SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

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

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
SHL Finance Company (formerly Saudi Home Loans Company)
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SHL Finance Company (formerly Saudi Home Loans Company) (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as endorsed in the Kingdom of Saudi Arabia ("the Code"), that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance As at 31 December 2024, the Company's exposure to investments in finance leases and Murabaha receivables was SR 4.337 billion which represented 96% of the total assets. The expected credit loss ("ECL") allowance was SR 24 million at that date.	We obtained an understanding of the relevant business process, the policy for impairment and credit losses, the estimation process of determining impairment allowances for investment in finance leases and Murabaha receivables and the ECL methodology and evaluated the relevant controls within these processes to determine if they had been appropriately designed and implemented.

INDEPENDENT AUDITOR'S REPORT - Continued

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
The Company recognizes an allowance for ECL at an amount equal to 12-month ECL (Stage 1) or lifetime ECL (Stage 2). A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. A financial instrument which is credit impaired is classified as stage 3 and a lifetime ECL is recognized against this financial instrument. ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate. The Company employs statistical models for ECL calculations and the key variables used in these calculations are probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are defined in note 3 to the financial statements. The exposure is assessed individually for the significant increase in credit risk ("SICR"), for assessing credit impaired exposures and measurement of ECL. This requires management to capture all qualitative and quantitative reasonable and supportable information while assessing SICR, or while assessing credit-impaired criteria for the exposure. The measurement of ECL amounts is carried out by the ECL model with limited manual intervention, however, it is important that model is validated for use at the year-end. The Company utilized an external party to perform a validation of the model during the year . The Saudi Central Bank ("SAMA") rules governing credit risk exposure classification and provisioning have been incorporated in the Company's measurement of ECL.	We also determined if the manual controls in the following areas had been appropriately designed and implemented: • the review and approval of the output of the ECL model; and • the recognition and measurement of impairment allowances We also assessed the following: • the staging and SICR policy and the definition of default against the requirements of IFRSs and SAMA guidelines; • the rationale for exposures whose classification had been changed from Stage 3 to Stage 2 and those whose classification had been changed from Stage 2 to Stage 1;. • the methodology to determine PD, LGD and EAD • whether the risk component models had been validated and/or recalibrated; • the macroeconomic scenarios weights and indicators used; and • the ECL computation of a sample of exposures. We tested the ECL model to determine if it was in compliance with the requirements of IFRSs that are endorsed in the Kingdom of Saudi Arabia and the completeness and accuracy of the information used in the model. We also • assessed the skills, competence, independence and objectivity of the external expert engaged for external validation of the ECL model; and • reviewed the terms of their engagement letter with the Company to determine if the scope of their work was sufficient for audit purposes. We considered the process of this external validation of the ECL model and its impact on the results of the impairment estimate.

INDEPENDENT AUDITOR'S REPORT - Continued

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
The audit of the ECL allowance against investments in finance leases and Murabaha receivables is considered to be a key audit matter because of the size of these amounts and the significance and complexity of the estimates made and judgments applied by management in the ECL models. These include, inter alia, the classification of exposures into stages. Refer to note 3 to the financial statements for the accounting policy for the impairment of financial assets, notes 10 and 11 for the disclosure of impairment and note 30 for credit risk disclosure and the key assumptions and factors considered in determination of staging of exposures.	We utilised our internal specialists to assist us in reviewing the ECL model calculations and assumptions and evaluating related inputs . We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRS that are endorsed in the Kingdom of Saudi Arabia.

Other Information

Other information consists of the information included in the 2024 annual Board of Directors report and the Company's 2024 annual report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its 2024 annual Board of Directors report and Company's 2024 annual report. The final 2024 annual Board of Directors report and Company's 2024 annual report are expected to be made available to us after the date of our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above, when it becomes available, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read other information, If we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Bylaws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT - Continued

Responsibilities of Management and Those Charged with Governance for the Financial Statements - continued

In preparing the financial statements, management 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e. the Board of Directors are responsible for overseeing the Company's financial reporting process.

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 ISAs 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 ISAs 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 management.

- 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.

INDEPENDENT AUDITOR'S REPORT - Continued

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte and Touche & Co.
Chartered Accountants

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

2 Ramadan 1446H
2 March 2025

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Notes	2024	2023
ASSETS			
Cash and cash equivalents	5	**69,189**	80,272
Due from a related party	6	**287**	504
Prepaid expenses and other assets	7	**11,921**	9,447
Other receivables, net	8	**8,481**	25,639
Deferred origination fees	12	**9,816**	12,105
Investments in finance leases, net	10	**3,501,479**	3,605,571
Murabaha receivables, net	11	**835,780**	577,590
Positive fair value of derivative financial instrument	6 & 14	**-**	26,947
Investment held at fair value through other comprehensive income ("FVOCI")	9	**893**	893
Other real estate, net	13	**63,271**	34,264
Right-of-use asset, net		**5,980**	2,860
Property and equipment, net		**3,125**	3,891
Intangible assets, net		**1,640**	1,619
Deferred tax	19	**1,605**	1,757
TOTAL ASSETS		**4,513,467**	4,383,359
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Accounts payable and other liabilities	16	**7,628**	14,523
Accrued expenses	17	**17,408**	15,028
Advance lease rentals		**20,544**	11,183
Lease liability		**5,669**	2,684
Provision for zakat and income tax	18	**6,168**	526
Tawarruq financing facilities	20	**2,756,546**	2,667,085
End of service benefits liability	21	**11,866**	11,677
Total liabilities		**2,825,829**	2,722,706
Shareholders' equity			
Share capital	22	**1,000,000**	1,000,000
Statutory reserve	23	**128,954**	126,301
Other reserves		**2,190**	1,733
Retained earnings		**556,494**	532,619
Total shareholders' equity		**1,687,638**	1,660,653
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,513,467**	4,383,359

These financial statements were authorised for issue by the Board of Directors and were signed on their behalf by:

Chairman **Chief Executive Officer** **Chief Financial Officer**

The accompanying notes from 1 to 36 form an integral part of these financial statements

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024
Expressed in thousands of Saudi Riyal unless otherwise stated)

	Notes	2024	2023
Finance income	25	**350,474**	297,915
Service fees, net	15	**3,484**	4,364
Application and evaluation fee income		**2,373**	492
Origination expenses	12	**(2,232)**	(2,270)
Total revenue		**354,099**	300,501
Fair value loss on derivative financial instrument	14	**(947)**	(4,185)
Other income		**4,089**	6,917
Total operating income		**357,241**	303,233
Direct cost	26	**(23,350)**	(21,543)
Finance charges	20	**(209,204)**	(187,849)
General and administrative expenses	27	**(92,525)**	(92,274)
Impairment allowances and write offs	30	**5,385**	3,664
Selling and marketing expenses	28	**(3,648)**	(2,341)
Total operating expenses		**(323,342)**	(300,343)
Net income before zakat and income tax		**33,899**	2,890
Zakat and income tax	18	**(6,825)**	(2,717)
Income tax for previous periods	18	**(394)**	-
Income tax refund for previous periods	18	**-**	2,314
Deferred tax	19	**(152)**	(161)
Net income for the year		**26,528**	2,326
Other comprehensive income			
Item that cannot be reclassified to statement of Profit or loss in subsequent periods			
Actuarial gains/(losses) on end of service benefits	21	**457**	(391)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**26,985**	1,935
Basic and diluted earnings per share (Saudi Riyal)	29	**0.27**	0.02

These financial statements were authorised for issue by the Board of Directors and were signed on their behalf by:

Chairman	Chief Executive Officer	Chief Financial Officer

The accompanying notes from 1 to 36 form an integral part of these financial statements

SHL FINANCE COMPANY
(FORMERLY SAUDI HOME LOANS COMPANY)
(A SAUDI JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
Expressed in thousands of Saudi Riyal unless otherwise stated)

		For the year ended 31 December 2024				
	Notes	**Share capital**	**Statutory reserve**	**Other reserve**	**Retained earnings**	**Total equity**
Balance as at 1 January 2024		**1,000,000**	126,301	1,733	**532,619**	1,660,653
Net income for the year		-	-	-	**26,528**	**26,528**
Other comprehensive income	21	-	-	**457**	-	**457**
Total comprehensive income for the year		-	-	**457**	**26,528**	**26,985**
Transfer to statutory reserve	23	-	**2,653**	-	**(2,653)**	-
Balance as at 31 December 2024		**1,000,000**	**128,954**	**2,190**	**556,494**	**1,687,638**
		For the year ended 31 December 2023				
	Notes	Share capital	Statutory reserve	Other reserve	Retained earnings	Total equity
Balance as at 1 January 2023		1,000,000	126,068	2,124	580,526	1,708,718
Net income for the year		-	-	-	2,326	2,326
Other comprehensive income	21	-	-	(391)	-	(391)
Total comprehensive income for the year		-	-	(391)	2,326	1,935
Transfer to statutory reserve	23	-	233	-	(233)	-
Dividends paid	24	-	-	-	(50,000)	(50,000)
Balance as at 31 December 2023		1,000,000	126,301	1,733 0	532,619	1,660,653

These financial statements were authorised for issue by the Board of Directors and were signed on their behalf by:

Chairman	**Chief Executive Officer**	**Chief Financial Officer**

The accompanying notes from 1 to 36 form an integral part of these financial statements

SHL FINANCE COMPANY
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	2024	2023
OPERATING ACTIVITIES		
Net income before zakat and income tax	**33,899**	2,890
Adjustments to reconcile net income to net cash generated from operating activities:		
Depreciation and amortisation	**4,444**	4,455
Amortisation of deferred origination fees	**2,232**	2,270
Fair value loss/(gain) on derivative financial instrument	**947**	4,185
Reversal of impairment allowances and write offs, net	**(5,385)**	(3,664)
Provision for end of service benefits	**2,203**	2,145
Amortisation of lease liability	**134**	296
Finance charges	**209,204**	187,849
	247,678	200,426
Net (increase)/decrease in operating assets:		
Due from a related party	**217**	89
Prepaid expenses and other assets	**(2,163)**	(2,939)
Other receivables	**18,496**	2,349
Investments in finance lease	**82,279**	200,632
Murabaha receivables	**(261,817)**	(271,533)
Derivative financial instrument	**26,000**	-
Restricted bank balance	**-**	42,200
Net increase/(decrease) in operating liabilities:		
Accounts payable and other liabilities	**(6,898)**	2,413
Accrued expenses	**2,437**	(3,963)
Advance lease rentals	**9,361**	1,648
Net cash from operations	**115,590**	171,322
Zakat and income tax paid	**(1,888)**	(13,994)
Income tax refund for previous periods	**-**	7,884
End of service benefits paid	**(1,557)**	(590)
Net cash generated from operating activities	**112,145**	164,622
INVESTING ACTIVITIES		
Purchase of property and equipment	**(367)**	(1,628)
Disposal of property and equipment	**26**	-
Purchase of intangible assets	**(804)**	(419)
Net cash used in investing activities	**(1,145)**	(2,047)
FINANCING ACTIVITIES		
Additions in Tawarruq financing facilities	**350,000**	455,000
Repayment of Tawarruq financing facilities	**(256,674)**	(344,570)
Finance charges paid	**(212,591)**	(182,462)
Lease liability paid – principal portion	**(2,684)**	(2,822)
Lease liability paid – interest portion	**(134)**	(296)
Dividends paid	**-**	(50,000)
Net cash used in financing activities	**(122,083)**	(125,150)
Net change in cash and cash equivalents	**(11,083)**	37,425
Cash and cash equivalents at beginning of the year	**80,272**	42,847
Cash and cash equivalents at end of the year	**69,189**	80,272

These financial statements were authorised for issue by the Board of Directors and were signed on their behalf by:

Chairman **Chief Executive Officer** **Chief Financial Officer**

The accompanying notes from 1 to 36 form an integral part of these financial statements

Expressed in thousands of Saudi Riyal unless otherwise stated)

1. THE COMPANY AND PRINCIPAL ACTIVITIES

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

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

On 20 April 2022, the trading of the 30% listed share capital of the Company started on Saudi Stock Exchange (“Tadawul”). The Company’s legal status also changed from Closed Joint Stock Company to Joint Stock Company.

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

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

The Ministry of Commerce and Investment (MC) of the Kingdom of Saudi Arabia has issued new Regulations for Companies, effective 19 January 2023 with a grace period of two years for implementation.

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

Branches of the Company

As at 31 December, 2024 and 2023, the Company operated through the following branches. The accompanying financial statements include the assets, liabilities and results of these branches. The details of these branches are as follows:

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

Following standard, interpretation or amendment are effective from the annual reporting period beginning on 1 January 2024 and are adopted by the Group, however, these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

Standard/ interpretation	Description	Effective from periods beginning on or after
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.	1 January 2024
Amendments 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.	1 January 2024
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.	1 January 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	1 January 2024 subject to endorsement from SOCPA

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 Amended and revised International Financial Reporting Standards ("IFRSs") Standards that are effective for the current period (continued)

New standards not yet effective

Standard/ interpretation	**Description**	**Effective from periods beginning on or after**
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	1 January 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	1 January 2026.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.1 Amended and revised International Financial Reporting Standards ("IFRSs") Standards that are effective for the current period (continued)

New standards not yet effective (continued)

IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	1 January 2027

3. MATERIAL ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (collectively referred to as "IFRSs").

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Basis of measurement and presentation

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

Items	Measurement bases
Employee benefits liabilities	Present value of the defined benefit obligation, using actuarial present value calculations based on projected unit credit method as explained in note 3.
Investment classified as fair value through other comprehensive income ("FVOCI")	The investment is carried at cost.
Derivative financial instrument	These are valued using valuation techniques with market observable inputs at end of each reporting period.
Other real estate properties	These are carried at lower of outstanding receivables net of expected credit losses from customer at amortized cost and fair value of the property.

Investment classified as FVOCI is measured at cost as measurement of fair value would entail undue cost and efforts.

Functional and presentation currency

These financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Company. The figures in these financial statements are rounded to the nearest Saudi Riyals.

The material accounting policies adopted for the preparation of these financial statements are set out below. These policies are consistent with those applied to the previous financial year ended 31 December 2023 except for those disclosed in note 2.

A. Financial instruments

Initial recognition and classification of financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

On initial recognition, a financial asset is classified as measured at:
- amortized cost,
- FVOCI or
- fair value through profit or loss ("FVTPL").

As at 31 December 2024 and 2023, the Company has debt instruments (Murabaha receivables) and other financial assets at amortised cost, equity instrument at FVOCI and derivative financial instruments at FVTPL. Investment in finance lease /Ijara receivables, which are financial assets are measured in accordance with accounting policies explained in *Net investments in finance lease/Ijara receivables* section of this note.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

A. Financial instruments (continued)

Initial recognition and classification of financial assets (continued)

Subsequent measurement
Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the instrument's fair value in OCI (designated as FVTOCI – equity investment). This election is made on an instrument-by-instrument basis.

By default, all other financial assets that are not classified as described above are measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial assets: Business model assessment (continued)

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

<u>Assessments whether contractual cash flows are solely payments of principal and interest</u>

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g., liquidity risk and administrative costs), along with interest margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the company’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

Financial assets including cash and bank balances, due from a related party, other receivables and Murabaha receivables are measured at amortized cost applying the effective interest method. Investment in finance lease receivables/Ijara receivables, which are financial assets are measured in accordance with accounting policies explained in *Net investments in finance lease/Ijara receivables* section of this note.

Effective Interest Method (“EIR”)
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Classification of financial liabilities

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if
1) it is contingent consideration of an acquirer in a business combination
2) classified as held for trading, or
3) it is a derivative or it is designated as at FVTPL on initial recognition.

Financial liabilities at amortized are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on de-recognition is also recognized in profit or loss and other comprehensive income.

The Company classifies all its financial liabilities as measured at amortized cost. Amortized cost is calculated using EIR method.

Significant financial liabilities of the Company include accounts payable, lease liabilities and Tawarruq financing facilities (borrowings). These financial liabilities are initially measured at fair value and subsequently at amortized cost using the effective interest method.

Company as a lessor

Net investments in finance lease/Ijara receivables

The Company enters into lease agreements as a lessor, the activities of the Company include finance leasing of real estate properties.

Leases for which the Company is a lessor are classified as finance leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease.

Investments in finance lease represents net investment in ijarah leasing contracts which are receivable from customers on account of finance leases. Ijarah is an agreement whereby the Company, acting as a lessor, purchases an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.

All leased properties subject to finance lease agreements are under the Company's name, except for those where the ownership has been transferred to Kingdom Instalment Company (an ex-shareholder) as a custodian in accordance with the custodian agreement. The contract signed with customer represents an Ijarah contract with a promise to transfer the ownership, where the legal title of the property will be passed to the customer once all Ijarah instalments are settled.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Company as a lessor (continued)

Net investments in finance lease/Ijara receivables (continued)

Gross investments in finance lease include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. 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 gross investment in finance leases.

<u>Recognition</u>

The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease. At the inception of the lease the amounts to be recognised at the commencement of the lease term are determined.

The commencement of the lease is considered to be the date when the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. Gross investment in finance lease represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments, discounted at interest rate implicit in the lease. The difference between the gross investment and unearned finance income represents net investment which is stated net of allowance for impairment loss.

Subsequent to initial recognition, the Company regularly reviews the estimated credit losses and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

The Company accounts for a modification to a finance lease as a separate lease if both:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Company accounts for the modification as follows:

- if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Company:
  - account for the lease modification as a new lease from the effective date of the modification; and
  - measure the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification;
- otherwise, the Company applies the requirements of IFRS 9 explained in following paragraphs.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Murabaha receivables

Murabaha is an agreement whereby the Company sells to a customer an asset, which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Murabaha receivables represents financial assets which is accounted for at amortised cost using the EIR method explained above.

Subsequent to initial recognition, the Company regularly reviews the estimated credit losses and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the Murabaha receivables. The Company applies the requirements of IFRS 9 explained in following paragraphs to account for any modification and derecognition.

Company as a lessee

Right-of-use asset/lease liability
On initial recognition, at inception of the contract, the Company shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Company and the Company can direct the usage of such assets.

Right of use assets
The Company applies cost model, and measures right of use asset at cost:
a. less any accumulated depreciation and any accumulated impairment losses; and
b. adjusted for any re-measurement of the lease liability for lease modifications.

Lease liability
On initial recognition, the lease liability is the present value of all remaining payments to the lessor.

Subsequent to the commencement date, the Company measures the lease liability by:
a) Increasing the carrying amount to reflect interest on the lease liability;
b) Reducing the carrying amount to reflect the lease payments made; and
c) Re-measuring the carrying amount to reflect any re-assessment or lease modification.

Derecognition

i. Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing. Financial assets originated by the Company and subsequently disposed-off to third parties are derecognised when the rights to receive the contractual cash flows and substantially all of the risks and rewards of ownership of the financial asset are transferred.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Derecognition (continued)

i. Financial assets (continued

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of

a. the consideration received (including any new asset obtained less any new liability assumed); and
b. any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

ii. Financial liabilities

The Company derecognizes financial liabilities when and only when its contractual obligations are discharged or cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

The Company also derecognizes a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss and other comprehensive income.

Modification of financial assets and financial liabilities

i. Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized with the difference recognized as a derecognition gain or loss and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

For net investment in finance leases where the interest rate is variable, the Company determines the revised interest rate implicit in the lease using the revised contractual payments due from the customer from the effective date of change in interest rate, the outstanding principal and outstanding term of the contract and uses the revised interest rate implicit in the lease thus determined, in recognizing the interest income over the remaining period using the effective interest rate method.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Modification of financial assets and financial liabilities (continued)

ii. Financial liabilities

The Company derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For financial liabilities, the Company considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

Expected Credit Losses ("ECL")

The Company recognizes provision for ECL on the following financial instruments:

- Net investments in finance lease;
- Murabaha receivables; and
- Insurance claims receivable on non-performing deceased-case leases.

Exposure to credit risk on other financial assets is not significant for the Company. No expected credit loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for other financial instruments on which credit risk has not increased significantly since their initial recognition where 12- month ECL is recognized.

12-month ECL are the portions of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. They are measured as follows:
- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Restructured financial assets or net investment in finance leases

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and

- If the expected restructuring will result in de-recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition to the reporting date using the original effective interest rate/internal rate of return of the existing financial asset, respectively.

Credit-impaired financial assets and net investment in finance leases

At each reporting date, the Company assesses whether investments in finance lease, Murabaha receivables and other financial assets carried at amortized cost are credit-impaired. investments in finance lease, Murabaha receivables and other financial assets is 'credit-impaired' or there has been a “significant increase in credit risk” (”SICR”) when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Any exposure for which there is a SICR since origination. The Company clearly defines what it considers to be SICR. Such indicators considered by the Company include:
- The borrower has a moderate risk of default;
- The payments are past due by more than 30 days;
- The borrower has a weak or deficient capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term are more likely than not to reduce the borrower's ability to fulfil its obligations.
- The borrower has requested rescheduling of repayments as a financial support only once
- Two-notch downgrade of internal credit ratings for a group of customers

Evidence that an investments in finance lease, Murabaha receivables and other financial assets is credit-impaired includes the following observable data:
- The borrower has a high risk of default or has defaulted;
- The borrower has requested rescheduling of repayments as a financial support twice, or more;
- Past due more than 90 days;
- The borrower is deceased;
- The account is considered as fraudulent;
- The borrower has an inadequate capacity to meet contractual cash flow obligations due to financial difficulty in the near term;
- The collection of principals, commission income highly questionable and improbable; and
- Adverse changes in economic and business conditions in the near and longer term will only further negatively impact borrower's ability to fulfil obligations.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Credit-impaired financial assets and net investment in finance leases (continued)

Investments in finance lease, Murabaha receivables and other financial assets that has been renegotiated more than once due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. Refer to note 30 for further details on significant increase in credit risk and definition of default.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position for financial assets measured at amortized cost and net investment in finance leases: as a deduction from the gross carrying amount of the assets. Movement in the loss allowance during the year is presented in statement of profit or loss and other comprehensive income where the loss allowance relates to financial assets, including debt instrument at amortised cost.

Write-off

Net investments in finance lease and Murabaha receivables are written off (either partially or in full) when:

- there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation;
- lease and Murabaha receivables secured through real estate properties are written off to the extent recoverable when the receivables remain uncollected for 1,080 days or more after their classification as stage 3 customers,
- unsecured personal and small and medium enterprise loan receivables (included within Murabaha receivables) are written off to the extent recoverable when the receivables remain uncollected for 360 days or more after their classification as stage 3 customers, whichever is earlier.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment charge for credit losses.

Collateral valuation

To mitigate its credit risks on net investment in finance lease and financial assets at amortised cost, the Company seeks to use collateral, where possible. The collateral is primarily in the form of real estate. Collateral, unless repossessed, is not recorded on the Company's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed annually if classified in stage 3.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued by independent valuers appointed by the Company.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Collateral repossessed

The Company, in the ordinary course of business, acquires / retains certain real estate against settlement of the investment in finance lease. Such real estate is initially measured at lower of fair of the property at repossession date and sum of outstanding principal and accrued profit (capped at profit for 90 days past last payment due date). No depreciation is charged on such real estate and the fair value is assesses annually.

Subsequent to initial recognition, any subsequent write down to fair value, are charged to the statement of profit of loss and comprehensive income. Any subsequent revaluation gain in the fair value of these assets to the extent this does not exceed the cumulative write down is recognised in the statement of profit or loss and other comprehensive income. Gains or losses on disposal of these properties are recognised in the statement of profit or loss and other comprehensive income.

Properties purchased for lease and Murabaha contracts

Properties purchased for lease and Murabaha contracts are recognized in the statement of financial position as a current asset. Amounts payable to the landlord are recorded under current liabilities in the statement of financial position. Once the legal title of the property is transferred in the Company's name or the customer's name, and the contract is signed with the customer, these assets become part of the net investment in finance lease or Murabaha receivables.

B. Derivative financial instrument

The Company uses derivative financial instrument held at fair value through profit and loss ("FVTPL") to hedge its exposure to changes in interest rates on certain finance lease contracts. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Derivative financial instrument is 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 derivative financial instruments is taken directly to the statement of profit or loss and other comprehensive income. The Company does not apply hedge accounting.

C. Income/expense recognition

Income from finance lease
Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases. No income is recognized on any contract once the earliest payment is overdue for more than 90 days.

Income from Murabaha receivables
Finance income is recognised using the EIR method over the term of the arrangement. No income is recognized on any contract once the earliest payment is overdue for more than 90 days.

Service fees
Service fees are recognised as the related services are performed and performance obligations are achieved.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Application and evaluation fee income
Application and evaluation fee income are charged when the customer submits his application for evaluation to qualify for lease financing. Application and evaluation fee income are recognised as the transaction is completed or the service, is provided.

Related fees and commission expense are expensed as the transaction is completed or the service is received.

Asset sale income
This represents gain on third party sale of investment in finance lease portfolio and is recognised upfront upon completion of the sale transaction (i.e. when risks and rewards of asset is transferred to the buyer).

Other income
Others include gain on sale of other real estate and is recognized upon completion of the sale transaction.

D. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and balances with local banks having sound credit rating with original maturities of three (3) months or less.

E. End of service benefits

The provision for end of service benefits is determined in accordance with Saudi Arabian Labour Laws and using actuarial valuation method. Net obligations, with respect to end of service benefits, to the Company are calculated by using a projected unit credit method. Actuarial gains and losses on remeasurements are recognised in full in the period in which they occur in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Interest expense is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the following changes in the net defined benefit obligation under 'Employees' salaries and other benefits' in the statement of profit or loss and other comprehensive income:

- Service costs comprising current services costs, past-service costs, gain and losses on curtailments and non-routine settlements, and
- Net interest expense or income

Actuarial gains/(losses) are recognized in other comprehensive income.
The assumptions used to calculate the scheme obligations include assumptions such as expected future salaries growth, expected employee resignation rates, and discount rate to discount the future cash flows.The Company is also required to contribute towards a state-owned benefit plan where the Company's obligation under the plan is to make specified monthly contribution based on specified percentage of payroll cost as stipulated under the regulation. These contributions are recognized as an expense when employees have rendered the service entitling them to the contributions. Any unpaid amounts are classified as accruals.

A liability is also recognized for benefits accruing to the employees in respect of wages and salaries, annual leaves and other related benefits in the period the related services are rendered at the undiscounted amount of the benefits expected to be paid and are classified as accruals.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

F. Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the company. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease.

The estimated useful lives of the principal classes of assets for all years presented are as follows:

	Rate
Leasehold improvements	10%
Motor vehicles	25%
Furniture, fixture and office equipment	10%-25%
Computers	25%-33.3%

Depreciation is charged using the straight-line method over its estimated useful life, at the rates specified above, after taking into account residual value. Depreciation on additions is charged from the month the assets are available for use. Gains / losses on disposal of property and equipment, if any, are taken to the statement of profit or loss and other comprehensive income in the period in which they arise.

G. Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment.

Intangible assets are amortised on a straight-line basis in the statement of profit or loss and other comprehensive income over their estimated useful lives from the date that they are available for use.

Intangible assets comprise of computer software and their estimated useful life for the current and comparative years is 3-5 years (2023: 3-5 years). Amortization method and useful life is reviewed at least end of each reporting period.

H. Impairment of non - financial assets

An assessment is made at each statement of financial position date to determine whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units' ("CGU") fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

I. Deferred origination fees

Deferred origination fees comprise of the unamortised portion of commission paid to a shareholder for deals originated through the use of infrastructure, resources and client base of the shareholder. This fee is amortized using the EIR method over the period of the respective lease contracts. The difference between recognition based on EIR and the straight-line method is not considered material.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

J. Advance lease rental

Advance lease rental includes rent received from customers in advance of their due date and down payments.

K. Other provision

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.

L. Accounting for zakat and income tax

Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax, and Customs Authority (“ZATCA”). The zakat charge is computed on the zakat base. Zakat is provided on an accruals basis on the share of the Saudi shareholder in the zakat base. Any difference in the estimate is recorded when the final assessment is approved at which time the provision is cleared.

Income tax

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

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to ZATCA. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Deferred tax

Deferred 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 realisation 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 recognised 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 realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. 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 statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in OCI or directly in equity. In this case, the tax is also recognised in other comprehensive income.

M. Transactions with related parties
The Company has related party relationships with related companies, associated companies, directors and key management personnel and entities over which the directors or key management personnel are able to exercise significant influence. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are disclosed in the relevant notes.

N. Foreign currency transactions
Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss and other comprehensive income.

O. Expenses
General and administrative expenses are expenses related to the day-to-day operations of the business including rent, insurance, utilities and salaries. The Company follows accrual basis of accounting to record the general and administrative expenses and recognised as expenses in the statement of profit or loss and other comprehensive income in the period in which they are incurred. Expenses that are deferred for more than one financial period are allocated to expenses over such periods using historical cost. Sales and marketing expenses excluding compensation cost are those expenses that relates to sales and marketing representatives.

P. Value Added Tax (“VAT”)
The Company collects VAT from its customers for qualifying services provided and make VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Company and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Q. Servicing rights under agency arrangements

A servicing right asset/liability is recognised for servicing rights under agency arrangements (acquired by the Company pursuant to sale of originated leases to third parties or as consideration for financing arrangements services). An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The initial amount recognised as the servicing assets is calculated as the percentage of total fair value (i.e. financial asset and servicing contract) multiplied by carrying amount of the derecognised asset (measured at the date of derecognition).

The initial amount recognised as the servicing liabilities is the fair value of the servicing obligations determined as net present value of future cash flows under the agency arrangements. The net present value computation encompasses among others, estimates in respect of discount rate and fair value of services.

Net servicing assets are accounted for under IAS 38 Intangible Assets and are amortised over their definite useful economic life (in conformity with the collection arrangements with the banks) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation of net servicing asset is charged to the statement of income.

Net servicing liabilities are recorded as provision under IAS 37 and are required to be reviewed at the end of each reporting period and adjusted to reflect current best estimates.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS as endorsed in the KSA and other standards and pronouncement 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 Company has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2024 about future events that the Company believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Company. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

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.

Significant areas where management have used estimates, assumption or exercised judgement are as follows:

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Critical judgements in applying the Company's accounting policies

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of note 3). The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets and monitoring is part of the Management's continuous assessment of whether the business model for which the financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were made during the periods presented.

Significant increase in credit risk
As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 financial assets, or lifetime ECL for stage 2 or stage 3 financial assets. A financial asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable information.

Derecognition of investment in finance lease
The derecognition of investment in finance lease requires Company to exercise significant judgement to conclude if substantially all risks and rewards are transferred or the Company has not retained any control of the assets.

Under the relevant agreements, either the Company's rights to the cashflows have expired and transferred to purchaser or the Company has assumed an obligation to pay the cashflows from the investment in finance lease to the purchaser and as such, the management has concluded that substantially all risks and rewards are transferred to the purchaser and the Company has not retained any control of the transferred assets. Consequentially, the management has derecognized such assets.

Key sources of estimation uncertainty

Allowance for expected credit loss on net investments in finance lease, Murabaha receivables, and insurance claims receivable on non-performing deceased-case leases.

The measurement of ECL under IFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Expressed in thousands of Saudi Riyal unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

1. The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs

    a) The Company's model, which assigns Probability of Default ("PD").
    b) Loss Given Default ("LGD") determination by applying haircut on the collaterals considering difference between forced sale value and fair market value, time of realization, recoveries and cure rate, cost of realization and current effective profit rate.
    c) The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances should be measured on a Lifetime ECL basis;
    d) The segmentation of financial assets and net investment in finance leases when their ECL is assessed;
    e) Development of ECL models, including the various formulas; and
    f) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Employee benefits liability

The cost of the employee benefits under defined unfunded benefit plans is determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. CASH AND BANK

	Note	2024	2023
Cash in hand		**35**	35
Cash at bank		**54,747**	75,854
Certified cheques in hand	**5.1**	**14,407**	4,383
Cash and cash equivalents		**69,189**	80,272

Cash at banks include profit bearing Murabaha deposits of SR 7.4 million as at 31 December 2024 (2023: SR 31.1 million) with profit rate approximating 5.28%. (2023: 5.28%) annually.

Expressed in thousands of Saudi Riyal unless otherwise stated)

5. CASH AND BANK (CONTINUED)

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

	2024	2023
A-	**46,874**	44,439
A3	**65**	15
BBB+	**413**	277
Total*	**47,352**	44,731

* This balance does not include term deposits of SR 7.4 million with a related party (for 2023 31.1million) cash and certified cheques in hand.

SR 38.0 million (2023: 37.0 million) is placed with Arab National Bank, a related party, in normal course of business.

5.1 Certified cheques in hand

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

6. RELATED PARTY TRANSACTIONS

The related parties of the Company include the shareholders and an affiliate (i.e., a company with a common shareholder), and key management personnel. In the ordinary course of business, the Company enters into transactions with its related parties, which are based on prices and contract term approved by the Company's management and on an agreed basis with these related parties:

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

Expressed in thousands of Saudi Riyal unless otherwise stated)

6. RELATED PARTY TRANSACTIONS (CONTINUED)

The significant related party transactions during the year are as follows:

	2024	2023
Finance costs (ANB) - shareholder	**134,322**	117,315
Residential unit purchased (Dar Alarkan) - shareholder	**2,173**	3,802
Service fees, net (ANB) - shareholder	**3,426**	4,410
Hedging gain (ANB) - shareholder	**(947)**	6,532
Lease liability paid (Tharwat) - affiliate	**2,180**	2,180
Profit on Murabaha deposits (ANB)	**-**	24
Real estate services (Wasalt) - affiliate	**-**	110
Technology support (Quara) - affiliate	**125**	171
Profit on Murabaha callable deposits - Al Khair Capital	**1,272**	1,123

The following related party balances are included in the statement of financial position as at 31 December:

	2024	2023
Loan obtained from a shareholder (ANB) (note 20)	**1,741,702**	1,698,200
Deferred origination fees (ANB) (note 12)	**9,816**	12,105
Due from a related party related to service fees (ANB) (note 15)	**287**	504
Fair value of derivative financial instruments (ANB) (note 14)	**-**	26,947
Murabaha callable deposits - Al Khair Capital (note 5)	**7,395**	31,123

Compensation for Key Management Personnel ("KMP")

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

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

	2024	2023
Salaries	**4,630**	4,462
End of service benefits	**193**	209
Other allowances	**1,471**	1,370
Board of directors' remuneration - connected persons	**4,852**	4,518
	11,146	10,559

7. PREPAID EXPENSES AND OTHER ASSETS

	2024	2023
Prepaid sales commission	**6,492**	3,953
Prepaid financing facility fees	**715**	1,592
Prepaid insurance	**1,636**	1,183
Prepaid software maintenance	**752**	801
Advance tax paid (note 18)	**986**	675
Others	**1,340**	1,243
	11,921	9,447

Expressed in thousands of Saudi Riyal unless otherwise stated)

8. OTHER RECEIVABLES, NET

	2024	2023
Insurance claims receivable on deceased-case leases	**25,642**	31,481
Receivables under litigation	**4,360**	12,131
VAT receivable from Ministry of Housing	**396**	5,720
Due from ZATCA (note 18)	**867**	867
Due from Saudi Real Estate Refinance Company (“SRC”)	**254**	-
Employees’ advances and receivables	**208**	101
Others	**-**	477
	31,727	50,777
Allowance against receivables under litigation and deceased-case leases	**(23,246)**	(25,138)
	8,481	25,639

Allowance against insurance claims receivable and receivables under litigation comprise the following:

	2024	2023
Allowance against insurance claims receivable on deceased case leases	**18,636**	21,528
Allowance against receivables under litigations	**4,610**	3,610
	23,246	25,138

Movement in allowance during the year

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

2023	Allowance against insurance claim	Allowance against receivable under litigations
1 January	23,474	3,610
Charge during the year	-	
Reversal during the year	(1,946)	-
December 31	21,528	3,610

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

Expressed in thousands of Saudi Riyal unless otherwise stated)

9. INVESTMENTS HELD AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On December 17, 2017, the Company subscribed 2.38% shareholding in Saudi Company for Registration of Financial Leasing Contracts ("Registration Company"), registered in the Kingdom of Saudi Arabia. The Registration Company has been formed with other finance and leasing companies registered in the Kingdom of Saudi Arabia for registration of contracts relating to financial leases and amendments and registration and transfer of title deeds of the assets under the finance leases arrangements.

Investment classified as fair value through other comprehensive income is measured at cost as measurement of fair value would entail undue cost and efforts and any changes are not expected to be material to the financial statements.

As at 31 December 2024 and 2023, the carrying value of this investment is not materially different to its fair value.

10. INVESTMENTS IN FINANCE LEASES, NET

	2024	2023
Investments in finance leases - gross	**5,523,120**	5,668,811
Less: Unearned finance income	**(2,004,285)**	(2,037,777)
Investments in finance leases before expected credit loss	**3,518,835**	3,631,034
Less: Allowance for expected credit losses	**(17,356)**	(25,463)
Investments in finance leases – net	**3,501,479**	3,605,571

Total number of outstanding lease contracts as at 31 December 2024 is 5,733 (2023: 5,957).

The Company generates substantially all of its revenues from leasing real estate in the Kingdom of Saudi Arabia. Amounts due under finance leases receivables are due from individual natural person.

10.1 The movement in the allowance for expected credit losses for investments in finance leases as at 31 December is shown below:

	2024	2023
January 1	**25,463**	31,056
Reversal of provision previously written off	**2,034**	974
Reversed during the year, net	**(10,141)**	(6,567)
December 31	**17,356**	25,463

During 2024, the Company has written off an amount of SR nil (2023: SR 0.37 Million) and also repossessed properties from some defaulted customer on which SR 2 million was reversed following the SAMA rules governing credit risk exposure classification and provisioning (2023 1.4 million reversal).

Expressed in thousands of Saudi Riyal unless otherwise stated)

10. INVESTMENTS IN FINANCE LEASES, NET (CONTINUED)

10.2 The credit quality of investments in finance leases is as follows:

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

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

The related staging movements of the investments in finance leases, the related allowance for expected credit losses and information about collateral are disclosed in note 30.

10.3 Maturity profile of lease payments is as follows:

	2024		
Year	**Gross lease receivables**	**Unearned finance income**	**Investments in finance leases**
Within one year	**563,816**	**(284,108)**	**279,708**
Year two	**546,695**	**(259,305)**	**287,390**
Year three	**523,788**	**(233,106)**	**290,682**
Year four	**497,142**	**(206,884)**	**290,258**
Year five and later	**3,391,679**	**(1,020,882)**	**2,370,797**
	5,523,120	**(2,004,285)**	**3,518,835**

	2023		
Year	Gross lease receivables	Unearned finance income	Investments in finance leases
Within one year	554,649	(277,267)	277,382
Year two	536,790	(253,956)	282,834
Year three	516,030	(229,524)	286,506
Year four	489,302	(205,102)	284,200
Year five and later	3,572,040	(1,071,928)	2,500,112
	5,668,811	(2,037,777)	3,631,034

Expressed in thousands of Saudi Riyal unless otherwise stated)

10. INVESTMENTS IN FINANCE LEASES, NET (CONTINUED)

10.4 The ageing of net receivables which are past due is as follows:

Days past due:	**2024**	2023
Current	**2,481,523**	2,592,816
1 – 30 days	**574,126**	698,905
31-60 days	**362,429**	232,584
61-90 days	**44,480**	28,239
91-180 days	**6,908**	9,906
+180 days	**32,013**	43,121
Total	**3,501,479**	3,605,571

During the year, the finance lease receivables decreased mainly as a result of decrease in the outstanding lease agreements to 5,733 from 5,957 in 2023. The average term of finance leases entered into is 19 years (2023: 19 years). Generally, these lease contracts do not include extension options but include early termination options.

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

The Company's finance lease arrangements include fixed rate contract as well as variable rate contracts. The average effective interest rate on these finance lease contracts is 8.44 per cent (2023: 8 per cent) per annum.

The principal outstanding and accrued profit on finance lease receivables modified during the year is SR 218 million (2023: SR 237 million) and SR 1.93 million (2023: SR 1.46 million) respectively.

Refer to note 30 for changes made in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance.

11. MURABAHA RECEIVABLES, NET

	2024	2023
Murabaha receivables, gross	**1,294,667**	921,477
Less: Unearned finance income	**(452,197)**	(340,823)
Murabaha receivables before ECL	**842,470**	580,654
Less: Allowance for expected credit losses	**(6,690)**	(3,064)
Murabaha receivables, net	**835,780**	577,590

Below is the breakup of Murabaha receivables.

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

Expressed in thousands of Saudi Riyal unless otherwise stated)

11. MURABAHA RECEIVABLES, NET (CONTINUED)

Total number of outstanding Murabaha contracts, including personal finance and small and medium enterprise ("SME") loan receivables as at 31 December 2024 are 976 (2023: 806). Amounts due under Murabaha receivables and personal finance are due from individual natural person.

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

	2024	2023
January 1	**3,064**	1,005
Charge for the year	**3,626**	2,059
December 31	**6,690**	3,064

11.2 The credit quality of Murabaha receivables is as follows:

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

	2023			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Loss rate in %	0.31	1.89	15.37	0.53
Murabaha receivables before ECL	558,418	15,261	6,975	580,654
Allowance for ECL	(1,703)	(288)	(1,073)	(3,064)
Net carrying amount	556,715	14,973	5,902	577,590

The related staging movements of Murabaha receivables, the related allowance for expected credit losses and information about collateral are disclosed in note 30. Note 30 also includes ECL analysis on Personal finance and SME loans.

11.3 Maturity profile of Murabaha payments is as follows:

	2024		
Year	**Gross receivables**	**Unearned finance income**	**Receivables before ECL**
Within one year	**193,421**	**(77,947)**	**115,474**
Year two	**141,430**	**(65,982)**	**75,448**
Year three	**132,652**	**(57,620)**	**75,032**
Year four	**123,334**	**(49,422)**	**73,912**
Year five and later	**703,830**	**(201,226)**	**502,604**
	1,294,667	**(452,197)**	**842,470**

Expressed in thousands of Saudi Riyal unless otherwise stated)

11. MURABAHA RECEIVABLES, NET (CONTINUED)

	2023		
Year	Gross receivables	Unearned finance income	Receivables before ECL
Within one year	103,688	(47,297)	56,391
Year two	81,537	(42,264)	39,273
Year three	81,379	(38,501)	42,878
Year four	74,851	(34,466)	40,385
Year five and later	580,022	(178,295)	401,727
	921,477	(340,823)	580,654

11.4 The ageing of net receivables which are past due is as follows:

Days past due:	**2024**	2023
Current	**678,346**	474,920
1 – 30 days	**92,353**	69,695
31-60 days	**40,300**	23,021
61-90 days	**11,155**	5,992
91-180 days	**1,946**	2,531
+180 days	**11,680**	1,431
Total	**835,780**	577,590

Refer to note 30 for changes made in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance.

12. DEFERRED ORIGINATION FEES

Deferred origination fees comprise of the unamortized portion of commission paid to ANB for deals originated through the use of its infrastructure, resources and client base.

	2024	2023
January 1	**12,105**	14,375
Accrual reversal in 2024	**(57)**	-
Origination charge for the year	**(2,232)**	(2,270)
December 31	**9,816**	12,105

13. OTHER REAL ESTATE, NET

The Company repossesses real estate assets against settlement of over-due receivables.

The movement in other real estate is presented below:

	2024	2023
January 1	**34,264**	21,984
Repossessed during the year	**38,775**	26,581
Sold during the year	**(6,822)**	(11,511)
Impairment losses recognized	**(2,946)**	(2,790)
December 31	**63,271**	34,264

14. DERIVATIVE FINANCIAL INSTRUMENT

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

The positive fair value of the IRS as at 31 December 2024 was SR nil (2023: SR 26.95 million) with a notional amount of SR Nil (2023: SR 179 million). The notional amount provides an indication of the volumes of the transactions outstanding at the end of the period and does 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 nor market risk.

The hedging income recognized in the statement of profit or loss and other comprehensive income during the year is SR (0.95) million (2023: SR 6.5 million).

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

In January 2024, the management cancelled the hedging agreement and received SR 26 million against cancelation of hedging instrument.

15. SERVICING RIGHTS UNDER AGENCY ARRANGEMENTS

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

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

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

The Company recognized servicing fee income, net of insurance charges of SR 3.48 million during the year (2023: SR 4.36 million).

Expressed in thousands of Saudi Riyal unless otherwise stated)

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities includes amounts pertaining to VAT payable to ZATCA, evaluation and other services provider companies.

17. ACCRUED EXPENSES AND OTHER LIABILITIES

	2024	2023
Employees' related expenses	**8,163**	6,906
Board related expenses	**4,852**	4,903
Deferred application and accrued fee	**2,970**	1,239
Accrued annual maintenance charges	**-**	65
Others	**1,423**	1,915
	17,408	15,028

18. PROVISION FOR ZAKAT AND INCOME TAX

Zakat is a levy as defined by the ZATCA in the Kingdom of Saudi Arabia on the Saudi shareholders. Income tax charge for the year has been calculated based on adjusted net income of the Company attributable to non-Saudi shareholders at the rate of 20% per annum.

The Company has filed its zakat and income tax returns for the years from 2008 up to 2022 and have received final assessment up to 2022.

Prior years zakat settlement

For financial years 2008 - 2013, the files for these years were closed based on settlement agreed with the authority.

Furthermore, in February 2019, the Company received a settlement agreement from the ZATCA to settle the outstanding assessments relating to zakat for the financial years from 2014 to 2017 and provided a settlement calculation method for financial year 2018. The Company accepted this settlement agreement and settled the full amount in prior periods.

a) Zakat and income tax charge for the year

	2024	2023
Zakat relating to the Saudi shareholder	**6,168**	526
Income tax relating to the non-Saudi shareholder	**657**	2,191
Total	**6,825**	2,717

Expressed in thousands of Saudi Riyal unless otherwise stated)

18. PROVISION FOR ZAKAT AND INCOME TAX (CONTINUED)

a) Zakat and income tax charge for the year (continued)

Components of zakat base

The principal elements of the zakat base are as follows:

	2024	2023
Assets excluded from zakat base	**4,034,055**	3,949,252
Assets included in zakat base	**481,669**	434,106
Net income before Zakat and income tax	**33,899**	2,890
Zakat Base	**271,191**	23,124

Some of the above amounts have been adjusted in arriving at the zakat charge for the Company in respect of the Saudi shareholder.

b) Movement in the zakat and income tax provisions during the year

Zakat	**2024**	2023
January 1	**526**	12,970
Provision for zakat for current year	**6,168**	526
Payment during the year against previous years	**-**	(4,059)
Payment during the year against 2023 provision	**(526)**	(8,911)
December 31	**6,168**	526

Income tax	**2024**	2023
January 1		
Reclassified from prepaid expenses and other assets	**(675)**	(1,842)
Provision for income tax for current year	**657**	2,191
Under provision for previous year	**394**	-
Payment during the year	**(1,362)**	(1,024)
Reclassified to prepaid expenses and other assets	**986**	675
December 31	**-**	-

Prior years income tax adjustment

During 2024, ZATCA approved a refund of SR Nil (2023: SR 2.3 million) (presented as “Income tax refund for previous periods” in the statement of profit or loss and other comprehensive income) which relates to previous years’ income tax adjustments. The Company received SR Nil (2023: SR 7.8 million) and a remaining receivable balance of SR 0.8 million (2023: SR 6.4 million) is expected to be received in next 12 months which is presented within other receivables in note 8.

Expressed in thousands of Saudi Riyal unless otherwise stated)

18. PROVISION FOR ZAKAT AND INCOME TAX (CONTINUED)

Prior years income tax adjustment (continued)

The Company's provision for income tax for the year ended 31 December is computed as follows:

	2024	2023
Profit before tax	**33,899**	2,890
Non-Saudi portion of the adjusted net income (11.76%) (2023: 11.76%)	**3,286**	340
Tax at the income tax rate of 20%	**797**	68
Tax effect of expenses that are not deductible in determining taxable profit	**83**	2,271
Tax effect of income that are not taxable in determining taxable profit	**(223)**	(148)
Other adjustments	-	-
Income tax expenses for the year	**657**	2,191

19. DEFFERED TAX

	2024	2023
January 1	**1,757**	1,918
Deferred tax expense for the year	**(152)**	(161)
December 31	**1,605**	1,757

The Company's deferred tax assets arise primarily from employees' end of service benefits liability, allowance for expected credit losses and depreciation of property and equipment and intangible assets.

2024	**January 1**	**Recognised in the statement of profit or loss**	**December 31**
Deductible temporary difference			
Depreciation of property and equipment	**203**	**12**	**215**
Provision for end of service benefits liability	**275**	**4**	**279**
Provision for expected credit losses	**1,279**	**(168)**	**1,111**
	1,757	**(152)**	**1,605**

2023	January 1	Recognised in the statement of profit or loss	December 31
Deductible temporary difference			
Depreciation of property and equipment	466	(262)	204
Provision for end of service benefits liability	648	(373)	275
Provision for expected credit losses	804	474	1,278
	1,918	(161)	1,757

Expressed in thousands of Saudi Riyal unless otherwise stated)

20. TAWARRUQ FINANCING FACILITIES

	2024	2023
Tawarruq payable excluding finance charges	**2,748,757**	2,654,522
Accrued Tawarruq finance charges	**7,789**	12,563
	2,756,546	2,667,085

All facilities are secured by promissory notes and assignment of contracts and proceeds from investments in finance lease and Murabaha receivables. These facilities bear finance charges at interest margin plus market variable interest rates.

Facility repayment schedule is based on equal semi-annual or quarterly payments except for SRC that would be paid fully at the end of the facility period.

The total gross receivable outstanding from customers which are assigned against Tawarruq financing facilities are SR 3.1 billion (2023: SR 3.1 billion).

The movements during the year ended 31 December are as follows:

	2024	2023
January 1	**2,667,085**	2,551,268
Drawdown during the year	**350,000**	455,000
Repayment during the year	**(256,674)**	(344,570)
Finance charges accrued during the year	**209,204**	187,849
Accrued Finance charge reversal	**(478)**	-
Finance charges repaid during the year	**(212,591)**	(182,462)
December 31	**2,756,546**	2,667,085

Changes in liabilities arising from financing activities
The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's cash flow statement as cash flows from financing activities.

	1 January 2024	**Proceeds from lenders**	**Repayments to lenders/lessee**	**Other changes**	**Non-cash changes**	**31 December 2024**
Tawarruq financing facilities	**2,667,085**	**350,000**	**(256,674)**	**(3,865)**	**-**	**2,756,546**
Lease liabilities	**2,684**		**(2,684)**	**-**	**5,669**	**5,669**
Total liabilities from financing activities	**2,669,769**	**350,000**	**(259,358)**	**(3,865)**	**5,669**	**2,762,215**

Expressed in thousands of Saudi Riyal unless otherwise stated)

20. TAWARRUQ FINANCING FACILITIES (CONTINUED)

	1 January 2023	Proceeds from lenders	Repayments to lenders/lessee	Other changes	Non-cash changes	31 December 2023
Tawarruq financing facilities	2,551,268	455,000	(344,570)	5,387	-	2,667,085
Lease liabilities	5,506	-	(2, 822)	-	-	2,684
Total liabilities from financing activities	2,556,774	455,000	(347,392)	5,387	-	2,669,769

Other changes include interest accruals and payments.

21. END OF SERVICE BENEFITS LIABILITY

The Company operates a defined benefit plan for its staff based on the prevailing Saudi Labour Laws.

The amounts recognized in the statement of financial position and movement in the obligation during the year based on actuarial valuation are as follows:

	2024	2023
January 1	**11,677**	9,732
Current service cost	**1,651**	1,628
Interest cost on defined benefit obligation	**552**	516
Benefits paid to outgoing members during the year	**(1,557)**	(590)
Actuarial (gain)/ loss on obligation	**(457)**	391
December 31	**11,866**	11,677

Amounts charged to the statements of profit or loss and comprehensive income for the year are as follows:

	2024	2023
Current service cost	**1,651**	1,628
Interest cost on defined benefit obligation	**552**	516
Cost recognised in the statement of profit or loss	**2,203**	2,144
Actuarial (gain)/ loss on obligation recognised in OCI	**(457)**	391
Total defined benefit cost recognised during the year	**1,746**	2,535

The re-measurement recognised in other comprehensive income comprise of the following:

	2024	2023
Loss from change in financial assumptions	**(61)**	42
Gain)/loss from change in experience assumptions	**(396)**	349
Actuarial (gains)/ losses on re-measurement of the defined benefit obligation	**(457)**	391

Expressed in thousands of Saudi Riyal unless otherwise stated)

21. END OF SERVICE BENEFITS LIABILITY (CONTINUED)

The principal actuarial assumptions in respect of the employee benefit scheme are as follows:

	2024	2023
Discount rate	**5.25%**	4.60%
Expected rate of salary increase	**5% is for first 2 years and 4.60% onwards**	5% is for first 2 years and 4.60% onwards
Mortality rate	**WHO SA 19**	WHO SA 19
Normal retirement age	**60**	60

The maturity profile of the defined benefit obligation is as follows:

	2024	2023
Weighted average duration of the defined benefit obligation	**5.47**	5.65
Distribution of timing of benefit payments		
Year 1	**1,728**	1,555
Year 2	**2,440**	2,396
Year 3	**1,619**	1,829
Year 4	**1,668**	1,647
Year 5	**1,638**	1,693
Year 6-10	**11,087**	10,170

The Company expects to recognise SR 2.2 million (2023: SR 2.3 Million) as current service costs and interest costs in its statement of profit or loss and other comprehensive income during the next financial year.

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December 2024 and 2023 to the discount rate and the expected rate of salary increase while other assumptions remain constant.

	2024	2023
Discount rate, +0.5%	**316**	321
Discount Rate, -0.5%	**(334)**	(340)
Expected rate of salary increase, +0.5%	**253**	259
Expected rate of salary increase, -0.5%	**(243)**	(248)

Significant actuarial assumptions for the determination of the employee benefits liability are discount rate, expected salary increase and mortality. The sensitivity analysis has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

The sensitivity analysis presented may not be representative of the actual change in the employee benefits liability as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Expressed in thousands of Saudi Riyal unless otherwise stated)

21. END OF SERVICE BENEFITS LIABILITY (CONTINUED)

In presenting the sensitivity analysis, the present value of the employee benefits liability has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the employee benefits liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

As of December 31, 2024, and 2023, an independent actuarial exercise has been conducted to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labor Law and those set by the management respectively by using the Projected Unit Credit Method as required under IAS 19 *Employee Benefits*.

The expense recognized in statement of profit or loss and other comprehensive income in respect of state-owned benefit plan ("GOSI") is SR 2.9 million (2023: SR 3 million).

22. SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 100 million shares of SR 10 each. The Company floated 30% of its existing share capital on Tadawul and the trading started on 20 April, 2022. Following the listing, the revised shareholding of the Company is as follows as at 31 December 2024 and 2023:

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

Other shareholders include the public shareholders and the founding shareholders who own less than 5%.

23. STATUTORY RESERVE

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

24. DIVIDENDS DISTRIBUTION

On 14 May 2023, the Board of Directors, recommended a cash dividend distribution of SR 50 million. On 21 June 2023, the general assembly approved the distribution of SR 50 million which was distributed on 13 July 2023.

Expressed in thousands of Saudi Riyal unless otherwise stated)

25. FINANCE INCOME

	2024	2023
Finance income on the net investment in finance leases	**287,402**	269,978
Finance income on murabaha receivables	**63,072**	27,937
	350,474	297,915

26. DIRECT COST

	2024	2023
Insurance expenses	**22,054**	20,944
Evaluation expenses and other fees	**1,296**	599
	23,350	21,543

27. GENERAL AND ADMINISTRATIVE EXPENSES

	2024	2023
Employees' salaries and other benefits	**59,867**	61,525
Board of directors' remuneration	**4,852**	4,518
Consultation fees	**5,980**	4,149
Depreciation and amortisation	**4,444**	4,455
Software support charges	**3,273**	2,249
Collection commission	**3,055**	3,364
VAT expense	**3,729**	4,344
Telecommunication and electricity expenses	**1,746**	1,316
Auditors' remuneration	**1,132**	930
Bank charges	**391**	361
Recruitment related expenses	**200**	375
Repairs and maintenance	**386**	401
Others	**3,470**	4,287
	92,525	92,274

Other expense mainly includes training, subscription and various other expenses.

27.1

	2024	2023
Audit Fees	**940**	825
Fee for other statutory and related certification	**105**	105
Others	**87**	-
	1,132	930

28. SELLING AND MARKETING EXPENSES

	2024	2023
Sales and title commission	**2,816**	1,351
Marketing expenses	**269**	325
Others	**563**	665
	3,648	2,341

Expressed in thousands of Saudi Riyal unless otherwise stated)

29. EARNINGS PER SHARE

The basic earnings per share have been computed by dividing net profit for the year by the weighted average number of shares outstanding during the period. The calculation of diluted earnings per share is not applicable to the Company. The basic earnings per share are calculated as follows:

	2024	2023
Net income for the year	**26,528**	**2,326**
Weighted average number of ordinary shares	**100,000**	**100,000**
Basic and diluted earnings per share (expressed in SR per share)	**0.27**	**0.02**

30. FINANCIAL RISK MANAGEMENT

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Credit and Risk Management Committee, which has the responsibility to monitor the overall risk process within the Company.

The Credit and Risk Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Credit and Risk Management Committee is responsible for managing risk decisions and monitoring on risk levels and reports on a quarterly basis to the Board of Directors.

Credit risk

The Company manages exposure to credit risk, which 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. Credit exposures arise primarily in investments in finance lease and Murabaha receivables.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Company's risk management policies are designed to identify, to set appropriate risk limits, and to monitor the risks and adherence to limits. Actual exposures against limits are monitored on regular basis.

Concentrations of credit risk arise 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 similarly affected 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 seeks to manage its credit risk exposure through diversification to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. Management monitors the market value of collateral obtained during its review of the adequacy of the impairment allowance for credit losses. The Company regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The Company regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

i. Credit quality analysis

The Company groups its net investments in finance lease and Murabaha receivables into Stage 1, Stage 2, Stage 3, as described below:

Stage 1: When the investments in finance lease and Murabaha receivables are first recognised, the Company recognises an allowance based on 12 months ECLs. Stage 1 investments in finance lease and Murabaha receivables also include those where the credit risk has improved and the investments in finance lease and Murabaha receivables has been reclassified from Stage 2 after curing period has lapsed.

Stage 2: When the investments in finance lease and Murabaha receivables has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECL. Stage 2 investments in finance lease and Murabaha receivables also include those where the credit risk has improved and the investments in finance lease and Murabaha receivables has been reclassified from Stage 3 after the curing period has lapsed.

Stage 3: Investments in finance lease and Murabaha receivables considered credit-impaired. The Company recognizes an allowance for the Lifetime ECL.

ii. Generating the term structure of PD

Days past due is the primary input into the determination of the PD term structure. The Company collects performance and default information about its credit risk exposures, analyses the relationships between its historical default rates and macro-economic factors. The key macro-economic indicators are crude oil price, general government revenue, total investment, Inflation, Gross national savings (Percent of GDP), Current account balance (US dollars), Government gross debt and general government expenditures apart from the relationship of multiple variables which were tested and used in the development of macroeconomic overlaid PD term structures.

iii. Determining whether credit risk has increased significantly

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

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modelling, using its expert credit judgment and, where possible, relevant historical experience, the Company determines that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii. Determining whether credit risk has increased significantly (continued)

Any exposure for which there is a SICR since origination. The Company clearly defines what it considers to be SICR. Such indicators include:
- The payments are past due by more than 30 days;
- The borrower has a moderate risk of default;
- The borrower has a weak or deficient capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term are more likely than not to reduce the borrower's ability to fulfil its obligations.
- The borrower has requested rescheduling of repayments as a financial support.
- For commercial portfolio, a two-notch downgrade in internal rating

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and expert credit assessment.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the remaining lifetime probability of default (“PD”) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

iv. Definition of ‘Default’

The Company considers an investment in finance lease or financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to Company in full; or
- the borrower is past due more than 90 days on its credit obligation to the Company.

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

- The borrower has a high risk of default or has defaulted;
- The borrower has requested rescheduling of repayments as a financial support twice, or more;
- Past due more than 90 days;
- The borrower is deceased;
- The account is considered as fraudulent;
- The borrower has an inadequate capacity to meet contractual cash flow obligations due to financial difficulty in the near term;
- The collection of principal and finance income is highly questionable and improbable; and
- Adverse changes in economic and business conditions in the near and longer term will only further negatively impact borrower's ability to fulfil obligations.

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

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

v. Incorporation of forward-looking information

The Company incorporates forward-looking information into its measurement of ECL. The expected credit losses have been determined using three different, forward-looking scenarios – Baseline, Upturn and Downturn. The ECL for each of the scenario is calculated and weighted by the likelihood of that scenario occurring.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses for its main Retail Mortgage portfolio and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. Listed below are the key independent variables selected on the basis of correlation used as at 31 December 2024 for retail mortgage portfolio, included within investment in finance lease and Murabaha receivables.

- Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars
- General government revenue (National currency)
- Total Investment (Percent of GDP)

2023

- Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars
- General government revenue (National currency)
- Total Investment (Percent of GDP)

The economic scenarios used as at 31 December 2024 and 2023 for the main retail Mortgage portfolio included the following ranges of key macroeconomic variables:

Macroeconomic variable	**2024**
Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars	Upside 30% Base case 40% Downside 30%
General government revenue (National currency)	
Total Investment (Percent of GDP)	
Macroeconomic variable	**2023**
Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars	Upside 30% Base case 40% Downside 30%
General government revenue (National currency)	
Total Investment (Percent of GDP)	

Predicted relationships between the key indicators and default and loss rates on Retail Mortgages have been developed based on analyzing historical macro data over the past 10 years. The Company has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Macroeconomic variable	**Forecast calendar years used in 2024 ECL model**		
	2024	**2025**	**2026**
Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars	78.6	73.6	70.5
General government revenue (National currency)	1,182.0	1,303.0	1,356.6
Total Investment (Percent of GDP)	29.6	30.0	30.4

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

v. Incorporation of forward-looking information (continued)

Macroeconomic variable	**Forecast calendar years used in 2023 ECL model**		
	2023	2024	2025
Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars	80.5	79.9	75.9
General government revenue (National currency)	1,171.7	1,226.1	1,270.9
Total Investment (Percent of GDP)	27.4	28.1	28.6

The ECL is sensitive to the above macroeconomic variable, hence, changes to these variables would lead to changes in the provisions of the Company.

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

The table below illustrates the sensitivity of the main Retail Mortgage portfolio ECL to key factors used in determining it as at the year-end:

Assumptions sensitized	**Impact to the 2024 ECL - increase/ (decrease)**
Macro-economic factors:	
Decrease in Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars by 10%	18,313
Decrease in General government revenue (National currency) by 10%	13,122
Decrease in Total Investment (Percent of GDP) by 10%	15,613
Scenario weightages:	
Base scenario reduced by -10% with corresponding change in downside	171,147
Base scenario reduced by -10% with corresponding change in upside	(120,702)

Assumptions sensitized	**Impact to the 2023 ECL - increase/ (decrease)**
Macro-economic factors:	
Decrease in Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars by 10%	40,954
Decrease in General government revenue (National currency) by 10%	62,674
Decrease in Total Investment (Percent of GDP) by 10%	58,947

Scenario weightages:	
Base scenario reduced by -10% with corresponding change in downside	210,685
Base scenario reduced by -10% with corresponding change in upside	(151,342)

The Company has also identified and documented key drivers of credit risk and credit losses for its relatively new portfolios including Commercial Real Estate (CRE), SME/Corporate, Personal Finance (Retail) and Personal Finance (Commercial) and, due to the absence of historical data (default data), the industry level default rates in KSA were used. Listed below are the key independent variables selected on the basis of correlation with industry benchmarks used as at 31 December 2024.

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

v. Incorporation of forward-looking information (continued)

- Government total expenditure (Percent of GDP)
- Total investment (Percent of GDP) ln
- Government gross debt
- Inflation
- Gross national savings (Percent of GDP)
- Current account balance (US dollars)

2023

- Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars
- General government revenue (National currency)
- General government expenditure
- Gross domestic product

Aligned with the primary scenarios for the main retail mortgage portfolio, consistent scenario weights—Upside (30%), Base case (40%), and Downside (30%)—were applied to the Commercial Real Estate (CRE), SME/Corporate, and Personal Finance (Commercial and Retail) portfolios.

Macroeconomic variable	**2024**
Government total expenditure (Percent of GDP)	Upside 30% Base case 40% Downside 30%
Total investment (Percent of GDP) ln	
Government gross debt	
Inflation	
Gross national savings (Percent of GDP)	
Current account balance (US Dollars)	
Macroeconomic variable	**2023**
Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars	Upside 30% Base case 40% Downside 30%
General government revenue (National currency) Percent of GDP	
General government expenditure	
Gross domestic product	

Predicted relationships between the key indicators and default and loss rates on Commercial Real Estate (CRE), SME/Corporate, and Personal Finance (Commercial and Retail) portfolios have been developed based on analyzing historical macro data over the past 10 years. The Company has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Macroeconomic variable	**Forecast calendar years used in 2024 ECL model**		
	2024	**2025**	**2026**
Government total expenditure (Percent of GDP)	31.26	31.30	31.48
Total investment (Percent of GDP) ln	3.39	3.40	3.42
Government gross debt	0.81	0.10	0.05
Inflation	-0.57	0.64	-0.18
Gross national savings (Percent of GDP)	30.08	29.47	29.09
Current account balance (US Dollars)	11.32	-1.81	-13.58

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

v. Incorporation of forward-looking information (continued)

Macroeconomic variable	Forecast calendar years used in 2023 ECL model		
	2023	2024	2025
Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars	73.13	68.9	66.9
General government revenue (National currency) Percent of GDP	28.5	28.7	28.8
General government expenditure	29.6	29.9	29.7
Gross domestic product	3.0	3.1	3.0

The table below illustrates the sensitivity of the main Retail Mortgage portfolio ECL to key factors used in determining it as at the year-end:

Assumptions sensitized	Impact to the 2024 ECL - increase/ (decrease)
Macro-economic factors:	
Decrease in Government total expenditure (Percent of GDP) by 10%	580,912
Decrease in Total investment (Percent of GDP) ln by 10%	450,901
Decrease in Government gross debt by 10%	12,754
Decrease in Inflation by 10%	9,664
Decrease in Gross national savings (Percent of GDP) by 10%	777,265
Decrease in Current account balance (US Dollars) by 10%	39,263

Scenario weightages:	
Base scenario reduced by -10% with corresponding change in downside	483,138
Base scenario reduced by -10% with corresponding change in upside	(231,480)

Assumptions sensitized	Impact to the 2023 ECL - increase/ (decrease)
Macro-economic factors:	
Decrease in Crude Oil Price (Average of Brent, Dubai and WTI) in U.S. dollars by 10%	592,533
Decrease in General government revenue (Percent of GDP) by 10%	31,802
Decrease in General Government Expenditure (Percent.of.GDP) by 10%	359,300
Decrease in Gross Domestic Product (Percent.Change) by 10%	12,285

Scenario weightages:	
Base scenario reduced by -10% with corresponding change in downside	113,053
Base scenario reduced by -10% with corresponding change in upside	(87,254)

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

vi. Measurement of ECL

The key inputs into the measurement of ECL are the following risk estimates:
i. probability of default (PD);
ii. loss given default (LGD); and
iii. exposure at default (EAD).

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored for Commercial Real Estate (CRE), Personal Finance (Commercial and Retail) and SME/Corporate portfolios. These rating models are based on both quantitative and qualitative factors. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. As for the Retail Mortgage portfolio, the PD is allocated at the risk segment level and not the rating level. Furthermore, the PD term structure is estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD based on the history of recovery rates of claims against defaulted counterparties. LGD estimation considers the structure, any sale of collateral, and recovery costs of any collateral that is integral to the investment in finance lease receivables and Murabaha receivables. Due to sparse historical defaults, the quantitative LGD estimates are adjusted based on expert judgement to arrive at the final collateral value after haircut used for estimating the LGD%.

EAD represents the expected exposure in the event of a default. The EADs are the outstanding principal (+ 3 months accrued profits) and earned but not yet collected profit for each contract.

During the year, the Company performed ECL model validation exercise which resulted to the following updates in the retail mortgage portfolio model.

Parameter	Update
PD model	16 quarters (Sep’18-Jun’23) of historical data is used to update TTC PD. Since additional 4 quarters of data is available (Sept’22 – Jun’23). The TTC PD will be more reliable and stable (12 months is kept for performance tagging – hence all data till Jun’24 is used)
Macroeconomic model	Multiple linear regression was performed with the latest available data.
LGD model	The model is updated with the latest available data leading to update of cure rates and recovery rates and ultimately more relevant LGD values pertaining to each customer. 85 % Possession Rate applied based on historical data. Cost of recovery, time to liquidate post repossession have been updated to 3.17% and 2.6 years respectively.

In addition, the Company has validated/recalibrated the Commercial Real Estate (CRE), SME/Corporate, Personal Finance (Retail) and Personal Finance (Commercial) models) this year.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

vi. Measurement of ECL (continued)

The parameters and methodology used are explained as below:

Parameter	Methodology
PD model	PD computed for IFRS 9 purposes is a ‘point-in-time’ (PIT) estimate, as it is reflective of current macroeconomic conditions, as opposed to a long-term average PD (TTC) computed through the macroeconomic cycle, used more commonly under the Basel Internal Rating Based (IRB) approach. The default data for the SME/Corporate, Personal Finance (Commercial and Retail) and commercial real estate (CRE) portfolios is still either not available or not substantial to be used in modelling – Hence, in order to develop PIT PD models, default rates for these portfolios is based on the peer analysis of the industry in Saudi Arabia. This information has been provided by a third-party consultant with significant experience of working with financial institutions in Saudi Arabia. The third-party consultant has provided aggregate anonymized data that is based on its experience.
Macroeconomic model	For the purpose of creating macroeconomic models, the macroeconomic factors/ variables are used as independent factors. The data for the systemic factors is obtained from International Monetary Fund (“IMF”). IMF dataset provides annual data for macroeconomic variables for the time period from 2000-2029. The macroeconomic variables used in these models are as follows: - Government total expenditure - Total investment - Government gross debt - Inflation - Gross national savings - Current account balance Vasicek technique has been used to develop PIT PD model. In this process, the dependent variable is the default rate and the independent variables are the macro variables. The macro variables were selected on the basis of business intuition and correlation.

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

vi. Measurement of ECL (continued)

<table>
<tr><td rowspan="10">LGD model</td><td colspan="3">In order to arrive at the LGD values, the exposures were split into two portions, namely, collateralized and uncollateralized exposures. The collateralized exposures are the % of exposure that are backed by the collateral values post the haircut. While the remaining exposure is uncollateralized, which is the unsecured exposure. The LGD applied to the two portions are as follows:</td></tr>
<tr><td>Exposure Split</td><td></td><td>LGD/Estim Loss*</td></tr>
<tr><td rowspan="5">Secured Portion</td><td>EFC (Cash/FS)</td><td>0%</td></tr>
<tr><td>Commercial/Residential RE</td><td>20%</td></tr>
<tr><td>Receivables</td><td>20%</td></tr>
<tr><td>Others</td><td>25%</td></tr>
<tr><td>Kafalah Guarantee</td><td>0%</td></tr>
<tr><td rowspan="2">Unsecured Portion</td><td>Commercial RE/SME/Corporate</td><td>40%</td></tr>
<tr><td>Personal Finance</td><td>70%</td></tr>
<tr><td colspan="3">The haircut applied to the collateralized exposures is 40% for Commercial RE and 25% for Residential RE.</td></tr>
</table>

The overall exposure for personal finance and SMEs portfolio is SAR 152 million which represents 3.51% of the total exposure. The details are as below:

	2024			
	12-month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Loss rate in %	**0.77**	**1.72**	**72.98**	**1.14**
Exposure at default	**149,459**	**3,670**	**729**	**153,858**
Allowance for ECL	**(1,153)**	**(63)**	**(532)**	**(1,748)**
Net carrying amount	**148,306**	**3,607**	**197**	**152,110**

Loss allowance

The following table shows reconciliations from the opening to the closing balance of the carrying amount of the investment in finance lease, Murabaha receivables and related loss allowance accounts. The transfers during the year for the pre-existing contracts are presented at the receivable amount outstanding/ECL amount under those contracts as of the close of previous year end except for new originations, where the new originations and their transfers to different stages are presented at the receivable amount outstanding/ECL amount under those contracts as of reporting date.

Net changes include change in the receivable amount outstanding /ECL between two reporting date of contracts existing at both dates. Contracts terminated during the year or paid off are included in net changes during the year at the amount outstanding/ECL amount under those contracts as of the close of previous year end.

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Investment in finance lease

		Lifetime ECL as at 2024		
Investments in finance lease - gross	**12 Month ECL**	**Not credit Impaired**	**Credit impaired**	**Total**
Opening balance at 1 January	**3,279,037**	**225,693**	**126,304**	**3,631,034**
Transfer to 12 Month ECL	**57,584**	**(57,584)**	**-**	**-**
Transfer to Lifetime ECL (not credit impaired)	**(148,732)**	**161,247**	**(12,515)**	**-**
Transfer to Lifetime ECL (credit impaired)	**-**	**(39,325)**	**39,325**	**-**
New originations during the year	**412,932**	**-**	**-**	**412,932**
Net change for the year	**(445,882)**	**(38,366)**	**(40,883)**	**(525,131)**
Closing balance	**3,154,939**	**251,665**	**112,231**	**3,518,835**

		Lifetime ECL as at 2024		
Loss allowance	**12 Month ECL**	**Not credit Impaired**	**Credit impaired**	**Total**
Opening balance at 1 January	**4,080**	**4,945**	**16,438**	**25,463**
Transfer to 12 Month ECL	**1,806**	**(1,806)**	**-**	**-**
Transfer to Lifetime ECL (not credit impaired)	**(485)**	**1,843**	**(1,358)**	**-**
Transfer to Lifetime ECL (credit impaired)	**-**	**(507)**	**507**	**-**
New originations during the year	**374**	**-**	**-**	**374**
Reversal of provision previously written off	**-**	**-**	**2,034**	**2,034**
Net change for the period	**(3,903)**	**839**	**(7,451)**	**(10,515)**
Closing balance	**1,872**	**5,314**	**10,170**	**17,356**

The net reduction during the year in the loss allowance were caused predominantly by improved collateral values used in estimating loss given default as well as improved collections. Further, there is decrease in the volume of portfolio as mentioned in note 10.

		Lifetime ECL as at 2023		
Investments in finance lease - gross	12 Month ECL	Not credit Impaired	Credit impaired	Total
Opening balance at 1 January	3,420,777	252,012	172,972	3,845,761
Transfer to 12 Month ECL	99,462	(99,462)	-	-
Transfer to Lifetime ECL (not credit impaired)	(117,968)	149,590	(31,622)	-
Transfer to Lifetime ECL (credit impaired)	-	(33,784)	33,784	-
New originations during the year	388,646	-	-	388,646
Net change for the year	(511,880)	(42,663)	(48,830)	(603,373)
Closing balance	3,279,037	225,693	126,304	3,631,034

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Investment in finance lease (continued)

Loss allowance	12 Month ECL	Lifetime ECL as at 2023 Not credit Impaired	Lifetime ECL as at 2023 Credit impaired	Total
Opening balance at 1 January	2,269	7,342	21,445	31,056
Transfer to 12 Month ECL	4,428	(4,428)	-	-
Transfer to Lifetime ECL (not credit impaired)	(375)	3216	(2,841)	-
Transfer to Lifetime ECL (credit impaired)		(651)	651	-
New originations during the year	1,496	-	-	1,496
Provision written off	-	-	974	974
Net change for the period	(3,738)	(534)	(3,791)	(8,063)
Closing balance	4,080	4,945	16,438	25,463

Murabaha receivables

Murabaha receivables - gross	**12 Month ECL**	**Lifetime ECL as at 2024 Not credit Impaired**	**Lifetime ECL as at 2024 Credit impaired**	**Total**
Opening balance at 1 January	**558,418**	**15,261**	**6,975**	**580,654**
Transfer to 12 Month ECL	**2,279**	**(2,279)**	**-**	**-**
Transfer to Lifetime ECL (not credit impaired)	**(23,594)**	**24,216**	**(622)**	**-**
Transfer to Lifetime ECL (credit impaired)	**-**	**(13,835)**	**13,835**	**-**
New originations during the year	**331,514**	**-**	**-**	**331,514**
Net change for the year	**(66,509)**	**(3,220)**	**31**	**(69,698)**
Closing balance	**802,108**	**20,143**	**20,219**	**842,470**

The net increase during the year in the loss allowance is caused predominantly by increase in the volume of the portfolio as mentioned in note 11. As of December 31, 2024, the portfolio was fairly new, however, with the passage of time and increase in overdue balances, the loss allowance has also increased.

Loss allowance	**12 Month ECL**	**Lifetime ECL as at 2024 Not credit Impaired**	**Lifetime ECL as at 2024 Credit impaired**	**Total**
Opening balance at 1 January	**1,703**	**288**	**1,073**	**3,064**
Transfer to 12 Month ECL	**65**	**(65)**	**-**	**-**
Transfer to Lifetime ECL (not credit impaired)	**(143)**	**250**	**(107)**	**-**
Transfer to Lifetime ECL (credit impaired)	**-**	**(194)**	**194**	**-**
New originations during the year	**1,294**	**-**	**-**	**1,294**
Net change for the year	**(582)**	**198**	**2,716**	**2,332**
Closing balance	**2,337**	**477**	**3,876**	**6,690**

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Murabaha receivables (continued)

		Lifetime ECL as at 2023		
Murabaha receivables - gross	12 Month ECL	Not credit Impaired	Credit impaired	Total
Opening balance at 1 January	298,959	8,703	1,458	309,120
Transfer to 12 Month ECL	5,624	(5,624)	-	-
Transfer to Lifetime ECL (not credit impaired)	(18,014)	18,014	-	-
Transfer to Lifetime ECL (credit impaired)	-	(5,606)	5,606	-
New originations during the year	287,835	-	-	287,835
Net change for the year	(15,986)	(226)	(89)	(16,301)
Closing balance	558,418	15,261	6,975	580,654

		Lifetime ECL as at 2023		
Loss allowance	12 Month ECL	Not credit Impaired	Credit impaired	Total
Opening balance at 1 January	436	379	190	1,005
Transfer to 12 Month ECL	250	(250)	-	-
Transfer to Lifetime ECL (not credit impaired)	(114)	114	-	-
Transfer to Lifetime ECL (credit impaired)	-	(119)	119	-
New originations during the year	1,452	-	-	1,452
Net change for the year	(321)	164	764	607
Closing balance	1,703	288	1,073	3,064

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

	2024	2023
Reversal of allowance - investment in finance lease (note 10)	**(10,141)**	(6,567)
Charge for the year - Murabaha receivables (note 11)	**3,626**	2,059
(Reversal) /charge for the year - insurance claims receivable, deceased cases (note 8)	**(2,892)**	(1,946)
Impairment loss on other real estate (note 13)	**2,946**	2,790
Allowance against receivable under litigation (note 8)	**1,076**	-
Total	**(5,385)**	(3,664)

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Collateral

The Company in the ordinary course of lending activities hold collateral as security to mitigate credit risk in the investments in finance lease portfolio and Murabaha receivables excluding personal and small and middle size portfolio. This collateral mostly include financial guarantees and titles/pledges of real estate properties. The collateral is managed against relevant exposures at their net realizable values. For investment in finance leases and Murabaha receivables that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk.

The amount of collateral held as security for investments in finance lease and Murabaha receivables that are credit impaired as at 31 December are as follows. The Company has a policy to value every year, all real estate properties leased out under stage 3, by involving approved appraisers.

	Fair value	
Loan to Value (SR '000)	**2024**	2023
Less than 50%	**9,180**	2,980
51-70%	**101,234**	97,344
More than 70%	**188,362**	150,689
Total stage 3 collateral	**298,776**	251,013
Total stage 3 EAD	**134,192**	133,278

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

Management monitors the maturity profile of the Company's assets and liabilities based on the remaining period at the balance sheet date to the contractual maturity date to ensure that adequate liquidity is maintained. All liabilities are contractually payable on a current basis. The table below shows an analysis of undiscounted amount of non-derivative financial assets and liabilities according to their contractual maturities.

2024	No contractual maturity	Within 3 months	3-12 months	2-5 years	Over 5 years	Total
Assets						
Cash and bank balances	-	69,189	-	-	-	69,189
Investment held at FVOCI	893	-	-	-	-	893
Investment in finance lease (gross)	-	141,538	422,278	2,027,902	2,931,402	5,523,120
Murabaha receivables	-	51,664	141,757	503,330	597,916	1,294,667
Other receivables, net	-	3,121	4,604	24,002	-	31,727
Due from a related party	-	287	-	-	-	287
Total assets	893	265,799	568,639	2,555,234	3,529,318	6,919,883

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

2024	**No contractual maturity**	**Within 3 months**	**3-12 months**	**2-5 years**	**Over 5 years**	**Total**
Liabilities						
Tawarruq financing facilities (gross)	**-**	**210,416**	**549,580**	**2,250,088**	**220,400**	**3,230,484**
Accounts payable and other liabilities	**-**	**7,628**	**-**	**-**	**-**	**7,628**
Lease liability	**-**	**2,180**	**2,180**	**2,180**	**-**	**6,540**
Total liabilities	**-**	**220,224**	**551,760**	**2,252,268**	**220,400**	**3,244,652**
Net	**893**	**45,575**	**16,879**	**302,966**	**3,308,918**	**3,675,231**

2023	No contractual maturity	Within 3 months	3-12 months	2-5 years	Over 5 years	Total
Assets						
Cash and bank balances	-	80,272	-	-	-	80,272
Investment held at FVOCI	893	-	-	-	-	893
Invest. in finance lease (gross)	-	138,947	415,703	2,000,939	3,113,222	5,668,811
Murabaha receivables	-	25,899	77,789	308,397	509,392	921,477
Other receivables, net	5,387	3,908	6,592	34,890	-	50,777
Due from a related party	-	504	-	-	-	504
Total assets	6,280	249,530	500,084	2,344,226	3,622,614	6,722,734

2023	No contractual maturity	Within 3 months	3-12 months	2-5 years	Over 5 years	Total
Liabilities						
Tawarruq financing facilities (gross)	-	306,736	380,484	2,353,948	239,045	3,280,213
Accounts payable and other liabilities	5,387	9,136				14,523
Lease liability	-	2,349	469	-	-	2,818
Total liabilities	5,387	318,221	380,953	2,353,948	239,045	3,297,554
Net	893	(68,691)	119,131	(9,722)	3,383,569	3,425,180

Market risk

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as commission rates, and foreign exchange rates.

Expressed in thousands of Saudi Riyal unless otherwise stated)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risks

The Company is exposed to interest rate risk because the Company has borrowings at floating interest rates.

The following table depicts the sensitivity to a reasonable possible change in commission rates, with other variables held constant, on the Company's statement of profit or loss and other comprehensive income over the next 12 month.

	Increase/ decrease in basis points	**2024**	2023
Variable interest rate-based	**+10**	**130**	277
Investment in finance lease	**-10**	**(130)**	(277)

	Increase/ decrease in basis points	**2024**	2023
	+10	**1,487**	2,139
Tawarruq financing facilities	**-10**	**(1,487)**	(2,139)

The Company's sensitivity to interest rates variation on Tawarruq financing facilities has increased during the current year mainly due to the increase in interest rates in the market.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars and both currencies are pegged.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

All financial assets and financial liabilities are measured at amortized cost except for derivative financial instrument classified as FVTPL and investment in finance lease in accordance with IFRS 16.

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

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

Expressed in thousands of Saudi Riyal unless otherwise stated)

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair values of the financial instruments are not materially different from their carrying amounts except for the finance lease receivables, Murabaha receivables and Tawarruq financing facilities which are measured in accordance with respective IFRSs requirements.

Fair value hierarchy

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

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

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

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

The fair value of derivative financial instrument is generally calculated using level 2 techniques as the present value of the estimated future cash flows using the curves at the reporting date and adjusted to reflect the credit risk of the counterparties.

32. CAPITAL MANAGEMENT

The Company manages and controls its capital structure and liquidity needs in order to safeguard the Company's ability to meet its future obligations and growing plans and continue as a going concern.

The Company monitors the adequacy of its capital using below measures:

	2024	2023
Capital ratio	**22.47%**	22.97%

The capital ratio above is calculated by dividing the Company's total share capital with the weighted average total assets of the Company as at year-end.

The Company also raised Tawarruq financing to fund investments in finance lease and Murabaha receivables to help achieve the differential between cost of funds and financing income from net investment in finance leases and Murabaha receivables.

The Company monitors aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA. SAMA requires finance Companies engaged in financing of real estate, to not exceed aggregate financing to capital ratio of five times.

	2024	2023
Aggregate financing to capital ratio *(Net investment in finance lease and Murabaha receivables divided by total shareholders' equity)*	**2.57 times**	2.52 times

33. CONTINGENCIES

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

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

34. SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Company carries out its activities entirely in the Kingdom of Saudi Arabia and is mainly engaged in providing real estate financing.

35. BOARD OF DIRECTORS APPROVAL

These financial statements were authorised for issue by the Board of Directors through their resolution approved by circulation dated February 26, 2025.