**AJIL FINANCIAL SERVICES COMPANY**
(A Saudi Closed Joint Stock Company)

**FINANCIAL STATEMENTS**
For the year ended 31 December 2024
together with the
**INDEPENDENT AUDITOR'S REPORT**

**AJIL FINANCIAL SERVICES COMPANY**
(A Saudi Closed Joint Stock Company)

**FINANCIAL STATEMENTS**
For the year ended 31 December 2024

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**KPMG Professional Services Company**
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

**Headquarters in Riyadh**

**شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية**
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

**المركز الرئيسي في الرياض**

# Independent Auditor's Report

To the Shareholders of AJIL Financial Services Company

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of AJIL Financial Services Company ("the Company"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory 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 (IFRS) as issued by the International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter

The financial statements of the Company as at and for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those financial statements on 22 Sha'ban 1445H corresponding to 03 March 2024.

### 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 IFRS as issued by the International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Companies' Law, Company's By-Laws 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.

KPMG

# Independent Auditor's Report

To the Shareholders of AJIL Financial Services Company (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, 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 of AJIL Financial Services Company ("the Company").

# Independent Auditor's Report

To the Shareholders of AJIL Financial Services Company (continued)

## Report on Other Legal and Regulatory Requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Company is not in compliance, in all material respects, with the applicable requirements of the Companies' Law and the Company's By-laws in so far as they affect the preparation and presentation of the financial statements.

**KPMG Professional Services Company**

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, 4 March 2025
Corresponding to 4 Ramadan 1446H

**AJIL FINANCIAL SERVICES COMPANY**
(A Saudi Closed Joint Stock Company)

**STATEMENT OF PROFIT OR LOSS**
For the year ended 31 December 2024

| | *Note* | *2024*<br>*SR* | *2023*<br>*SR* |
|---|---|---|---|
| Revenue | 5 | **201,572,639** | 162,203,588 |
| Finance charges | 6 | **(32,064,110)** | (5,577,006) |
| | | **169,508,529** | 156,626,582 |
| General and administrative expenses | 7 | **(87,872,219)** | (93,970,239) |
| Depreciation of equipment, furniture, and vehicles | 14 | **(1,520,781)** | (1,131,240) |
| Depreciation of right of use assets | 15 | **(3,671,709)** | (3,298,405) |
| Amortization of intangible assets | 16 | **(912,256)** | (731,387) |
| **Profit before expected credit losses** | | **75,531,564** | 57,495,311 |
| Expected credit losses | 24 | **(22,564,934)** | (34,335,257) |
| Recovery of debts previously written-off | | **12,897,686** | 21,023,394 |
| **Profit before Zakat** | | **65,864,316** | 44,183,448 |
| Zakat charge | 8 | **(13,619,401)** | (9,111,276) |
| **Net profit for the year** | | **52,244,915** | 35,072,172 |

The attached notes 1 to 30 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 31 December 2024

| | *Note* | ***2024*** | *2023* |
|---|---|---|---|
| | | ***SR*** | *SR* |
| **Net profit for the year** | | **52,244,915** | 35,072,172 |
| **Other comprehensive income / (loss)** | | | |
| *Items that will not be reclassified to profit or loss in subsequent years:* | | | |
| Re-measurement gain / (loss) on employees' end of service benefits | 20 | **775,904** | (269,300) |
| **Total comprehensive income for the year** | | **53,020,819** | 34,802,872 |

The attached notes 1 to 30 form an integral part of these financial statements.

**AJIL FINANCIAL SERVICES COMPANY**
(A Saudi Closed Joint Stock Company)

**STATEMENT OF FINANCIAL POSITION**
As at 31 December 2024

| | *Note* | ***2024*** <br> ***SR*** | *2023* <br> *SR* |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 9 | **60,422,699** | 34,812,408 |
| Advances, prepayments and other receivables | 10 | **41,687,313** | 45,541,652 |
| Net investment in finance leases | 11 | **607,856,276** | 672,625,339 |
| Murabaha financing receivables, net | 12 | **1,205,387,812** | 917,562,595 |
| Equity investment at fair value through other comprehensive income | 13 | **892,850** | 892,850 |
| Equipment, furniture, and vehicles | 14 | **7,574,251** | 4,719,066 |
| Right of use assets | 15 | **5,118,695** | 5,229,574 |
| Intangible assets | 16 | **4,261,484** | 2,926,234 |
| **Total assets** | | **1,933,201,380** | 1,684,309,718 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | 17 | **500,000,000** | 500,000,000 |
| Statutory reserve | 18 | **105,404,330** | 105,404,330 |
| Retained earnings | | **131,863,539** | 97,154,710 |
| Actuarial losses on employees' end of service benefits | | **(3,386,731)** | (4,162,635) |
| **Total shareholders' equity** | | **733,881,138** | 698,396,405 |
| **Liabilities** | | | |
| Accounts payables, accrued and other liabilities | 21 | **56,898,265** | 76,605,148 |
| Due to related parties | 22 | **1,991,976** | 1,446,700 |
| Lease liabilities | 15 | **3,834,043** | 4,055,399 |
| Term loans | 23 | **1,105,006,841** | 877,972,866 |
| Provision for zakat | 8 | **13,619,401** | 9,111,276 |
| Employees' end of service benefits | 20 | **17,969,716** | 16,721,924 |
| **Total liabilities** | | **1,199,320,242** | 985,913,313 |
| **Total shareholders' equity and liabilities** | | **1,933,201,380** | 1,684,309,718 |

The attached notes 1 to 30 form an integral part of these financial statements.

**AJIL FINANCIAL SERVICES COMPANY**
(A Saudi Closed Joint Stock Company)

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
For the year ended 31 December 2024

| | *Share capital SR* | *Statutory reserve SR* | *Retained earnings SR* | *Actuarial losses on employees' end of service benefits SR* | *Total SR* |
|---|---|---|---|---|---|
| Balance as at 1 January 2024 | **500,000,000** | **105,404,330** | **97,154,710** | **(4,162,635)** | **698,396,405** |
| Net profit for the year | **--** | **--** | **52,244,915** | **--** | **52,244,915** |
| Other comprehensive income | **--** | **--** | **--** | **775,904** | **775,904** |
| Total comprehensive income for the year | **--** | **--** | **52,244,915** | **775,904** | **53,020,819** |
| Transactions with shareholders of the Company | | | | | |
| Dividend (note 19) | **--** | **--** | **(17,536,086)** | **--** | **(17,536,086)** |
| **Balance as at 31 December 2024** | **500,000,000** | **105,404,330** | **131,863,539** | **(3,386,731)** | **733,881,138** |
| Balance as at 1 January 2023 | 500,000,000 | 101,897,113 | 72,189,755 | (3,893,335) | 670,193,533 |
| Net profit for the year | -- | -- | 35,072,172 | -- | 35,072,172 |
| Other comprehensive loss | -- | -- | -- | (269,300) | (269,300) |
| Total comprehensive income for the year | -- | -- | 35,072,172 | (269,300) | 34,802,872 |
| Transactions with shareholders of the Company | | | | | |
| Transfer to statutory reserve | -- | 3,507,217 | (3,507,217) | -- | -- |
| Dividend (note 19) | -- | -- | (6,600,000) | -- | (6,600,000) |
| Balance as at 31 December 2023 | 500,000,000 | 105,404,330 | 97,154,710 | (4,162,635) | 698,396,405 |

The attached notes 1 to 30 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**
For the year ended 31 December 2024

| | *Note* | ***2024*** | *2023* |
|---|---|---|---|
| | | ***SR*** | *SR* |
| **OPERATING ACTIVITIES** | | | |
| Profit before Zakat | | **65,864,316** | 44,183,448 |
| | | | |
| Adjustments for non-cash items: | | | |
| Unwinding of modification losses on investment in finance lease, net | 5 | **--** | (1,631,096) |
| Modification gains on term loans, net | 6 | **--** | 1,733,906 |
| Finance charges | 6 | **32,064,110** | 3,843,100 |
| Expected credit losses | 24 | **22,564,934** | 34,335,257 |
| Depreciation of equipment, furniture, and vehicles | 14 | **1,520,781** | 1,131,240 |
| Depreciation of right of use assets | 15 | **3,671,709** | 3,298,405 |
| Amortization of intangible assets | 16 | **912,256** | 731,387 |
| Employees' end of service benefits | 20 | **2,707,127** | 2,564,043 |
| Gain on disposal of equipment, furniture, and vehicles | | **(4,479)** | (94,866) |
| Income from modification of lease liabilities | | **--** | (833,298) |
| | | **129,300,754** | 89,261,526 |
| Changes in operating assets and liabilities: | | | |
| Net investment in finance leases | | **81,783,345** | 42,410,966 |
| Murabaha financing receivables | | **(323,477,078)** | (112,123,060) |
| Advances, prepayments and other receivables | | **(73,016)** | (14,414,343) |
| Accounts payables, accrued and other liabilities | | **(19,706,883)** | (27,019,439) |
| Due to related parties | | **545,276** | (18,480,477) |
| Cash used in operations | | **(131,627,602)** | (40,364,827) |
| | | | |
| Zakat paid | 8 | **(9,111,276)** | (3,979,813) |
| Finance charges paid | | **(29,087,169)** | (3,206,020) |
| Employees' end of service benefits paid | 20 | **(683,431)** | (1,686,380) |
| **Net cash used in operating activities** | | **(170,509,478)** | (49,237,040) |
| | | | |
| **INVESTING ACTIVITIES** | | | |
| Purchase of equipment, furniture, and vehicles | 14 | **(4,375,966)** | (3,273,407) |
| Purchase of intangible assets | 16 | **(2,247,506)** | (1,309,197) |
| Proceeds from disposal of equipment, furniture, and vehicles | | **4,479** | 94,866 |
| **Net cash used in investing activities** | | **(6,618,993)** | (4,487,738) |
| | | | |
| **FINANCING ACTIVITIES** | | | |
| Dividend paid | 19 | **(17,536,086)** | (6,600,000) |
| Proceeds from term loans | | **1,274,629,832** | 643,312,856 |
| Repayments of term loans | | **(1,050,289,102)** | (727,231,810) |
| Repayment of principal portion of lease liabilities | | **(3,782,185)** | (3,134,225) |
| Repayment of interest portion of lease liabilities | | **(283,697)** | (158,953) |
| **Net cash generated from / (used in) financing activities** | | **202,738,762** | (93,812,132) |
| | | | |
| **Net change in cash and cash equivalents** | | **25,610,291** | (147,536,910) |
| Cash and cash equivalents at the beginning of the year | 9 | **34,812,408** | 182,349,318 |
| **Cash and cash equivalents at the end of the year** | 9 | **60,422,699** | 34,812,408 |

The attached notes 1 to 30 form an integral part of these financial statements.

## 1 ORGANIZATION AND ACTIVITIES

AJIL Financial Services Company (the "Company" or "AJIL") is registered in the Kingdom of Saudi Arabia under commercial registration number 4030122889, dated 30 Rajab 1418H (corresponding to 30 November 1997). The legal status of the Company was changed from a Limited Liability Company to a Closed Joint Stock Company under Ministerial Declaration number 206/Q, dated 18 Jumada Al-Akhirah 1429H (corresponding to 22 September 2008), and according to Companies' Law Provisions issued by Royal Decree number M/6 dated 27 Dhul-Qi'dah 1417H (corresponding to 5 April 1997). A new commercial registration certificate under the same number was issued by the Ministry of Commerce on 11 Rajab 1429H (corresponding to 14 July 2008).

On 21 Rajab 1435H (corresponding to 20 May 2014) the Company received a license from the Saudi Central Bank ("SAMA") to conduct lease financing business in the Kingdom of Saudi Arabia. The Finance Companies Control Law was issued by the Saudi Council of Ministers through its publication No. 259 dated 12 Sha'ban 1433H (corresponding to 2 July 2012) and the Royal Decree No. 51 dated 13 Sha'ban 1433H (corresponding to 3 July 2012) and its implementing regulations were issued by SAMA for conducting lease financing business in the Kingdom of Saudi Arabia. On 1 Muharram 1439H (corresponding to 21 Sep 2017), the Company received a no objection certificate from SAMA to conduct commodity murabaha business in the Kingdom of Saudi Arabia.

The objectives of the Company are to engage in financing activities via finance leasing, productive assets financing, financing the activity of small and medium enterprises and consumer finance.

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

AJIL Financial Services Company
Jeddah 101 Building, Sari Street
P.O. Box 13624
Jeddah 21414
Kingdom of Saudi Arabia

These financial statements include the results, assets and liabilities of the following branches:

| Commercial Registration Number | Location |
|---|---|
| 2050044861 | Dammam |
| 2051031244 | Al-Khobar |
| 5850027895 | Abha |
| 1010194653 | Riyadh |
| 4030612980 | Jeddah |

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (collectively referred to as "IFRSs that are endorsed in KSA") and in compliance with the Companies' Law in the Kingdom of Saudi Arabia and Company's By-laws.

## 2 BASIS OF PREPARATION (continued)

### 2.1 Statement of compliance (continued)

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance was expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management has assessed the impact of the New Companies Law and amended its By-Laws for the changes to align the By-laws to the provisions of the Companies Law.

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accrual basis of accounting and the going concern concept.

### 2.3 Functional and presentation currency

These financial statements have been presented in Saudi Riyal ("SR"), which is also the functional and presentation currency of the Company, except as otherwise indicated.

### 2.4 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company has based its assumptions and estimates on information and parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The key judgments, estimates, and assumptions that have a significant impact on the financial statements of the Company are discussed below:

*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 the Company has the resources to continue in business for the foreseeable future. Further, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

## 2 BASIS OF PREPARATION (continued)

### 2.4 Significant accounting judgments, estimates and assumptions (continued)

*Useful lives of equipment, furniture, and vehicles*
The management determines the estimated useful lives of its equipment, furniture, and vehicles for calculating depreciation. This estimate is determined after considering the expected usage of the asset as well as physical wear and tear and other relevant factors. Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Useful life of intangible assets*
The management determines the estimated useful lives of its intangible assets for calculating amortization. This estimate is determined after considering the expected benefit obtained from the usage of the intangible assets. Management reviews the carrying value and useful lives annually and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Development costs*
The Company capitalizes costs for product development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

*Impairment of non-financial assets*
The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or a cash generating unit ("CGU") exceeds the recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-Zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

*Impairment of financial assets*
The measurement of impairment losses 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.

The Company's Expected Credit Loss (ECL) calculation is output 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 which include:

- The Company's model for determination of defaults, which assigns Probabilities of Default (PDs) to the individual pool of receivables and assessing the exposure at default (EAD)
- The Company's criteria for assessing the credit losses for finance and murabaha financing receivables to be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment.

## 2 BASIS OF PREPARATION (continued)

### 2.4 Significant accounting judgments, estimates and assumptions (continued)

*Impairment of financial assets (continued)*

- The segmentation of finance leases and murabaha financing receivables when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the appropriate inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as government spending, and the effect on PDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

*Fair value measurement of financial instruments*
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as prepayment risk, liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial Instruments.

*Leases – Estimating the incremental borrowing rate*
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

*Actuarial valuation of employee benefits liabilities*
The cost of the end-of-service ("employee benefits") under defined unfunded benefit plan is determined using 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 and employee turnover rate. Due to the complexity of the valuation and its long-term nature, defined unfunded benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

In determining the appropriate discount rate, management considers the market yield on high-quality Corporate/Government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market. The mortality rate is based on relevant publicly available mortality tables. Further details about employee end of service benefits are provided in note 20.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

### 3.1 Revenue recognition

Income from musharaka arrangements
Musharaka income is recognized over the period of the lease on a systematic basis, which results in a constant periodic rate of return on the net receivable outstanding. Direct costs incurred to generate Musharaka income are netted off from Musharaka income.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

### 3.1 Revenue recognition (continued)

Income from finance lease and murabaha receivables
Interest income from finance lease and murabaha receivables is recognized using the effective interest method over the term of the arrangement. The effective interest rate is the rate that exactly discounts the estimated future cash flows through the life of the financial asset to its carrying amount.

Others
Other operating income comprises lease facilitation processing, contract fee income for lease initiation, customer credit assessment and registration.

### 3.2 Finance charges

Finance charges are expensed in the period to which they relate. Finance charges consist of interest cost that the Company incurs in connection with the borrowings of funds and lease liabilities and bank charges.

### 3.3 Expenses

General and administrative expenses include direct and indirect costs not specifically part of the operating activities of the Company. Allocations between general and administrative expenses and direct costs, when required, are made on a consistent basis.

### 3.4 Withholding Tax

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

### 3.5 Zakat

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia. Provision for Zakat is provided on accrual basis. The Zakat charge is computed on the Zakat base. The related provision is charged to statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined and expected to be paid to the ZATCA.

### 3.6 Value added tax (“VAT”)

Assets and expenses are recognized net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

### 3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

### 3.7 Financial instruments (continued)

#### i) Financial assets

***Initial recognition and measurement***
Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income ("FVOCI") or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that Company commits to purchase or sell the asset.

Financial assets of equity nature are classified and measured at FVOCI if the Company makes a one-time irrevocable election as such upon initial recognition. All other financial assets of equity nature are classified and measured at FVTPL. All other financial assets of debt nature that do not meet the criteria for classification as FVOCI or amortised cost, as well as financial assets that are required to be classified as FVTPL, are classified as FVTPL.

***Subsequent measurement***
*Financial asset at amortised cost (debt instruments)*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

### 3.7 Financial instruments (continued)

#### i) Financial asset (continued)

***Subsequent measurement (continued)***
Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in statement of profit or loss when the asset is derecognized, modified or impaired.

*Financial assets at fair value through OCI (debt instruments)*
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to statement of profit or loss.

*Financial assets at FVOCI (equity instruments)*
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

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

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

### 3.7 Financial instruments (continued)

#### i) Financial asset (continued)

***Business model assessment***
The Company makes an assessment of the objective of a business model under 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 realized 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.

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.

***Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria)***
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 profit 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.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

### 3.7 Financial instruments (continued)

#### i) Financial asset (continued)

***Assessments whether contractual cash flows are solely payments of principal and interest ("SPPI" criteria) (continued)***

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.

Equity instruments have contractual cash flows that do not meet the SPPC criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

#### ii) Financial Liabilities

***Initial recognition and measurement***
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of payables, net of directly attributable transaction costs.

***Subsequent measurement***
The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Company has not designated any financial liability as at fair value through profit or loss.

*Financial liabilities at amortised cost*
After initial recognition, financial liabilities are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on derecognition of financial liabilities are recognized in the statement of profit or loss.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

### 3.7 Financial instruments (continued)

**ii) Financial Liabilities (continued)**

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance charges in the statement of profit or loss.

Financial liabilities are not reclassified subsequent to their initial recognition.

***iii) Derecognition***

*Financial assets*
The Company derecognizes 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.

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 (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in statement of profit or loss.

Any cumulative gain/ (loss) recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in statement of profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and- repurchase transactions, as the Company retains all or substantially all of the risks and rewards of ownership of such assets.

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.

*Financial liabilities*
A financial liability is derecognized when the obligation under the financial liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.7 Financial instruments (continued)

#### iv) Modifications

*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, and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition 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 the statement of 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.

*Financial liabilities*
The Company derecognizes 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 recognized 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 statement of profit or loss.

#### v) Impairment

The Company recognizes loss allowances for Expected Credit Loss (“ECL”) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued, if any.

No impairment loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs into the measurement of ECL are based on the following variables:

- Loss rate
- Exposure at default (EAD)

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.7 Financial instruments (continued)

#### v) Impairment (continued)

The Company categorizes its leasing portfolio into various groups on the basis of common credit risk characteristics for the purpose of collective basis of ECL determination using appropriate models. Lease customers which have materially different credit risk characteristics (such as customers subject to bankruptcy, significant litigation or other factors) are assessed on individual basis for ECL determination purposes.

The Company also considers the forward-looking information in its assessment of significant deterioration in credit risk since origination as well as the measurement of ECLs. The forward-looking information will include the elements such as expert judgement, macroeconomic factors (e.g., unemployment, GDP growth, inflation and profit rates) and economic forecasts obtained through internal and external sources. Management applies additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model, if required.

***Measurement of ECL***
The Company measure loss allowance for stage 1 financial assets at an amount equal to 12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12 months expected credit losses are the portion of expected credit losses that result from default events on the financial assets that are possible within 12 months after the reporting period. The financial assets of the Company are categorized as follows:

- Stage 1: These represent the receivables where customers have low risk of default and a strong capacity to meet contractual cash flows.

- Stage 2: these represent financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 30 days past due in making contractual payment/installment.

- Stage 3: these represent defaulted receivables. A default on a receivables is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due. The Company measures loss allowance for non-performing receivables at an amount equal to lifetime expected credit losses.

**Restructured financial assets**
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.

- If the expected restructuring will result in derecognition 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 derecognition to the reporting date using the original special commission rate of the existing financial asset.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.7 Financial instruments (continued)

#### v) Impairment (continued)

**Credit-impaired financial assets**
At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred

A financial asset that has been renegotiated 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.

Murabaha receivables and finance lease receivables that are overdue for more than 90 days are considered credit impaired unless there is evidence to the contrary.

During the year ended 31 December 2021, based on a detailed assessment of its lease portfolio historical performance and the current characteristics, the Company has revised its quantitative trigger point for credit impairment to 90 days. This has been accounted for as a change in estimate. The Company has made appropriate updates to its ECL models to account for this change.

**Presentation of allowance for ECL in the statement of financial position**
Allowance for ECL of financial assets measured at amortised cost are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

#### vi) Write-off

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. 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.

#### vii) Collateral repossession and disposal

As part of collection strategy, all litigation tools including repossession could be used once the past dues of the customer exceed 90 days. Repossessed assets could only be returned to the customer either after complete settlement of past dues or after signing a rescheduling agreement. The Company waits for a cure period before offering the asset for sale and the Company notifies the customer in writing of its intention.

#### viii) Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as personal guarantees other non-financial assets. The immovable collateral is valued only by the Licensed Valuers. However, for movable collateral, the Company uses market prices through dealers/sellers of identical or similar assets, benchmarking recent sale of repossessed assets and financing of similar used for movable branded collateral or through written-down values.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.7 Financial instruments (continued)

#### ix) Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

### 3.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks and other short term highly liquid investments with original maturities of three months or less, which are available to the Company without any restrictions.

### 3.9 Net investment in finance leases

The determination of whether an arrangement contains a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Gross investment in finance leases represents the gross lease payments receivable by the Company, and the net investment represents the present value of these lease payments, discounted at commission rate implicit in the lease.

Contracts based on Musharaka, which in substance represents a syndicated lease arrangement, is recorded as net investment in finance lease and is stated at cost less expected credit losses and represent the balance of the Company’s share in the Musharaka funding.

### 3.10 Murabaha financing receivables

Murabaha is an Islamic form of financing where the Company, based on requests from its customers, purchases specific commodities and sells them to the customers at an agreed-upon price equal to the Company’s cost plus a specified profit margin, which is payable on a deferred basis in agreed-upon installments. Murabaha financing receivables represent financial assets held at amortised cost.

### 3.11 Equipment, furniture, and vehicles

Equipment, furniture, and vehicles are initially recorded at cost and stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset including any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

The cost is depreciated on a straight-line basis over the estimated useful lives of the assets and is generally recognized in the statement of profit or loss. Leased assets are depreciated on a straight-line basis over the shorter of the useful life of the assets or the term of the lease. Capital work-in-progress is not depreciated.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.11 Equipment, furniture, and vehicles (continued)

The estimated depreciation rates are as follows:

| | |
|---|---|
| Office equipment | 20% to 33.33% |
| Furniture and fixtures | 15% |
| Owned and leased motor vehicles | 20% |

Depreciation methods and estimated useful lives are reviewed at each reporting date and adjusted with the effect of any changes in estimate accounted for on a prospective basis.

Expenditure for repairs and maintenance are charged to the statement of profit or loss. Expenditure that increases the value or materially extends the life of the related assets is capitalized.

An item of equipment, furniture, and vehicles and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The carrying values of equipment, furniture, and vehicles are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

### 3.12 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. Internally generated intangibles are not capitalized and the related expenditure is reflected in the statement of profit or loss of the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the estimated useful life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.13 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as a lessee*
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Right-of-use assets*
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

*Lease liabilities*
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*
The Company accounts for all leases in accordance with IFRS 16 except for leases of low-value assets. Leases of low-value assets are recognized as an expense on a straight-line basis over the lease term. To ensure consistency in accounting policies, the Company has elected to recognize right-of-use asset and a corresponding lease liability, including those with a term of 12 months or less.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance charges.

The Company receives legal claims in the ordinary course of business. Management makes judgments in assigning the risk that might exists in such claims. It also sets appropriate provisions against probable losses. The claims are recorded or disclosed, as appropriate, in the financial statements based on the best estimates of the amounts required to settle these claims.

### 3.15 Onerous contracts

An onerous contract is one where the unavoidable costs of meeting the Company's contractual obligations exceed the expected economic benefits. If the Company has a contract that is onerous, it recognizes the present obligation under the contract as a provision. The estimated future cash flows of the onerous contract are discounted at the Company's weighted average cost of capital ("WACC"). The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss as a finance charges.

### 3.16 Employees' end-of-service-benefits

These represent end-of-service benefits under unfunded defined benefits plan. End-of-service benefits, as required by Saudi Arabia Labor Law, are required to be provided based on the employees' length of service.

The Company's net obligations in respect of unfunded defined benefit plan are calculated separately by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs.

The discount rate used is the market yield on government bonds at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation by a qualified actuary, with actuarial valuations to be carried out every third year and updated for the following two years for material changes, if any.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.16 Employees' end-of-service-benefits (continued)

The defined benefit liability comprises of the following:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense/income; and
- Remeasurement gains/(losses)

The Company recognizes and presents the first two components of the defined benefit costs in profit or loss. Gains/(losses) due to re-measurement of employee benefits liabilities are recognized in other comprehensive income immediately. Curtailment gains/(losses) are accounted for as past service cost in the profit or loss in the period of plan amendment.

The Company is also required to contribute towards a state-owned benefit plan, General Organization for Social Insurance ("GOSI"), 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.

### 3.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## 3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.17 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 3.18 Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions, hence, not retranslated at each reporting date.

### 3.19 Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

## 4 NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS

### a) New standards, interpretations and amendments adopted by the Company

The following amendments to existing standards and framework have been applied by the Company in preparation of these financial statements. The adoption of the below did not result in changes to the previously reported net profit or equity of the Company.

| *Standard / amendments / interpretation* | *Description* | *Effective date* |
|---|---|---|
| Amendment to IFRS 16 Leases, Lease Liability in a 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 1 Presentation of Financial Statements, 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.<br><br>In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. | 1 January 2024 |
| Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - 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 |

Following are the new IFRS sustainability disclosure standards effective for annual periods beginning on or after 1 January 2024 subject to endorsement of the standards by SOCPA.

| *Standard / amendments / interpretation* | *Description* | *Effective date* |
|---|---|---|
| IFRS S1 | General requirements for disclosure of sustainability-related financial information | 1 January 2024 |
| IFRS S2 | Climate-related disclosures | 1 January 2024 |

## 4 NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPRETATIONS (continued)

### b) Standards issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of these financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

| *Standard / amendments / interpretation* | *Description* | *Effective date* |
|---|---|---|
| Amendments to IAS 21 | Lack of exchangeability | 1 January 2025 |
| Amendments to IFRS 9 and IFRS 7 | Amendments to the classification and measurement of financial instruments and contract referencing nature-dependent electricity | 1 January 2026 |
| Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 | Annual improvements to IFRS accounting standards | 1 January 2026 |
| IFRS 18 | Presentation and disclosure in financial statements | 1 January 2027 |
| IFRS 19 | Subsidiaries without public accountability: Disclosures | 1 January 2027 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of Assets between an Investor and its Associate or Joint Ventures | Available for optional adoption / effective date deferred indefinitely |

## 5 REVENUE

| | ***2024 SR*** | *2023 SR* |
|---|---|---|
| Finance income from murabaha financing | **114,585,190** | 70,754,142 |
| Finance income from finance leases | **86,987,449** | 89,818,350 |
| Unwinding of modification losses | **--** | 1,631,096 |
| | **201,572,639** | 162,203,588 |

5.1 Finance income is net off initial direct cost / transaction cost amounting to SR 14.9 million (2023: SR 12.6 million).

## 6 FINANCE CHARGES

| | ***2024 SR*** | *2023 SR* |
|---|---|---|
| Finance charges | **32,064,110** | 3,843,100 |
| Modification gains on deferment of term loan | **--** | 1,733,906 |
| | **32,064,110** | 5,577,006 |

## 7 GENERAL AND ADMINISTRATIVE EXPENSES

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| Salaries and other employee's benefits | **62,601,591** | 60,183,844 |
| Software maintenance and other charges | **7,277,350** | 5,370,574 |
| Consultancy charges | **4,056,617** | 5,719,796 |
| Outsourced employee's cost | **3,709,492** | 3,448,962 |
| Communication and networking | **1,379,843** | 1,619,311 |
| Others | **8,847,326** | 17,627,752 |
| | **87,872,219** | 93,970,239 |

## 8 ZAKAT

The movement in the Zakat provision for the year is as follows:

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| At the beginning of the year | **9,111,276** | 3,979,813 |
| Charge for the year | **13,619,401** | 9,111,276 |
| Payment during the year | **(9,111,276)** | (3,979,813) |
| At the end of the year | **13,619,401** | 9,111,276 |

**Status of assessments**
The Company has filed Zakat declarations up to 31 December 2023. Zakat, Tax and Customs Authority ("ZATCA") have finalized assessments till 31 December 2017. The assessments for the year ended 31 December 2018 to 31 December 2023 have not yet been raised by the ZATCA.

## 9 CASH AND CASH EQUIVALENTS

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| Bank balances (note 9.1) | **60,257,699** | 30,070,445 |
| Cash in hand | **165,000** | 165,000 |
| Term deposits with original maturity of less than three months | **--** | 4,576,963 |
| | **60,422,699** | 34,812,408 |

9.1 At 31 December, all bank balances are maintained with local banks, which are rated at investment grade levels.

9.2 The carrying value of bank balances represents its maximum exposure to credit risk without taking into account any collateral and other credit enhancement. Moreover, none of the bank balances were credit impaired or had undergone significant increase in credit risk at the reporting date.

## 10 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| Advance payments, net (note 10.1) | **17,571,685** | 18,144,668 |
| Insurance claims receivable, net (note 10.2) | **8,076,761** | 10,633,224 |
| Prepaid expenses | **5,207,267** | 2,599,960 |
| Advances to employees | **3,124,873** | 2,807,310 |
| Other receivables (note 10.3) | **7,706,727** | 11,356,490 |
| | **41,687,313** | 45,541,652 |

10.1 It represents advance payment to musharaka partner amounting to SR 10.1 million (2023: SR 1.6 million) against musharaka arrangements.

10.2 It represents insurance paid on behalf of customers amounting to SR 21.4 million (2023: SR 21.2 million), which has been netted off against an allowance for expected credit losses of SR 13.3 million (2023: SR 10.6 million). During the year ended 31 December 2024, SR 0.28 million (2023: SR 0.27 million) was written off.

10.3 It includes other receivables amounting to SR 6.9 million (2023: SR 6.3 million), which has been netted off against an allowance for expected credit losses amounting to SR 3.6 million (2023: SR 2.7 million).

## 11 NET INVESTMENT IN FINANCE LEASES

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

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| Gross investment in finance leases | **711,972,457** | 816,190,618 |
| Less: unearned finance income | **(76,453,260)** | (70,757,065) |
| Net investment in finance leases before expected credit losses (ECL) | **635,519,197** | 745,433,553 |
| Less: Allowance for expected credit losses | **(27,662,921)** | (72,808,214) |
| Net investment in finance leases | **607,856,276** | 672,625,339 |

11.2 The contractual maturity of the investment in finance lease is as follows:

| **2024** | **Years** | ***Gross investment*** ***SR*** | ***Unearned finance income*** ***SR*** | ***Net investment before ECL*** ***SR*** |
|---|---|---|---|---|
| Current portion | 2025 | **424,264,848** | **(53,190,902)** | **371,073,946** |
| Non - current portion | 2026 | **217,385,409** | **(19,896,556)** | **197,488,853** |
| | 2027 | **66,155,248** | **(3,329,996)** | **62,825,252** |
| | 2028 | **4,166,952** | **(35,806)** | **4,131,146** |
| Total non -current portion | | **287,707,609** | **(23,262,358)** | **264,445,251** |
| Total | | **711,972,457** | **(76,453,260)** | **635,519,197** |
| Less: Allowance for expected credit losses | | | | **(27,662,921)** |
| Net investment | | | | **607,856,276** |

## 11 NET INVESTMENT IN FINANCE LEASES (continued)

| 2023 | Years | *Gross investment SR* | *Unearned finance income SR* | *Net investment before ECL SR* |
|---|---|---|---|---|
| Current portion | 2024 | 518,766,637 | (48,565,603) | 470,201,034 |
| Non - current portion | 2025 | 218,492,828 | (18,731,662) | 199,761,166 |
| | 2026 | 78,595,514 | (3,459,800) | 75,135,714 |
| | 2027 | 335,639 | -- | 335,639 |
| Total non -current portion | | 297,423,981 | (22,191,462) | 275,232,519 |
| Total | | 816,190,618 | (70,757,065) | 745,433,553 |
| Less: Allowance for expected credit losses | | | | (72,808,214) |
| Net investment | | | | 672,625,339 |

11.3 The aging of investment in finance lease is as follows:

| | ***2024 SR*** | *2023 SR* |
|---|---|---|
| Not yet due | **616,203,642** | 681,470,723 |
| Overdue balances | | |
| 1 – 3 months | **10,831,142** | 20,417,418 |
| 4 – 6 months | **618,979** | 2,446,736 |
| 7 – 12 months | **6,063,112** | 4,034,891 |
| More than 12 months | **1,802,322** | 37,063,785 |
| | **19,315,555** | 63,962,830 |
| Net investment in finance lease before ECL | **635,519,197** | 745,433,553 |

11.4 The analysis of changes in gross carrying amounts is as follows:

| | **Stage 1 (12-months ECL)** | **Stage 2 (lifetime ECL for SICR)** | **Stage 3 (lifetime ECL for credit impaired)** | **Total** |
|---|---|---|---|---|
| As at 1 January 2024 | **625,785,182** | **26,834,804** | **92,813,567** | **745,433,553** |
| Net increase/(decrease) during the year | **7,998,658** | **(28,104,163)** | **(61,677,840)** | **(81,783,345)** |
| Transfer to stage 1 | **7,684,308** | **(6,856,872)** | **(827,436)** | **--** |
| Transfer to stage 2 | **(27,856,234)** | **27,856,234** | **--** | **--** |
| Transfer to stage 3 | **(12,848,142)** | **(1,368,921)** | **14,217,063** | **--** |
| Bad debts written off | **--** | **--** | **(28,131,011)** | **(28,131,011)** |
| As at 31 December 2024 | **600,763,772** | **18,361,082** | **16,394,343** | **635,519,197** |

## 11 NET INVESTMENT IN FINANCE LEASES (continued)

| | **Stage 1 (12-months ECL)** | **Stage 2 (lifetime ECL for SICR)** | **Stage 3 (lifetime ECL for credit impaired)** | **Total** |
|---|---|---|---|---|
| As at 1 January 2023 | 512,257,593 | 52,024,652 | 292,891,136 | 857,173,381 |
| Net increase/(decrease) during the year | 123,518,946 | (49,671,951) | (114,626,865) | (40,779,870) |
| Transfer to stage 1 | 22,724,316 | (11,736,430) | (10,987,886) | -- |
| Transfer to stage 2 | (26,761,088) | 41,614,019 | (14,852,931) | -- |
| Transfer to stage 3 | (5,954,585) | (5,395,486) | 11,350,071 | -- |
| Bad debts written off | -- | -- | (70,959,958) | (70,959,958) |
| As at 31 December 2023 | 625,785,182 | 26,834,804 | 92,813,567 | 745,433,553 |

11.5 The analysis of changes in allowance for ECL is as follows;

| | **Stage 1 (12-months ECL)** | **Stage 2 (lifetime ECL for SICR)** | **Stage 3 (lifetime ECL for credit impaired)** | **Total** |
|---|---|---|---|---|
| As at 1 January 2024 | **30,524,433** | **3,769,825** | **38,513,956** | **72,808,214** |
| Impairment reversal | **(12,064,744)** | **(2,266,329)** | **(2,683,209)** | **(17,014,282)** |
| Transfer to stage 1 | **1,425,908** | **(1,104,004)** | **(321,904)** | **--** |
| Transfer to stage 2 | **(1,304,975)** | **1,304,975** | **--** | **--** |
| Transfer to stage 3 | **(524,968)** | **(121,532)** | **646,500** | **--** |
| Bad debts written off | **--** | **--** | **(28,131,011)** | **(28,131,011)** |
| As at 31 December 2024 | **18,055,654** | **1,582,935** | **8,024,332** | **27,662,921** |

| | **Stage 1 (12-months ECL)** | **Stage 2 (lifetime ECL for SICR)** | **Stage 3 (lifetime ECL for credit impaired)** | **Total** |
|---|---|---|---|---|
| As at 1 January 2023 | 1,160,310 | 296,283 | 120,792,471 | 122,249,064 |
| Impairment charge/(reversal) | 29,407,710 | 2,508,820 | (10,397,422) | 21,519,108 |
| Transfer to stage 1 | 56,741 | (21,599) | (35,142) | -- |
| Transfer to stage 2 | (74,444) | 1,004,335 | (929,891) | -- |
| Transfer to stage 3 | (25,884) | (18,014) | 43,898 | -- |
| Bad debts written off | -- | -- | (70,959,958) | (70,959,958) |
| As at 31 December 2023 | 30,524,433 | 3,769,825 | 38,513,956 | 72,808,214 |

## 11 NET INVESTMENT IN FINANCE LEASES (continued)

11.6 The movement in allowance for expected credit losses on investment in finance leases is as follows:

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| At the beginning of the year | **72,808,214** | 122,249,064 |
| (Reversal) / charge for the year | **(17,014,282)** | 21,519,108 |
| Written-off during the year (note 11.10) | **(28,131,011)** | (70,959,958) |
| At the end of the year | **27,662,921** | 72,808,214 |

11.7 As at 31 December 2024, 19% of the gross investment in finance leases corresponds to top five customers (2023: 22%).

11.8 The Company has entered into musharaka agreements with certain investors to finance its leasing business under syndication arrangements. In accordance with the provisions of these agreements, syndicate investors participate in underlying leasing transactions on agreed basis.

Total outstanding balance of such agreements as at 31 December 2024 amounted to SR 202 million (2023: SR 631 million). The Company has recorded these transactions as net investment in finance leases up to the extent of its share in the musharaka arrangement. As at 31 December 2024, the investments in musharaka, amounted to SR 36 million (2023: SR 34 million), which represents the Company's maximum exposure in respect of these agreements.

11.9 The Company in ordinary course of its business, holds collateral in respect of the finance lease receivables (being the title of assets leased out) in order to mitigate the credit risk associated with them. These collaterals are not readily convertible into cash and are intended to be repossessed and disposed off in case the customer defaults.

11.10 As per management's established policy, finance lease are written off when there is no realistic prospect of recovery. However, such receivables where written off, could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. However, write offs during the year include an amount of SR 0.7 million (2023: SR 2.6 million) representing receivables which have been written off as a result of negotiated settlements with the respective counterparties and are therefore, not subject to further recovery proceedings.

11.11 During the year ended 31 December 2024, the Company entered into a termination agreement (the "agreement") for the winding up of a Syndicate arrangement (the "arrangement") executed in prior years with the corresponding counterparty to the arrangement. Pursuant to the agreement, the Company has acquired complete rights and claims to the counterparty's share in underlying financial assets of the arrangement, which on account of being credit impaired at the date of execution of the agreement, have been accounted for as POCI financial assets at an estimated fair value of nil. There was no change in the estimate of lifetime expected credit losses in respect of these POCI financial assets from the date of initial recognition in the Company's books until the reporting date. Moreover, no other assets were acquired and, no obligations were assumed or required to be assumed, provided for or disclosed in these financial statements in connection with the agreement.

## 12 MURABAHA FINANCING RECEIVABLES, NET

12.1 Reconciliation between gross and net murabaha financing receivables are as follows:

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| Murabaha financing receivables | **1,470,440,283** | 1,088,623,185 |
| Less: unearned finance income | **(176,527,303)** | (109,321,740) |
| Murabaha financing receivables before expected credit losses (ECL) | **1,293,912,980** | 979,301,445 |
| Less: Allowance for expected credit losses | **(88,525,168)** | (61,738,850) |
| Murabaha financing receivables | **1,205,387,812** | 917,562,595 |

12.2 The contractual maturity of the murabaha financing receivables is as follows:

| **2024** | **Years** | ***Gross murabaha SR*** | ***Unearned finance income SR*** | ***Net receivable before ECL SR*** |
|---|---|---|---|---|
| Current portion | 2025 | **835,595,012** | **(119,064,451)** | **716,530,561** |
| Non-current portion | 2026 | **438,701,416** | **(45,424,756)** | **393,276,660** |
| | 2027 | **164,803,797** | **(10,683,255)** | **154,120,542** |
| | 2028 | **29,000,058** | **(1,300,545)** | **27,699,513** |
| | 2029 | **2,340,000** | **(54,296)** | **2,285,704** |
| Total non-current portion | | **634,845,271** | **(57,462,852)** | **577,382,419** |
| Total | | **1,470,440,283** | **(176,527,303)** | **1,293,912,980** |
| Less: Allowance for expected credit losses | | | | **(88,525,168)** |
| Net murabaha receivables | | | | **1,205,387,812** |

| 2023 | Years | *Gross murabaha SR* | *Unearned finance income SR* | *Net investment before ECL SR* |
|---|---|---|---|---|
| Current portion | 2024 | 603,550,236 | (71,285,694) | 532,264,542 |
| Non-current portion | 2025 | 310,591,817 | (28,006,609) | 282,585,208 |
| | 2026 | 132,409,269 | (8,173,033) | 124,236,236 |
| | 2027 | 26,675,374 | (1,640,062) | 25,035,312 |
| | 2028 | 15,396,489 | (216,342) | 15,180,147 |
| Total non-current portion | | 485,072,949 | (38,036,046) | 447,036,903 |
| Total | | 1,088,623,185 | (109,321,740) | 979,301,445 |
| Less: Allowance for expected credit losses | | | | (61,738,850) |
| Net murabaha receivables | | | | 917,562,595 |

## 12 MURABAHA FINANCING RECEIVABLES, NET (continued)

12.3 The aging of murabaha financing receivables is as follows:

| | ***2024*** | *2023* |
|---|---|---|
| | ***SR*** | *SR* |
| Not yet due | **1,227,676,397** | 920,987,341 |
| Overdue balances | | |
| 1 – 3 months | **16,045,042** | 14,476,493 |
| 4 – 6 months | **3,066,233** | 6,623,484 |
| 7 – 12 months | **9,840,091** | 11,342,546 |
| More than 12 months | **37,285,217** | 25,871,581 |
| | **66,236,583** | 58,314,104 |
| Total murabaha financing receivables before ECL | **1,293,912,980** | 979,301,445 |

12.4 The analysis of changes in gross carrying amounts is as follows:

| | **Stage 1 (12-months ECL)** | **Stage 2 (lifetime ECL for SICR)** | **Stage 3 (lifetime ECL for credit impaired)** | **Total** |
|---|---|---|---|---|
| As at 1 January 2024 | **883,689,931** | **21,383,093** | **74,228,421** | **979,301,445** |
| Net increase/(decrease) during the year | **379,815,174** | **(30,470,435)** | **(25,867,661)** | **323,477,078** |
| Transfer to stage 1 | **3,460,081** | **(2,253,133)** | **(1,206,948)** | **--** |
| Transfer to stage 2 | **(74,089,668)** | **74,089,668** | **--** | **--** |
| Transfer to stage 3 | **(15,111,117)** | **(6,217,838)** | **21,328,955** | **--** |
| Bad debts written off | **--** | **--** | **(8,865,543)** | **(8,865,543)** |
| As at 31 December 2024 | **1,177,764,401** | **56,531,355** | **59,617,224** | **1,293,912,980** |

| | **Stage 1 (12-months ECL)** | **Stage 2 (lifetime ECL for SICR)** | **Stage 3 (lifetime ECL for credit impaired)** | **Total** |
|---|---|---|---|---|
| As at 1 January 2023 | 729,736,449 | 68,994,555 | 69,415,765 | 868,146,769 |
| Net increase/(decrease) during the year | 165,161,109 | (33,204,169) | (19,833,880) | 112,123,060 |
| Transfer to stage 1 | 17,129,199 | (16,294,650) | (834,549) | -- |
| Transfer to stage 2 | (19,591,712) | 19,591,712 | -- | -- |
| Transfer to stage 3 | (8,745,114) | (17,704,355) | 26,449,469 | -- |
| Bad debts written off | -- | -- | (968,384) | (968,384) |
| As at 31 December 2023 | 883,689,931 | 21,383,093 | 74,228,421 | 979,301,445 |

## 12 MURABAHA FINANCING RECEIVABLES, NET (continued)

12.5 The analysis of changes in allowance for ECL is as follows;

| | **Stage 1 (12-months ECL)** | **Stage 2 (lifetime ECL for SICR)** | **Stage 3 (lifetime ECL for credit impaired)** | **Total** |
|---|---|---|---|---|
| As at 1 January 2024 | **24,180,693** | **1,471,655** | **36,086,502** | **61,738,850** |
| Impairment charge | **17,026,114** | **3,147,429** | **15,478,318** | **35,651,861** |
| Transfer to stage 1 | **258,086** | **(137,392)** | **(120,694)** | **--** |
| Transfer to stage 2 | **(2,390,878)** | **2,390,878** | **--** | **--** |
| Transfer to stage 3 | **(612,648)** | **(425,887)** | **1,038,535** | **--** |
| Bad debts written off | **--** | **--** | **(8,865,543)** | **(8,865,543)** |
| As at 31 December 2024 | **38,461,367** | **6,446,683** | **43,617,118** | **88,525,168** |

| | **Stage 1 (12-months ECL)** | **Stage 2 (lifetime ECL for SICR)** | **Stage 3 (lifetime ECL for credit impaired)** | **Total** |
|---|---|---|---|---|
| As at 1 January 2023 | 20,724,993 | 5,967,531 | 24,168,361 | 50,860,885 |
| Impairment charge/(reversal) | 2,566,595 | (1,799,962) | 11,079,716 | 11,846,349 |
| Transfer to stage 1 | 1,522,087 | (1,438,465) | (83,622) | -- |
| Transfer to stage 2 | (428,958) | 428,958 | -- | -- |
| Transfer to stage 3 | (204,024) | (1,686,407) | 1,890,431 | -- |
| Bad debts written off | -- | -- | (968,384) | (968,384) |
| As at 31 December 2023 | 24,180,693 | 1,471,655 | 36,086,502 | 61,738,850 |

12.6 The movement in credit loss on murabaha financing receivables is given below:

| | ***2024 SR*** | *2023 SR* |
|---|---|---|
| At the beginning of the year | **61,738,850** | 50,860,885 |
| Charge for the year | **35,651,861** | 11,846,349 |
| Written-off during the year (note 12.8) | **(8,865,543)** | (968,384) |
| At the end of the year | **88,525,168** | 61,738,850 |

12.7 As at 31 December 2024, 18% of the gross murabaha financing receivables corresponds to top five customers (2023: 22%).

12.8 As per management's established policy, murabaha financing receivables are written off when there is no realistic prospect of recovery. However, such receivables where written off, could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. However, write offs during the year include an amount of SR 0.3 million (2023: SR 1 million) representing receivables which have been written off as a result of negotiated settlements with the respective counterparties and are therefore, not subject to further recovery proceedings.

12.9 The Company has entered into musharaka agreements with certain investors to finance its murabaha business under syndication arrangements (syndicate). In accordance with the provisions of these agreements, syndicate investors participate in underlying murabaha transactions on agreed basis.

## 12 MURABAHA FINANCING RECEIVABLES, NET (continued)

Total outstanding balance of such agreements as at 31 December 2024 amounted to SR 152 million (2023: SR 191 million). The Company has recorded these transactions as murabaha financing receivables up to the extent of its share in the musharaka arrangement. As at 31 December 2024, the receivable in musharaka, amounted to SR 37 million (2023: SR 47 million), which represents the Company's maximum exposure in respect of these agreements.

## 13 EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 14 December 2017, the Company initially subscribed to 2.38% shareholding in Saudi Financial Lease Contract Registry Company ("Registration Company"), registered in the Kingdom of Saudi Arabia. At 31 December 2024, the Company is subscribed to 2.33% shareholding at an estimated fair value of SR 0.89 million. The Registration Company has been formed for registration of contracts relating to financial leases, amendments, registration and transfer of title deeds of the assets under the finance leases. Other finance and leasing Companies, registered in the Kingdom of Saudi Arabia, also have a pro-rata ownership interest in the Registration Company. The management believes that the carrying amount is approximately equivalent to the fair value of the investment. This investment is classified under level 3 of the fair value hierarchy.

## 14 EQUIPMENT, FURNITURE AND VEHICLES

| | **Office equipment** | **Furniture and fixtures** | **Leased Vehicles** | **Motor vehicles** | **Capital work in progress** | **Total** |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| At 1 January 2023 | 10,643,872 | 6,744,119 | 1,002,710 | 597,294 | 445,956 | 19,433,951 |
| Additions | 967,618 | 71,673 | -- | 506,500 | 1,727,616 | 3,273,407 |
| Disposals | (33,180) | -- | -- | (319,927) | -- | (353,107) |
| Transfers from CWIP | 763,641 | -- | -- | -- | (763,641) | -- |
| At 31 December 2023 | **12,341,951** | **6,815,792** | **1,002,710** | **783,867** | **1,409,931** | **22,354,251** |
| Additions | **1,348,368** | **27,829** | -- | -- | **2,999,769** | **4,375,966** |
| Disposals | **(355,248)** | -- | -- | -- | -- | **(355,248)** |
| Transfers from CWIP | **2,037,724** | **91,947** | -- | -- | **(2,129,671)** | -- |
| **At 31 December 2024** | **15,372,795** | **6,935,568** | **1,002,710** | **783,867** | **2,280,029** | **26,374,969** |
| **Depreciation:** | | | | | | |
| At 1 January 2023 | 9,172,416 | 6,152,662 | 1,002,710 | 529,264 | -- | 16,857,052 |
| Charge for the year | 825,203 | 178,653 | -- | 127,384 | -- | 1,131,240 |
| Disposals | (33,180) | -- | -- | (319,927) | -- | (353,107) |
| At 31 December 2023 | **9,964,439** | **6,331,315** | **1,002,710** | **336,721** | -- | **17,635,185** |
| Charge for the year | **1,216,704** | **177,713** | -- | **126,364** | -- | **1,520,781** |
| Disposals | **(355,248)** | -- | -- | -- | -- | **(355,248)** |
| **At 31 December 2024** | **10,825,895** | **6,509,028** | **1,002,710** | **463,085** | -- | **18,800,718** |
| **Net book value:** | | | | | | |
| **At 31 December 2024** | **4,546,900** | **426,540** | -- | **320,782** | **2,280,029** | **7,574,251** |
| At 31 December 2023 | 2,377,512 | 484,477 | -- | 447,146 | 1,409,931 | 4,719,066 |

## 15 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The movement in carrying amounts of right-of-use assets and corresponding lease liabilities is as follows;

### 15.1 Right of use assets

| | ***2024*** | *2023* |
|---|---|---|
| | ***SR*** | *SR* |
| Balance at 1 January | **5,229,574** | 3,067,838 |
| Charge for the year | **(3,671,709)** | (3,298,405) |
| Addition | **3,560,830** | 5,571,078 |
| Modification | **--** | (110,937) |
| At 31 December 2024 | **5,118,695** | 5,229,574 |

### 15.2 Lease Liabilities

| | ***2024*** | *2023* |
|---|---|---|
| | ***SR*** | *SR* |
| At 1 January | **4,055,399** | 2,562,781 |
| Accrued interest | **283,696** | 158,953 |
| Payments | **(4,065,882)** | (3,293,178) |
| Addition | **3,560,830** | 5,571,078 |
| Modification | **--** | (944,235) |
| At 31 December 2024 | **3,834,043** | 4,055,399 |

15.2.1 The following table details the Company's remaining contractual maturity for its lease liability. The table includes both interest and principal cash flows.

| | ***2024*** | *2023* |
|---|---|---|
| | ***SR*** | *SR* |
| Within one year | **2,396,714** | 2,348,890 |
| One to five years | **1,437,329** | 1,706,509 |
| | **3,834,043** | 4,055,399 |

15.2.2 The following reflects the Company's remaining contractual maturity for its lease liabilities. This is based on the undiscounted cash flows of the lease liabilities based on the earliest date on which the Company can be required to pay. This includes both interest and undiscounted principal cash flows.

| **Maturity Analysis** | ***2024*** | *2023* |
|---|---|---|
| | ***SR*** | *SR* |
| Year 1 | **2,556,420** | 2,590,486 |
| Year 2 | **876,650** | 1,679,770 |
| Year 3 | **326,650** | -- |
| Year 4 | **326,650** | -- |
| Year 5 | **--** | -- |
| Onwards | **--** | -- |
| | **4,086,370** | 4,270,256 |
| Less: Unearned interest | **(252,327)** | (214,857) |
| | **3,834,043** | 4,055,399 |

## 16 INTANGIBLE ASSETS

| | *Software SR* | *Capital work in progress SR* | *Total SR* |
|---|---|---|---|
| **Cost:** | | | |
| At 1 January 2023 | 12,044,347 | 1,044,082 | 13,088,429 |
| Additions | 857,557 | 451,640 | 1,309,197 |
| Transfers from CWIP | 1,145,717 | (1,145,717) | -- |
| At 31 December 2023 | **14,047,621** | **350,005** | **14,397,626** |
| Additions | **217,213** | **2,030,293** | **2,247,506** |
| Transfers from CWIP | **719,915** | **(719,915)** | **--** |
| **At 31 December 2024** | **14,984,749** | **1,660,383** | **16,645,132** |
| **Amortization:** | | | |
| At 1 January 2023 | 10,740,005 | -- | 10,740,005 |
| Amortization for the year | 731,387 | -- | 731,387 |
| At 31 December 2023 | **11,471,392** | **--** | **11,471,392** |
| Amortization for the year | **912,256** | **--** | **912,256** |
| **At 31 December 2024** | **12,383,648** | **--** | **12,383,648** |
| **Net carrying value** | | | |
| **At 31 December 2024** | **2,601,101** | **1,660,383** | **4,261,484** |
| At 31 December 2023 | 2,576,229 | 350,005 | 2,926,234 |

Intangible assets represent costs incurred with respect to the acquisition of software license fee. Intangible assets are being amortized over a useful life of 5 years (2023: 5 years).

## 17 SHARE CAPITAL

The share capital of the Company is divided into 50,000,000 shares (2023: 50,000,000) of SR 10 each. As at 31 December 2024 and 31 December 2023, the share capital of the Company was owned as follows:

| | *Percentage of ownership %* | *No. of shares of SR 10 each* | *31 December 2024 SR* | *31 December 2023 SR* |
|---|---|---|---|---|
| Riyad Bank | **48.46** | **24,230,769** | **242,307,690** | 242,307,690 |
| Zahid Group Holding Company Limited | **34.62** | **17,307,692** | **173,076,920** | 173,076,920 |
| Al – Yemni Investments | **6.92** | **3,461,539** | **34,615,390** | 34,615,390 |
| Husein Alireza Sons Company Limited | **5.00** | **2,500,000** | **25,000,000** | 25,000,000 |
| Khaled Ahmed Al Juffali Company | **5.00** | **2,500,000** | **25,000,000** | 25,000,000 |
| | **100.00** | **50,000,000** | **500,000,000** | 500,000,000 |

The Company is fully owned by Saudi shareholders.

## 18 STATUTORY RESERVE

In accordance with the Company's By-laws, no profit for the year has been transferred to the statutory reserve. The Company has resolved to maintain the current level of statutory reserve and this reserve is not available for distribution to the shareholders.

## 19 DIVIDEND

The shareholders of the Company, in their ordinary general meeting held on 30 May 2024 (corresponding to 22 Dhul Qadah, 1445H), approved a dividend of SR 17.5 million (SR 0.35 per share) (2023: SR 6.6 million) out of the profit for the year ended 31 December 2023. As at 31 December 2024 the foregoing dividends stand fully paid.

## 20 EMPLOYEES' END OF SERVICE BENEFITS

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| Present value of unfunded end of service benefits | **17,969,716** | 16,721,924 |

The major financial assumptions used to calculate the unfunded defined benefits liabilities (end-of-service benefits) liabilities are as follows:

| **Principal actuarial assumptions** | ***2024*** | *2023* |
|---|---|---|
| Discount rate | **5.50%** | 4.60% |
| Future salary growth / expected rate of salary increases for 1 year | **2.50%** | 2.50% |
| Retirement age | **60 years** | 60 years |

a) The movements in end of service benefits recognized in the statement of financial position are as follows:

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| Aa at 1 January | **16,721,924** | 15,574,961 |
| ***Included in statement of profit or loss*** | | |
| Current service cost | **1,975,136** | 1,617,438 |
| Interest cost | **731,991** | 639,034 |
| Past service cost | **--** | 307,571 |
| | **2,707,127** | 2,564,043 |
| ***Included in statement of comprehensive income*** | | |
| Actuarial gain arising from change in financial assumptions | **(1,224,112)** | (570,881) |
| Actuarial loss arising on account of experience changes | **448,208** | 840,181 |
| | **(775,904)** | 269,300 |
| Payments made during the year | **(683,431)** | (1,686,380) |
| **As at 31 December** | **17,969,716** | 16,721,924 |

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average remaining duration of the end of service benefits is 10.04 years (2023: 10.37 years).

*Sensitivity analysis*
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the end of service benefits by the amounts as follows which represent an approximation of the sensitivity.

## 20 EMPLOYEES' END OF SERVICE BENEFITS (Continued)

| **End of service benefits** | **31 December 2024** | | 31 December 2023 | |
|---|---|---|---|---|
| | ***Increase SR*** | ***Decrease SR*** | *Increase SR* | *Decrease SR* |
| Discount rate (1% movement) | **(1,775,803)** | **2,115,818** | (1,694,844) | 2,031,713 |
| Future salary growth (1% movement) | **2,160,538** | **(1,839,730)** | 2,061,849 | (1,746,565) |

## 21 ACCOUNTS PAYABLES, ACCRUED AND OTHER LIABILITIES

| | ***2024 SR*** | *2023 SR* |
|---|---|---|
| Advance from customers | **21,120,050** | 26,105,674 |
| Accrued expenses | **18,116,159** | 19,949,024 |
| Accounts and other payables (note 21.1) | **3,977,902** | 20,095,179 |
| Other liabilities | **13,684,154** | 10,455,271 |
| | **56,898,265** | 76,605,148 |

21.1 Accounts and other payables includes nil (2023: SR 4.5 million) received from customers in respect of musharaka arrangements pending onward transfer to banks.

## 22 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, entities under common shareholding, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties (other related parties). Related party transactions are undertaken at mutually agreed terms and conditions and approved by the Company's management.

Following are the details of major related party transactions entered during the year:

| | | | ***Amount of the transactions*** | |
|---|---|---|---|---|
| ***Related party*** | ***Nature of relationship*** | ***Nature of transaction*** | ***2024 SR*** | *2023 SR* |
| Riyad Bank | Shareholder | Financial charges on term loan | **8,598,669** | 944,158 |
| | | Borrowing of term loans | **409,000,000** | 25,000,000 |
| | | Repayment of term loans | **244,954,365** | 38,666,667 |
| | | Repayment against Musharaka | **118,193,138** | 121,966,429 |
| | | Dividend paid | **8,498,257** | 3,198,462 |
| Zahid Tractor and Heavy Machinery Company Limited | Entities with common ultimate shareholding | Purchase of leasing equipment | **427,557,824** | 461,416,684 |
| | | Services received | **761,840** | 475,372 |
| Wared Transport Company | Entities with common ultimate shareholding | Services received | **--** | 3,560 |
| Riyad Capital | Entities with common ultimate shareholding | Services received | **27,616,094** | 9,583,065 |

## 22 RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

| *Related party* | *Nature of relationship* | *Nature of transaction* | *Amount of the transactions* 2024 SR | 2023 SR |
|---|---|---|---|---|
| Saudi Company of Site Technology Limited | Entities with common ultimate shareholding | Purchase of leasing equipment | **78,022** | 29,187 |
| The Machinery Group LLC (TAMGO) | Entities with common ultimate shareholding | Purchase of leasing equipment | **17,977,684** | 25,446,911 |
| Juffali Industrial Product Company | Entities with common ultimate shareholding | Purchase of leasing equipment | **39,186,250** | 34,445,305 |
| Haji Husein Ali Reza Company Limited | Entities with common ultimate shareholding | Purchase of leasing equipment | **--** | 3,449,085 |
| Zahid Travel Group | Entities with common ultimate shareholding | Services received | **125,928** | 148,273 |
| AL TAAQA Alternative Solutions Company Limited | Entities with common ultimate shareholding | Purchase of leasing equipment | **687,125** | 831,910 |
| EJAR Machinery Rental Alternative Company Limited | Entities with common ultimate shareholding | Purchase of leasing equipment | **2,768,280** | 3,823,705 |
| United A Maintenance and Cleaning Company (formerly Nihad Abdullah Arab & Sons Limited Company) | Entities with common ultimate shareholding | Services received | **346,035** | 253,882 |
| Al-Yemni Motors Company Limited | Entities with common ultimate shareholding | Purchase of leasing equipment | **--** | 3,407,450 |
| Board of Directors | Board of Directors | Remuneration to the members | **1,164,754** | 1,200,000 |
| Members of Audit Committee | Members of Audit Committee | Remuneration to the members | **205,956** | 157,500 |

Due to related parties comprise the following:

| | *2024* SR | *2023* SR |
|---|---|---|
| Zahid Tractor and Heavy Machinery Company Limited | **1,991,976** | 1,230,500 |
| The Machinery Group LLC (TAMGO) | **--** | 216,200 |
| | **1,991,976** | 1,446,700 |

22.1 Cash and cash equivalents include an amount of SR 37.3 million (2023: SR 10.8 million) maintained with Riyad Bank.

22.2 Term loans includes SR 212.04 million (2023: SR 48.12 million) payable to Riyad Bank.

## 22 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

22.3 Advances, prepayments and other receivables includes an amount of SR 0.02 million (2023: nil) representing receivable from Zahid Travel Group.

22.4 Accounts and other payables includes nil (2023: SR 3.8 million) in respect of musharaka arrangements payable to Riyad Bank.

22.5 Remuneration of the key management personnel of the Company is as follows:

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| Short term employee benefits | **13,040,848** | 11,436,967 |
| Post-employment benefit | **897,975** | 829,725 |
| Non-monetary benefits | **271,188** | 223,256 |
| | **14,210,011** | 12,489,948 |

## 23 TERM LOANS

| | ***2024*** ***SR*** | *2023* *SR* |
|---|---|---|
| Short term loans (note 23.1) | **248,647,091** | 100,000,000 |
| Accrued interest | **1,743,159** | 479,239 |
| **Long term loans** | | |
| Long term loans (note 23.2) | **563,499,928** | 78,833,690 |
| SAMA interest free loan (note 23.3) | **289,251,362** | 698,223,961 |
| Accrued interest | **1,865,301** | 435,976 |
| | **1,105,006,841** | 877,972,866 |

23.1 These represent short term loans from various local banks carrying applicable market rates and repayable in fixed monthly/quarterly instalments with last instalment due in October 2025.

23.2 These represent long term loans from various local banks amounting to SR 563.5 million (2023: SR 78.8 million), carrying applicable market rates and repayable in fixed monthly/quarterly instalments with last instalment due in July 2027.

23.3 These are interest free loans obtained by the Company under Loan Guarantee Program by SAMA amounting to SR 1,211 million out of which SR 922 million has been repaid until 31 December 2024 (2023: SR 1,211 million received out of which SR 513 million was repaid) with last instalment due in February 2026. This amount has been utilized by the Company to finance MSME loans qualifying under criteria approved by SAMA. The net impact of the interest free loans from SAMA and interest charged on financing to MSME customers with a low interest rate is not significant to the statement of profit or loss.

## 24 FINANCIAL RISK MANAGEMENT

The Company's significant financial liabilities include accounts payable, due to related parties, term loans, lease liabilities and other liabilities and are initially measured at fair value and thereafter stated at their amortized cost. Financial assets comprise of cash and cash equivalents, net investment in finance lease and murabaha financing receivables, net, and other receivables and are initially measured at fair value and thereafter stated at cost or amortized cost as reduced by allowance for expected credit losses, if any.

The Company is exposed to market risk, liquidity risk and credit risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a Treasury Department that advises on the financial risks and the appropriate financial risk governance framework. The Treasury Department provides assurance to the senior management that the financial risk activities are governed by appropriate policies and procedures and that the financial risks are identified, measured and managed in accordance with the policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

**Market risk**
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, profit rate risk and equity price risk.

*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 during the year. Accordingly, the Company is not exposed to any significant currency risk.

*Profit rate risk*
Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market profit rates. As at 31 December 2024 and 31 December 2023, the Company is not exposed to significant profit rate risk as its profit bearing assets and liabilities carry fixed rates.

*Other price risk*
The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities.

**Credit risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on cash and cash equivalents, net investment in finance lease, murabaha financing receivables, net and other receivables. The Company has established procedures to manage credit exposure including, credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines.

The Company mitigates its credit risk through evaluation of credit worthiness internally and by obtaining promissory notes and by retaining the title of the asset leased out. An allowance for expected credit losses against finance lease and murabaha financing receivable is maintained at a level which, in the judgment of management, is adequate to provide for impairment losses on delinquent receivables. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers.

## 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

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

All murabaha transactions are secured through promissory notes. In some cases, property is mortgaged as an additional security and as a risk mitigating factor.

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Management on an annual basis and may be updated throughout the year subject to approval of the Company's Management. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. There has been no history of default with any of the bank balance, therefore, the probability of default based on forward looking factors and any loss given defaults are negligible.

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

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

| | ***2024*** | *2023* |
|---|---|---|
| | ***SR*** | *SR* |
| Cash and cash equivalents (note 9) | **60,257,699** | 34,647,408 |
| Insurance claims and other receivables (note 10) | **35,019,111** | 58,421,863 |
| Net investment in finance leases (note 11) | **635,519,197** | 745,433,553 |
| Murabaha financing receivables (note 12) | **1,293,912,980** | 979,301,445 |
| | **2,024,708,987** | 1,817,804,269 |

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

As at 31 December 2024, the Company has adequate collaterals to cover the overall credit risk exposure after providing ECL.

Breakdown of expected credit loss charge for the year ended 31 December recognized in statement of profit or loss is as follows:

| | ***2024*** | *2023* |
|---|---|---|
| | ***SR*** | *SR* |
| ECL (reversal) / charge on net investment in finance lease (note 11) | **(17,014,282)** | 21,519,108 |
| ECL charge on murabaha financing receivables (note 12) | **35,651,861** | 11,846,349 |
| ECL charge on insurance and other receivables | **3,927,355** | 969,800 |
| | **22,564,934** | 34,335,257 |

## 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk (continued)

An analysis of gross exposure of investment in finance leases before ECL allowance and the corresponding ECL allowance as at 31 December 2024 and 31 December 2023 is as follows:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | ------------------------------*SR*------------------------------ | | | |
| ***At 31 December 2024*** | | | | |
| Gross investment in finance lease | **675,844,746** | **19,547,057** | **16,580,654** | **711,972,457** |
| Allowance for expected credit loss | **18,055,654** | **1,582,935** | **8,024,332** | **27,662,921** |
| *At 31 December 2023* | | | | |
| Gross investment in finance lease | 693,177,413 | 28,108,009 | 94,905,196 | 816,190,618 |
| Allowance for expected credit loss | 30,524,433 | 3,769,825 | 38,513,956 | 72,808,214 |

An analysis of gross exposure of murabaha financing receivables and the corresponding ECL allowance is as follows:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | ------------------------------*SR*------------------------------ | | | |
| ***At 31 December 2024*** | | | | |
| Gross murabaha financing receivables | **1,340,057,677** | **60,280,446** | **70,102,160** | **1,470,440,283** |
| Allowance for expected credit loss | **38,461,367** | **6,446,683** | **43,617,118** | **88,525,168** |
| *At 31 December 2023* | | | | |
| Gross murabaha financing receivables | 982,093,254 | 22,106,040 | 84,423,891 | 1,088,623,185 |
| Allowance for expected credit loss | 24,180,693 | 1,471,655 | 36,086,502 | 61,738,850 |

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Company manages its liquidity risk by ensuring that adequate bank facilities are available to meet any commitments, as they arise. The table below summarises the contractual maturities of the Company's undiscounted financial liabilities as at the statement of financial position date:

## 24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Liquidity risk (continued)**

| ***At 31 December 2024*** | ***Less than a year SR*** | ***1 to 3 year SR*** | ***Interest accruals for future periods SR*** | ***Total SR*** |
|---|---|---|---|---|
| Accounts payable and other liabilities | **35,778,215** | **--** | **--** | **35,778,215** |
| Due to related parties | **1,991,976** | **--** | **--** | **1,991,976** |
| Lease liabilities | **2,396,714** | **1,437,329** | **252,327** | **4,086,370** |
| Term loans | **836,441,017** | **268,565,824** | **40,995,769** | **1,146,002,610** |
| | **876,607,922** | **270,003,153** | **41,248,096** | **1,187,859,171** |

| *At 31 December 2023* | *Less than a year SR* | *1 to 3 year SR* | *Interest accruals for future periods SR* | *Total SR* |
|---|---|---|---|---|
| Accounts payable and other liabilities | 50,499,474 | -- | -- | 50,499,474 |
| Due to related parties | 1,446,700 | -- | -- | 1,446,700 |
| Lease liabilities | 2,348,890 | 1,706,509 | 214,857 | 4,270,256 |
| Term loans | 584,721,502 | 293,251,364 | 3,676,448 | 881,649,314 |
| | 639,016,566 | 294,957,873 | 3,891,305 | 937,865,744 |

## 25 FINANCIAL INSTRUMENTS

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

| **Description** | ***2024 SR*** | *2023 SR* |
|---|---|---|
| **Financial assets at amortized cost** | | |
| Cash and cash equivalents | **60,422,699** | 34,812,408 |
| Advances, prepayments and other receivables | **18,908,361** | 24,797,024 |
| Net investment in finance leases | **607,856,276** | 672,625,339 |
| Murabaha financing receivables, net | **1,205,387,812** | 917,562,595 |
| **Financial assets designated at FVTOCI** | | |
| Equity investment at fair value through other comprehensive income | **892,850** | 892,850 |
| | **1,893,467,998** | 1,650,690,216 |

| **Description** | ***2024 SR*** | *2023 SR* |
|---|---|---|
| **Financial liabilities at amortized cost** | | |
| Accounts payables, accrued and other liabilities | **35,778,215** | 64,444,130 |
| Due to related parties | **1,991,976** | 1,446,700 |
| Lease liabilities | **3,834,043** | 4,055,399 |
| Term loans | **1,105,006,841** | 877,972,866 |
| | **1,146,611,075** | 947,919,095 |

## 26 Capital Management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2024.

As of 31 December 2024 and 31 December 2023, aggregate financing to total equity ratio were as;

| | ***2024*** | *2023* |
|---|---|---|
| Aggregate financing to total equity ratio | **2.47** | 2.28 |

Aggregate financing comprises of net investment in finance leases and murabaha financing receivables, net.

## 27 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Company. The Company's financial assets consist of cash and cash equivalents, net investment in finance lease, murabaha financing receivables, net and other receivables. Its financial liabilities consist of accounts payables and other liabilities, term loans, due to related parties and lease liabilities.

The fair values of the financial instruments are not materially different from their carrying amounts except for the net investment in finance lease, murabaha financing receivables, net.

The Company has equity investment classified at fair value through other comprehensive income and it pertains to level 3 of valuation hierarchy. The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

## 28 CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments at 31 December 2024 and 31 December 2023.

## 29 IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro, Small and Medium Enterprises ("MSMEs") as per Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

As of 31 December 2024, all programs stand fully completed.

## 30 BOARD OF DIRECTORS' APPROVAL

These financial statements were approved by the Board of Directors on 2 Ramadan 1446H (corresponding to 2 March 2025).