As at December 31, 2024	As at December 31, 2023
2024	**-**	1,154,000
2025	**1,442,500**	1,442,500
2026	**1,442,500**	1,442,500
2027	**1,442,500**	1,442,500
	4,327,500	5,481,500

12 SHORT-TERM LOAN

		As at December 31, 2024	As at December 31, 2023
Short-term loan – principal amount and accrued commission cost	12.1	**20,003,870**	56,279,859
		20,003,870	56,279,859

12.1 This represents a short-term loan from a bank carrying commission rate at the agreed commercial rate. This facility arrangement includes certain covenants, which the Company have complied with as at December 31, 2024.

13 FAIR VALUE OF DERIVATIVE

As at December 31, 2024, the Company held an interest rate swap (“IRS”) of a notional value of SR 16.7 million (2023: SR 33.3 million) in order to reduce its exposure to interest rate risks against the long-term loan. Net fair value of cash flow hedge of negative SR 1,133 (2023: positive SR 73,453) represents the mark to market value of the interest rate swaps. The cash flow hedge reserve represents the effective portion of the cash flow hedge.

14 ZAKAT AND INCOME TAX

a) Zakat

Movement in provision:	2024	2023
Balance as at January 1,	**10,910,719**	12,107,859
Provided during the year	**11,706,537**	10,265,972
Payment during the year	**(10,821,146)**	(11,463,112)
Balance as at December 31,	**11,796,110**	10,910,719

b) Income tax

Movement in provision:	2024	2023
Balance as at January 1,	**(678,451)**	(724,591)
Provided during the year	**5,493,357**	3,714,378
Payment during the year	**(1,911,322)**	(3,668,238)
Balance as at December 31,	**2,903,584**	(678,451)

(All amounts are in Saudi Riyals unless stated otherwise)

14 ZAKAT AND INCOME TAX (continued)

14.1 Status of assessments

There is no change in the status of Zakat and income tax assessment since December 31, 2018.

15 EMPLOYEES' END OF SERVICE BENEFITS

	As at December 31, 2024	As at December 31, 2023
Balance at the beginning of year	**21,640,861**	19,829,366
Provided during the year - service cost	**2,179,862**	2,500,087
Provided during the year - commission cost	**1,190,243**	694,025
	3,370,105	3,194,112
Paid during the year	**(1,024,242)**	(523,156)
Actuarial loss / (gain) through OCI	**678,790**	(859,461)
Balance at the end of the year	**24,665,514**	21,640,861

15.1 Principal actuarial assumptions at the reporting date are as follows:

	As at December 31, 2024	As at December 31, 2023
Discount rate	**5.5%**	5.5%
Salary increment	**2.75%**	2.75%
Retirement age	**60**	60

15.2 Sensitivity of the actuarial assumptions

A change of 1% in discount rate and salary increment would have increased or decreased the employees' end of service benefits by SR 0.70 million and SR 0.88 million (2023: SR 0.70 million and SR 0.85 million) respectively.

16 ACCOUNTS PAYABLE

Represent non-commission-bearing payables against purchase of assets leased and murabaha finance contracts executed by the Company. Generally, the average credit period on purchases of assets from suppliers is one month.

17 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	As at December 31, 2024	As at December 31, 2023
Proposed lease related payables	17.1	**23,600,773**	12,761,778
Employee related payables		**9,226,705**	7,400,046
Legal and professional charges		**2,701,857**	3,088,701
Charity payable		**2,608,031**	1,786,336
Accrued expenses		**2,441,723**	3,451,644
Leased assets insurance claims to be settled		**1,393,440**	1,050,141
Other		**3,975,010**	1,555,003
		45,947,539	31,093,649

17.1 Include down payments and front-end fees in respect of proposed lease contracts and other amounts received for related services of executed and unexecuted contracts.

(All amounts are in Saudi Riyals unless stated otherwise)

18 FINANCE INCOME

	Note	December 31, 2024	December 31, 2023
Finance lease	18.1	**115,804,863**	103,937,818
Murabaha finance	18.1	**80,587,625**	61,843,302
		196,392,488	165,781,120

18.1 Finance lease income includes reversal of SR 2.5 million (2023: SR 8.6 million) and SR 0.4 million (2023: SR 1.4 million) against modification loss on finance leases and murabaha finance contracts, respectively.

19 OTHER INCOME

Other income mainly includes other contract related fees and recoveries from written-off receivables.

20 SPECIAL COMMISSION EXPENSE

	Note	December 31, 2024	December 31, 2023
Special commission expense on:			
Long-term loans and grants	11.4	**33,980,387**	27,075,295
Short-term loan		**1,700,778**	1,812,589
		35,681,165	28,887,884
Bank overdraft commission		**63,119**	24,642
		35,744,284	28,912,526
Commission on lease liabilities	11.6	**261,245**	228,445
Amortisation of transaction costs and bank charges		**662,316**	293,254
		36,667,845	29,434,225

21 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2024	December 31, 2023
License, legal and professional charges	**5,206,097**	8,843,156
Rent, office repairs and maintenance expenses	**2,014,368**	2,127,740
Communication expenses	**915,462**	936,923
Input VAT unclaimable	**723,507**	(766,141)
Travelling and transportation	**275,930**	275,895
Printing and stationery	**265,652**	259,835
Insurance of owned assets	**234,306**	267,613
Other	**901,044**	825,850
	10,536,366	12,770,871

22 BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the income for the year attributable to the shareholders by weighted average number of shares (55,000,000) at the end of the year.

(All amounts are in Saudi Riyals unless stated otherwise)

23 CONTINGENCIES AND COMMITMENTS

	As at December 31, 2024	As at December 31, 2023
Finance lease and murabaha finance contracts not yet executed	**10,694,377**	35,339,230
Bank guarantees issued on behalf of the Company	**5,000,000**	2,000,000

24 FINANCIAL RISK MANAGEMENT

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk.

24.1 Risk management structure

Board of Directors
The Board of Directors is 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.

Executive Committee
The Executive Committee is established by the Board of Directors with primary mandate to review credit proposals, monitor performance and provide necessary guidance on operational and strategic matters or other core activities driving the Company's business. In addition, Executive Committee reviews subjects not falling within the ambit of other committees.

Risk Management Committee
The Risk Management Committee is established by the Board of Directors to develop and maintain comprehensive risk management strategy and policies, including cyber security and IT risks. The Risk Management Committee is responsible to set Risk Appetite Framework (RAF) and ensure RAF remains consistent with short and long-term strategy, business and capital plan as well as compensation programs and other Board approved policies.

Nomination and Remuneration Committee
The Nomination and Remuneration Committee is established by the Board of Directors to identify and propose candidates for selection as members of Board, Committees and Executive Management. The Nomination and Remuneration Committee is responsible for preparing clear policy for remuneration of members and executive management.

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 reliability of the internal controls of the Company.

Internal audit
All key operational, financial and risk management processes are audited by the Internal Audit. Internal audit examines the adequacy of the relevant policies and procedures, the Company's compliance with the internal policies and regulatory guidelines. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

The risks faced by the Company and the way these risks are mitigated by management are summarized below.

24 FINANCIAL RISK MANAGEMENT (continued)

24.2 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, special commission rate risk and other price risk.

24.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyal. The Company incurs currency risk on borrowing in foreign currency that is entered in a currency other than Saudi Riyal. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations as the majority of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not hedge its foreign currency exposure.

As at December 31, 2024, the Company has foreign currency loan borrowed in USD from an international bank amounting to SR 32.9 million (2023: SR 107.8 million).

Sensitivity analysis

The Company has currency risk in US Dollar, at reporting date, if the Saudi Riyal had strengthened/ weakened by 1% against the US Dollar with all other variables held constant, income for the year would have been higher / lower by the amount of SR 0.19 million (2023: SR 0.05 million) mainly as a result of net foreign exchange gain / loss on translation of foreign currency loan.

24.2.2 Special commission rate risk

Special commission rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market special commission rates. The Company's exposure to the risk of changes in market special commission rates relates primarily to the Company's long-term debt obligations with floating special commission rates.

The Company had variable rate financial instruments amounting to SR 470 million as at December 31, 2024 (2023: SR 317.5 million) subject to special commission rate risk that were not hedged.

Sensitivity analysis for variable rate financial instruments

Had there been no hedge arrangements, a change of 100 basis points in special commission rate of variable rate financial liabilities would have increased or decreased income by SR 0.24 million (2023: SR 0.41 million).

The sensitivity analysis prepared is not necessarily indicative of the effects on income statement for the year and financial liabilities of the Company.

24.2.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company does not have any financial instruments which are subject to other price risk.

(All amounts are in Saudi Riyals unless stated otherwise)

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Out of the total assets of SR 1,653 million (2023: SR 1,556 million), the assets which were subject to credit risk of financial assets amounted to SR 1,626 million (2023: SR 1,525 million). The management analyze the credit risk in the following categories:

	As at December 31, 2024	As at December 31, 2023
Net investment in finance leases	**789,168,358**	843,732,060
Net investment in murabaha finance	**801,036,405**	617,100,352
Other receivables	**3,352,254**	17,969,685
Bank balances	**32,822,251**	46,344,325
	1,626,379,268	1,525,146,422

24.3.1 Net investment in finance leases and murabaha finance

The investment in finance leases and murabaha finance generally expose to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The Company also follows a credit classification mechanism, primarily driven by days-delinquency as a tool to manage the quality of credit risk of the lease portfolio.

The portfolio that is neither past due nor impaired has satisfactory history of repayment, where applicable. As at statement of financial position date, the Company has adequate collaterals to cover the overall credit risk exposure after providing ECL.

The assessment of credit risk of finance leases and murabaha finance also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD.

Generating the term structure of PD
Loss rates are calculated using a 'flowrate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates, average of past thirty-six months, adjusted by the outlook of the economy.

Significant increase in credit risk
In determining whether credit risk has increased significantly since initial recognition, the Company uses its quantitative changes in PDs, delinquency status of accounts and, where possible, relevant historical experience. Based on instalment collection history, the management believes that the significant increase in credit risk arise only when the instalment is past due for more than 90 days.

(All amounts are in Saudi Riyals unless stated otherwise)

24 FINANCIAL RISK MANAGEMENT (continued)

24.3 Credit risk (continued)

24.3.1 Net investment in finance leases and murabaha finance (continued)

Measurement of ECL
The Company measures an ECL at counterparty level considering the EAD, PD, LGD and discount rate. PD's are estimated at a certain date, based on the term structures as provided above. For LGD estimates, the Company use present value of recoveries for loss accounts adjusted by the forward-looking information. 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 EAD of finance lease and murabaha finance is its gross carrying amount. For discounting, the Company has used each contract's effective commission rate. The Company's management believes that adequate ECL has been made, where required to address the credit risk. Moreover, the Company in the ordinary course of providing finance lease and murabaha receivables are subject to additional personal guarantees for security to mitigate credit risk associated with finance lease and murabaha finance. For additional details, relating to finance lease and murabaha finance and related risk refer Note 3.8, Note 6 and Note 7 to these financial statements.

Concentration risk
Concentrations of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. The Company manages its credit risk exposure through diversification of leasing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. An analysis by class of business of the Company's net investment in finance leases and murabaha finance is given below:

	As at December 31, 2024		**As at December 31, 2023**	
	SR	**%**	**SR**	**%**
Building and construction	**398,036,851**	**23.8%**	399,627,592	25.7%
Commerce (wholesale/retail trade)	**257,096,748**	**15.4%**	235,267,298	15.1%
Manufacturing	**186,237,703**	**11.2%**	181,969,373	11.7%
Transportation and communication	**145,474,700**	**8.7%**	140,922,961	9.1%
Services	**157,278,810**	**9.4%**	91,123,959	5.9%
Electricity water and gas and health services	**67,639,664**	**4.1%**	67,361,697	4.3%
Ready Mix Concrete	**34,804,612**	**2.1%**	41,724,449	2.7%
Finance	**34,223,309**	**2.0%**	30,516,279	2.0%
Mining and quarrying	**21,947,741**	**1.3%**	22,578,948	1.5%
Steel And Re-Rolling & Allied Industries	**19,176,371**	**1.1%**	18,966,497	1.2%
Agriculture and fishing industry	**18,227,922**	**1.1%**	13,676,465	0.9%
Other borrowing sectors	**329,692,659**	**19.8%**	311,333,213	19.9%
	1,669,837,090	**100%**	1,555,068,731	100%

Collateral held as security and other credit enhancements
The credit risks on gross amounts due in relation to the investment in finance leases and murabaha financing is mitigated by the retention of title or mortgage on leased assets. Further, the Company has net investment in finance lease and murabaha finance secured through bank guarantees and Kafala guarantees amounting to SR 8.5 million (2023: SR 9.3 million) and SR 88.8 million (2023: SR 64.5 million), respectively, as at December 31, 2024.

24.3.2 Bank balances, term deposits and other receivables

The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with a bank having good credit ratings. Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

(All amounts are in Saudi Riyals unless stated otherwise)

24 FINANCIAL RISK MANAGEMENT (continued)

24.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Within 3 months	4 to 12 months	2 to 5 years	6 to 10 years	No fixed maturity	Total
As at December 31, 2024						
Assets						
Cash and cash equivalents	32,839,677	-	-	-	-	32,839,677
Advances, prepayments, and other receivables	19,708,644	-	-	-	-	19,708,644
Finance lease receivables	189,117,301	423,683,537	384,079,936	8,684,817	-	1,005,565,591
Murabaha finance receivables	120,413,783	309,568,470	513,929,199	-	-	943,911,452
Equity investment designated at FVOCI	-	-	-	-	892,850	892,850
Intangible assets	-	-	-	-	571,670	571,670
Property, equipment and right of use assets	-	-	-	-	8,414,830	8,414,830
	362,079,405	733,252,007	898,009,135	8,684,817	9,879,350	2,011,904,714
Liabilities						
Short-term loan	20,116,113	-	-	-	-	20,116,113
Accounts payable	33,175,198	-	-	-	-	33,175,198
Accrued expenses and other liabilities	45,947,539	-	-	-	-	45,947,539
Zakat and income tax	-	14,699,694	-	-	-	14,699,694
Negative fair value of derivative	-	1,133	-	-	-	1,133
Long-term loans, lease liability and grants	70,298,591	204,320,057	307,445,026	-	-	582,063,674
Employees' end of service benefits	-	-	-	-	24,665,514	24,665,514
	169,537,441	219,020,884	307,445,026	-	24,665,514	720,668,865

(All amounts are in Saudi Riyals unless stated otherwise)

24 FINANCIAL RISK MANAGEMENT (continued)

24.4 Liquidity risk (continued)

	Within 3 months	4 to 12 months	2 to 5 years	6 to 10 years	No fixed maturity	Total
As at December 31, 2023						
Assets						
Cash and cash equivalents	46,355,961	-	-	-	-	46,355,961
Advances, prepayments, and other receivables	37,353,570	-	-	-	-	37,353,570
Finance lease receivables	181,646,612	373,710,016	521,771,873	10,958,358	-	1,088,086,859
Murabaha finance receivables	90,183,566	206,180,489	424,134,979	-	-	720,499,034
Positive fair value of derivative	-	-	73,453	-	-	73,453
Equity investment designated at FVOCI	-	-	-	-	892,850	892,850
Intangible assets					794,633	794,633
Property, equipment and right of use assets	-	-	-	-	9,506,558	9,506,558
	355,539,709	579,890,505	945,980,305	10,958,358	11,194,041	1,903,562,918
Liabilities						
Short-term loan	57,145,781	-	-	-	-	57,145,781
Accounts payable	48,402,922	-	-	-	-	48,402,922
Accrued expenses and other liabilities	31,093,649	-	-	-	-	31,093,649
Zakat and income tax	-	10,232,268	-	-	-	10,232,268
Long-term loans, lease liability and grants	51,848,038	147,822,414	277,679,916	-	-	477,350,368
Employees' end of service benefits	-	-	-	-	21,640,861	21,640,861
	188,490,390	158,054,682	277,679,916	-	21,640,861	645,865,849

The tables below summarize the fair values of derivative financial instruments, together with the notional amounts, analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Company's exposure to credit risk, which is generally limited to the positive / (negative) fair value of the derivatives, nor market risk.

		Notional amount			
	(Negative) / Positive fair value of derivative	Within 3 months	3-12 month	1-5 years	Total
2024	**(1,133)**	**4,166,667**	**12,500,000**	**-**	**16,666,667**
2023	73,453	4,166,667	12,500,000	16,666,666	33,333,333

25 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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. The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

Valuation techniques
When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets and financial liabilities are measured at amortized cost except for equity investment designed at FVOCI which are measured at fair value. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values. The Company's equity investment designated at FVOCI falls under level 3 in the fair value hierarchy as at December 31, 2024 amounting to SR 892,850 (2023: SR 892,850).

(All amounts are in Saudi Riyals unless stated otherwise)

26 FINANCIAL INSTRUMENTS

In accordance with the requirement of IFRS 9, all financial assets and liabilities of the Company are classified and measured at amortised cost, except for equity investment designated at FVOCI which are measured at fair value, the breakdown of those were as follows:

	As at December 31, 2024	As at December 31, 2023
Financial assets – at amortized cost		
Cash and cash equivalents	**32,839,677**	46,355,961
Advances and other receivables	**19,708,644**	18,006,368
Net investment in finance leases	**789,168,358**	843,732,060
Net investment in murabaha finance	**801,036,405**	617,100,352
Financial assets – at fair value		
Equity investments designated at FVOCI	**892,850**	892,850
Financial liabilities – at amortized cost		
Short-term loan	**20,003,870**	56,279,859
Accounts payable	**33,175,198**	48,402,922
Accrued expenses and other liabilities	**45,947,539**	31,093,649
Long term loans and lease liability	**542,213,891**	441,411,683
Financial liabilities – at fair value		
(Negative) / positive fair value of derivative	**(1,133)**	73,453

27 CAPITAL RISK MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain optimal capital structure to reduce the cost of capital. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to its shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2024 and 2023. At statement of financial position date, gearing ratio analysis was as follows:

	As at December 31, 2024	As at December 31, 2023
Equity	**971,925,595**	946,748,195
Profit bearing debt	**539,572,918**	458,664,584
Total capital structure	**1,511,498,513**	1,405,412,779
Gearing ratio	**35.70%**	32.64%

(All amounts are in Saudi Riyals unless stated otherwise)

28 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, Board members and key management personnel of the Company, and companies of which they are principal owners and any other entities controlled, jointly controlled or significantly influenced by them. Other related parties represent entities under common control and entities controlled by key management personnel of the Company. Key management personnel are those persons, including executive directors, 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, which are related to its shareholders. Significant related party transactions and balances are as follows:

Transactions:	**As at December 31, 2024**	**As at December 31, 2023**
The Saudi Investment Bank – *shareholder*		
Dividend paid – net of zakat	**19,539,831**	19,539,831
Loans received	**140,000,000**	127,000,000
Special commission expense and other charges paid	**10,602,811**	19,968,621
Rent and premises related charges	**250,000**	596,875
Lease participation – payments	**-**	2,131,978
Lease participation – management fee	**-**	40,149
Trade Development & Investment Company, KSA – *shareholder*		
Dividend paid – net of zakat	**16,327,327**	16,327,327
ORIX Corporation, Japan – *shareholder*		
Dividend paid	**15,125,000**	15,125,000
OLP Financial Services Pakistan Limited – *shareholder*		
Dividend paid	**1,375,000**	1,375,000
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA – *other related parties*		
Premium for insurance and other related payments-net	**2,319,749**	9,903,647
Key Management Personnel		
Salaries and other short-term employee benefits	**11,082,706**	10,063,118
End of service benefits	**688,397**	696,204
Directors' meeting attendance fees	**1,180,000**	1,180,000

(All amounts are in Saudi Riyals unless stated otherwise)

28 RELATED PARTY TRANSACTIONS (continued)

Balances:	As at December 31, 2024	As at December 31, 2023
The Saudi Investment Bank – *shareholder*		
Bank current accounts	**23,036,464**	41,877,567
Loans (including accrued commission)	**122,476,343**	129,753,853
Prior period zakat settlement receivable	**-**	1,360,169
Lease participation payable	**-**	2,070
(Negative) / positive fair value of derivative	**(1,133)**	73,453
Trade Development & Investment Company – *shareholder*		
Prior period zakat settlement receivable	**-**	1,272,672
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Company, KSA – *other related parties*		
Advance / prepaid against insurance premium, net	**133,280**	2,955,392
Key Management Personnel		
Employees' end of service benefits	**3,339,176**	3,942,665
Loans to key management of the Company	**765,616**	525,515
Directors' meeting attendance fee payable	**1,180,000**	1,180,000

29 DIVIDENDS

The Board of Directors proposed an annual dividend of SR 1 per share (2022: SR 1 per share) for the year ended December 31, 2023 amounting to SR 55 million (2022: SR 55 million). The shareholders approved the distribution at the Annual General meeting held on June 3, 2024.

30 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved and authorised for issue by the Board of Directors on February 10, 2025.