SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A Sole Shareholder Closed Joint Stock Company)

Financial Statements
For the year ended 31 December 2024
together with the Independent Auditor's Report

FINANCIAL STATEMENTS
For the Year Ended 31 December 2024

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working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Saudi Fransi for Finance Leasing Company (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards ("IFRS") 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.

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 is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Accounting Standards 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 and the applicable provisions of the Regulations for Companies and 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.

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

Those charged with governance i.e, the Audit Committee is 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SAUDI FRANSI FOR FINANCE LEASING COMPANY
(A SOLE SHAREHOLDER CLOSED JOINT STOCK COMPANY) (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

for Ernst & Young Professional Services

Saud A. Altamimi
Certified Public Accountant
License No. (650)

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سجل تجاري ١٠١٠٣٨٣٨٢١
CR. 1010383821
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Riyadh: 19 Ramadan 1446H
19 March 2025

STATEMENT OF FINANCIAL POSITION

As at 31 December 2024 and 2023

(SAR '000)

	Notes	2024	2023
ASSETS			
Cash and cash equivalents	*4*	**86,746**	38,018
Net investment in finance leases	*5.1*	**3,637,187**	3,899,702
Personal financing	*5.2*	**774,457**	231,856
Positive fair value of derivatives	*8*	**18,234**	28,606
Prepayments		**165,710**	105,764
Other assets	*6*	**227,810**	184,090
Investments at fair value through other comprehensive income (FVOCI)	*7*	**893**	893
Intangible assets	*9*	**47,812**	4,253
Property, equipment and right of use assets	*10*	**2,953**	3,522
Total assets		**4,961,802**	4,496,704
SHAREHOLDER'S EQUITY AND LIABILITIES			
Liabilities			
Accounts payable	*13*	**516,113**	580,397
Advance from customers		**102,514**	68,091
Due to related parties	*11.b*	**403**	1,074
Negative fair value of derivatives	*8*	**1,001**	2,326
Provision, accrued expenses and other liabilities	*14*	**101,424**	33,609
Provision for zakat	*16*	**8,623**	5,893
Long-term Tawarruq Financing	*12*	**2,909,188**	2,757,102
Employees' end of service benefits (EOSB)	*15*	**12,084**	12,393
Total liabilities		**3,651,350**	3,460,885
Shareholder's equity			
Share capital	*17*	**750,000**	500,000
Statutory reserve	*18*	**58,603**	55,448
Other reserve		**18,672**	25,586
Retained earnings		**483,177**	454,785
Total shareholder's equity		**1,310,452**	1,035,819
Total shareholder's equity and liabilities		**4,961,802**	4,496,704

Mohammed Al Shaeikh	Haitham Aljarbooa	Ahamed T. Rasheed
Chairman	Chief Executive Officer	Acting Chief Financial Officer

The accompanying notes (1) through (29) form an integral part of these financial statements.

STATEMENT OF INCOME

For the year ended 31 December 2024 and 2023
(*SAR* '000)

	Notes	2024	2023
Finance income	*19*	**294,674**	192,442
Fees income	*20*	**47,775**	67,519
Fees expenses	*20*	**(39,359)**	(49,586)
Fees income, net		**8,416**	17,933
Total operating income		**303,090**	210,375
Salaries and employee-related expenses		**(83,254)**	(63,814)
Depreciation	*10*	**(1,216)**	(1,406)
Amortization	*9*	**(1,932)**	(998)
Other general and administration expenses	*20*	**(38,882)**	(41,847)
Financial charges		**(155,198)**	(112,025)
Charge of expected credit losses, net	*5.1.1*	**(39,195)**	(16,253)
Total operating expenses		**(319,677)**	(236,343)
Net Operating loss		**(16,587)**	(25,968)
Gain on disposal of Net investment in finance lease	*5.1.3*	**45,707**	30,800
(Provision) / reversal for financial guarantee on lease receivables sold	*5.1.3*	**(7,876)**	5,639
Other income	*21*	**13,929**	10,341
		51,760	46,780
Net income for the year before zakat		**35,173**	20,812
Zakat	*16*	**(3,626)**	(3,431)
Net income for the year		**31,547**	17,381

Mohammed Al Shaeikh	Haitham Aljarbooa	Ahamed T. Rasheed
Chairman	Chief Executive Officer	Acting Chief Financial Officer

The accompanying notes (1) through (29) form an integral part of these financial statements.

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STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2024 and 2023
(*SAR* '000)

	Notes	2024	2023
Net income for the year		**31,547**	17,381
Other comprehensive income:			
Items that will be reclassified to statement of income in subsequent years:			
Cash flow hedges:			
- Net change in fair value	*8*	**(9,047)**	(17,769)
Items that will not be reclassified to statement of income in subsequent years:			
Actuarial gain / (loss) on defined benefit plans	*15*	**2,133**	(415)
		(6,914)	(18,184)
Total comprehensive income / (loss) for the year		**24,633**	(803)

Mohammed Al Shaeikh Chairman	Haitham Aljarbooa Chief Executive Officer	Ahamed T. Rasheed Acting Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024 and 2023
(*SAR* '000)

For the year ended 31 December 2024	**Share Capital**	**Statutory reserve**	**Other reserves**	**Retained earnings**	**Total**
Balance as at 1 January 2024	**500,000**	**55,448**	**25,586**	**454,785**	**1,035,819**
Increase in share capital	**250,000**	**-**	**-**	**-**	**250,000**
Net income for the year		**-**	**-**	**31,547**	**31,547**
Other comprehensive loss	**-**	**-**	**(6,914)**	**-**	**(6,914)**
Total comprehensive loss	**-**	**-**	**(6,914)**	**31,547**	**24,633**
Transfer to statutory reserve *(note 18)*	**-**	**3,155**	**-**	**(3,155)**	**-**
Balance as at 31 December 2024	**750,000**	**58,603**	**18,672**	**483,177**	**1,310,452**

For the year ended 31 December 2023	Share Capital	Statutory reserve	Other reserves	Retained earnings	Total
Balance as at 1 January 2023	500,000	53,710	43,770	439,142	1,036,622
Net income for the year	-	-	-	17,381	17,381
Other comprehensive income	-	-	(18,184)	-	(18,184)
Total comprehensive income			(18,184)	17,381	(803)
Transfer to statutory reserve *(note 18)*	-	1,738		(1,738)	-
Balance as at 31 December 2023	500,000	55,448	25,586	454,785	1,035,819

Mohammed Al Shaeikh	Haitham Aljarbooa	Ahamed T. Rasheed
Chairman	Chief Executive Officer	Acting Chief Financial Officer

The accompanying notes (1) through (29) form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024 and 2023
(*SAR* '000)

	Notes	2024	2023
Cash flows from operating activities			
Net income for the year before zakat		**35,173**	20,812
Adjustments to reconcile net income to net cash generated from operating activities:			
Depreciation	*10*	**1,216**	1,406
Amortization	*9*	**1,932**	998
Gain on disposal of Net investment in finance lease		**(45,707)**	(30,800)
Provision / (reversal) for financial guarantee on lease receivables sold	*5.1.3*	**7,876**	(5,639)
Charge / reversal for expected credit losses, net	*5.1.1*	**39,195**	16,253
Employees' end of service benefits		**3,201**	2,406
Financial charges		**155,198**	112,025
Operating income before changes in operating assets and liabilities		**198,084**	117,461
Net increase in operating assets			
Net investment in finance leases		**(2,345,485)**	(1,409,595)
Personal financing		**(587,283)**	(237,916)
Prepayments		**(59,945)**	(16,028)
Other assets		**(66,924)**	(26,181)
Net (decrease) / increase in operating liabilities			
Accounts payable		**(3,162)**	219,469
Due to related parties		**(671)**	(34)
Advance from customers		**34,424**	(12,803)
Accrued expenses and other liabilities		**59,939**	304
Cash used in operations		**(2,771,023)**	(1,365,323)
Zakat paid	*16*	**(896)**	(9,208)
Employees' end of service benefits paid net of transfers in	*15*	**(1,377)**	(610)
Net cash used in operating activities		**(2,773,296)**	(1,375,141)
Cash flows from investing activities			
Purchase of intangibles	*9*	**(45,491)**	(4,409)
Purchase of property and equipment	*10*	**(647)**	(552)
Net cash used in investing activities		**(46,138)**	(4,961)
Cash flows from financing activities			
Drawdown of long-term loan	*12*	**2,871,958**	750,000
Payments of long-term loan	*12*	**(2,716,125)**	(887,300)
Increase in share capital		**250,000**	-
SAMA deposit repayment		**-**	(222)
Financial charges paid	*12*	**(158,948)**	(102,346)
Proceeds from the sale of Receivables portfolio		**2,621,277**	1,180,418
Net cash generated from in financing activities		**2,868,162**	940,550
Net increase / (decrease) in cash and cash equivalents		**48,728**	(439,552)
Cash and cash equivalents at the beginning of the year		**38,018**	477,570
Cash and cash equivalents at the end of the year	4	**86,746**	38,018
Supplemental non-cash information:			
Net change in the fair value of cash flow hedges and transfer to the statement of income	8	**(17,769)**	(17,769)
Actuarial loss on defined benefit plans	*15*	**(415)**	(415)

Mohammed Al Shaeikh	Haitham Aljarbooa	Ahamed T. Rasheed
Chairman	Chief Executive Officer	Acting Chief Financial Officer

1. THE COMPANY AND NATURE OF OPERATIONS

Saudi Fransi for Finance Leasing (“the Company”) is a Closed Joint Stock Company (“CJSC”) established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010320273 dated 24 Dhul Hijjah 1432H (corresponding to 21 November 2011).

As per the Saudi Central Bank (“SAMA”) directive, the Company obtained a license no. 201511/H/38 to practice finance activities.

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

Saudi Fransi for Finance Leasing
Prince Abdulaziz Ibn Musaid Ibn Jalawi Road
P.O. Box 56006,
Riyadh 11554
Kingdom of Saudi Arabia

The objective of the Company is to provide lease financing for assets and personal financing.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the IFRS Accounting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”); and in compliance with the provisions of the Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Company.

b) Basis of measurement

These financial statements are prepared on a going concern basis under the historical cost convention except for the measurement of commission rate swaps and financial assets held at fair value through other comprehensive income– equity instruments, which are carried at fair value. Further, employees’ end-of-service benefits are measured at the present value of future obligations using the Projected Unit Credit Method.

The Company does not present current and non-current assets and liabilities separately in the statement of financial position, instead, assets and liabilities are presented in order of their liquidity.

c) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Saudi Arabian Riyals (“SAR”) which is the Company’s functional and presentation currency. All financial information presented has been rounded-off to the SAR in thousand unless otherwise stated.

d) 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 intention and resources to continue in business for the foreseeable future. In making the going concern assessment, the company has considered a wide range of information relating to present and future projections of profitability, cash flows and other capital resources, etc. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION (CONTINUED)

e) Critical Accounting Judgements, Estimates, and Assumptions

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

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

i) Expected credit losses (“ECL”) on financial assets

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgment, 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 ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

1. The selection of an estimation technique or modelling methodology, covering below key judgments and assumptions:

    a. The Company’s internal credit grading model, which assigns Probability of Default (‘PDs’) to the individual grades
    b. The Company’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
    c. The segmentation of financial assets when their ECL is assessed on a collective basis
    d. Development of ECL models, including the various formulas; and
    e. Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

2. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

ii) Employee’s end of service benefits
iii) Fair value measurement
iv) Depreciation and amortization

(SAR '000)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

a) Change in accounting policies

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

(i) New standards, interpretations and amendments adopted by the Company

Following standard, interpretation or amendment are effective from the annual reporting period beginning on January 01, 2024 and are adopted by the company, however, these does not have any impact on the financial statements of the year unless otherwise stated below:

Standard, interpretation, amendments	Description	Effective Date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 01, 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 01, 2024
Amendment to IAS 1 – Non-current liabilities with covenants and Classification of liabilities as current or non-current	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 01, 2024
IFRS S1, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	January 01, 2024 Subject to endorsement from SOCPA
IFRS S2, 'Climate-related disclosures'	This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.	January 01, 2023 Subject to endorsement from SOCPA

(ii) New standards or amendments issued but are not yet effective

Standard, interpretation, amendments	Description	Effective date
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	January 01, 2025

(SAR ‘000)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a) Change in accounting policies (continued)

(ii) New standards or amendments issued but are not yet effective (continued)

Standard, interpretation, amendments	Description	Effective date
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	January 01, 2026
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations It defines a subset of measures related to an entity’s financial performance as ‘management-defined performance measures’ (‘MPMs’). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	January 01, 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	January 01, 2027

b) Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash in hand and term deposits having original maturity of three months or less at the date of acquisition.

c) Net investment in finance leases

Net investment in finance lease represents leasing contracts that are receivable from customers on account of finance leases. Leases in which the Company transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees at the end of the contract are classified as finance leases. Net investment in finance leases is recorded at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) Net investment in finance leases (continued)

All leased vehicles are under the Company’s name, and the contract signed with customer represents lease contract with irrevocable promise to transfer the ownership, where the legal title of the asset will be passed to the lessee once all lease instalments are settled. Based on the criteria as laid out in IFRS 16, these contracts meet the definition of a finance lease, even though the legal ownership of these underlying properties is not transferred as of the reporting date.

Gross investment in finance leases include the total of future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease income and for presentation purposes, is deducted from the gross investment in finance leases.

d) Impairment

The Company recognizes loss allowances for ECL on investment in finance lease.

Equity investments are not subject to impairment under IFRS 9.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the financial instruments on which credit risk has not increased significantly since their initial recognition. The loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognized are referred to as ‘Stage1’ financial instruments. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognized but that are not credit-impaired are referred to as ‘Stage 2 financial instruments’. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are nor credit-impaired. Financial instruments for which the lifetime ECL are recognized and that are credit-impaired are referred to as ‘Stage 3 financial instruments’.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

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

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 the 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 effective yield of the existing financial asset.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) Impairment (continued)

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortized 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or lease by the Company on terms that the Company would not consider otherwise; or

A lease 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.

Presentation of allowance for ECL in the statement of financial position
Impairment allowances 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.

Write-off
Investment in finance leases are written off (either partially or fully) 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. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment charge for credit losses.

e) Financial instruments
All financial assets and financial liabilities are initially recognized on the trade date i.e. the date which the Company becomes party to the contractual provisions of the instrument. Financial assets comprises of cash and cash equivalents, investments, net investment in finance lease, derivative and other receivables. Financial liabilities comprises of long-term loan, accounts payable, advance from customers, due to related parties, negative fair value of derivatives and accrued expenses and other liabilities.

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

Financial asset at amortised cost
A financial asset is measured at amortized 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 profit on the principal amount outstanding.

Financial asset at FVOCI
Debt instrument: 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 profit on the principal amount outstanding.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Profit and foreign exchange gains and losses are recognised in profit or loss.

Equity instrument: On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis.

Financial asset at FVTPL
All other financial assets are classified as measured at FVTPL.

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

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

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

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

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

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 profit:
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' 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 profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

Assessments whether contractual cash flows are solely payments of principal and profit: (Continued)

- 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 profit rates.

Classification of financial liabilities
The Company classifies its financial liabilities, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium to issue the funds, and other cost that are integral part of the effective profit rate.

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 profit or loss.

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

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Modifications of financial assets and financial liabilities

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 amortized 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 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 profit.

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 profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

e) Financial instruments (continued)

Offsetting of financial instruments
Financial assets and liabilities are offset and are reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

Derivative financial instruments and hedge accounting

The Company designates certain derivatives (i.e. commission rate swaps) as hedging instruments in qualifying hedging relationships to manage exposures to commission rate. In order to manage particular risk, the Company applies hedge accounting for transactions that meet specific criteria.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

For the purpose of cash flow hedge which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability, or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Company will assess the effectiveness of the hedging relationship. At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness, if any, is recognized in the statement of income.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Company revokes the designation then hedge accounting is discontinued prospectively.

At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in shareholders' equity is transferred to the statement of profit or loss for the period.

f) Income and expenses recognition

Income and expenses
Finance lease income and special commission expense are recognized in profit or loss using the effective profit method. The 'effective profit rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to or the amortized cost of the financial instrument.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

f) Income and expenses recognition (continued)

When calculating the effective profit rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective profit rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective profit rate includes transaction costs and fees and points paid or received that are an integral part of the effective profit rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Insurance income
Insurance income is recognized in the statement of income over the lease term.

Measurement of amortized cost and income
The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective profit method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating profit, the effective profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, profit is calculated by applying the effective profit rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of profit reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, profit is calculated by applying the credit-adjusted effective profit rate to the amortized cost of the asset. The calculation of profit does not revert to a gross basis, even if the credit risk of the asset improves.

g) Property and equipment

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

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

Depreciation is charged to statement of profit or loss using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Leasehold improvements	10
Furniture and fixtures	10
Equipment	7
Computer hardware	4
Motor vehicles	4

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

h) Intangible assets

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

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

The intangible assets comprise of computer software and their estimated useful life is 3 years.

i) Provisions

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

j) Accrued expenses and other current liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

k) Employees' terminal benefits

The Company operates a defined benefit plan for employees in accordance with Saudi Labor Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service cost are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Company recognises related restructuring costs

Interest cost is calculated by applying the discount rate to the net defined benefit liability. The Company recognises the following changes in the net defined benefit obligation in the statement of income: Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements (under general and administrative expenses), Net special commission expense or income (under general and administrative expenses)

l) Zakat

The Company’s shareholders are subject to zakat in accordance with the regulations of the Zakat, Tax and Custom Authority (“ZATCA”) as applicable in the Kingdom of Saudi Arabia.
Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

m) Long-term loan

Long-term loan includes special commission bearing borrowing which is recognized initially at fair value. Subsequent to the initial recognition, special commission bearing borrowings are stated at amortized cost with any difference between cost (including transaction cost) and redemption value being recognized in the statement of profit or loss over the period of the borrowing on an effective special commission rate basis.

n) Fair value measurement

The Company measures certain financial instruments, such as, derivatives and equity instruments at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortized cost are disclosed in note 23.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

n) *Fair value measurement (continued)*

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

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

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

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 at the end of each reporting period.

o) Foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss. The gains or losses on foreign currency transactions are included in the statement of profit or loss during the year.

p) Segment reporting

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

q) Value Added Tax ("VAT")

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

r) Impairment of non-financial assets

An assessment is made at each reporting date to determine whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's, or cash-generating units (CGU), fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

(SAR ‘000)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

s) Accounting for leases

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

Right of use assets

The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurement of the lease liability.

Generally, right of use assets would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the right of use assets’ value.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company’s incremental borrowing rate.

After the commencement date, the Company measures the lease liability by:

1. Increasing the carrying amount to reflect interest on the lease liability;
2. Reducing the carrying amount to reflect the lease payments made; and
3. Re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

4. CASH AND CASH EQUIVALENTS

	2024	2023
Cash at bank	**86,746**	38,018
	86,746	38,018

5.1. NET INVESTMENT IN FINANCE LEASES

	Note		**31 December 2024**	
	Note	**Not later than one year**	**Later than one year and less than five years**	**Total**
Lease contract receivables		**1,271,675**	**3,263,574**	**4,535,249**
Unearned finance income		**(244,597)**	**(618,577)**	**(863,174)**
Net receivable from finance lease		**1,027,078**	**2,644,997**	**3,672,075**
Provision for expected credit losses	*5.1.2*			**(34,888)**
Net investment in finance leases				**3,637,187**

(SAR '000)

5.1. NET INVESTMENT IN FINANCE LEASES (continued)

	Note	31 December 2023 Not later than one year	Later than one year and less than five years	Total
Lease contract receivables		1,385,689	3,473,595	4,859,284
Unearned finance income		(264,461)	(636,281)	(900,742)
Net receivable from finance lease		1,121,228	2,837,314	3,958,542
Provision for expected credit losses	*5.1.2*			(58,840)
Net investment in finance leases				3,899,702

These leased assets carry profit rates ranging from 3% to 10.99% per annum (2023: 3% to 9.99%) and lease rentals are determined on the basis of implicit rate of profit based on the cash flows of the lease. The Company holds the title of the leased assets as a collateral against the finance leases.

5.1.1 Charge / (reversal) of impact on expected credit losses, net

	2024	2023
(Reversal) / charge for the year for Investment in finance lease	**(5,487)**	7,897
Charge for the year for Investment in Personal finance	**44,682**	8,356
	39,195	16,253

5.1.2 The movement of finance lease in the allowance for expected credit losses is as follows:

	2024	2023
Balance as at 1 January	**58,840**	63,028
(Reversal) / charge for the year (5.1.1)	**(5,487)**	7,897
Write off for the year	**(18,465)**	(12,085)
Balance as at 31 December	**34,888**	58,840

5.1.3 During the year, the Company sold finance lease receivables amounting to SR 3,083 million (December 31, 2023: SR 1,327 million) including principal value of SR 2,412 million (December 31, 2023: SR 1,046 million) to local commercial bank "Banque Saudi Fransi" or "BSF", Parent for SR 2,682 million (December 31, 2023: SR 1,178 million) in pursuant to a portfolio sale agreement with BSF, where the Company retained maximum 0.5% of the risk of transferred portfolio. As per the assessment performed by the management significant risk and rewards related to the sold finance lease receivables have been transferred to BSF and these finance lease receivables have been derecognised from the statement of financial position. Gain on disposal of finance lease receivable amounting to SAR 45.7 million (December 31, 2023: Profit of SR 30.8 million). The amount received of SAR 2,499 million (December 31, 2023: SR 1,095 million) on assignment of finance lease receivables has been recognised as sale proceeds in the Statement of Financial Position.

Pursuant to the terms of the transfer agreement, the Company is not allowed to repledge those receivable, and the financial institution has recourse only to the receivables in the event the Company defaults its obligation.

(SAR '000)

5.2. PERSONAL FINANCING

	Note	31 December 2024 Not later than one year	 Later than one year and less than five years	 Total
Contract receivables		**348,048**	**711,983**	**1,060,031**
Unearned income		**(76,345)**	**(156,176)**	**(232,521)**
		271,703	**555,807**	**827,510**
Provision for expected credit losses	*5.2.1*			**(53,053)**
Personal financing				**774,457**

	Note	31 December 2023 Not later than one year	 Later than one year and less than five years	 Total
Contract receivables		78,314	238,540	316,854
Unearned income		(18,939)	(57,688)	(76,627)
		59,375	180,852	240,227
Provision for expected credit losses	*5.2.1*			(8,371)
Personal financing				231,856

The company introduced a new product Personal Finance (Tawarruq) during the year 2022 to meet customer's financial needs by providing immediate cash in accordance with the provisions of Islamic Sharia so that the customer can meet his personal and family needs.

5.2.1 The movement of personal loan in the allowance for expected credit losses is as follows:

	2024	2023
Balance as at 1 January	**8,371**	15
Charge for the year	**44,682**	8,356
Balance as at 31 December	**53,053**	8,371

6. OTHER ASSETS

	Note	2024	2023
VAT receivable, net		**142,223**	81,876
Insurance receivable net for Sold Portfolio		**-**	31,045
Dealers' receivable		**12,085**	15,743
Assets held for sale		**1,183**	1,318
Insurance receivable		**47,324**	37,083
Other receivables	6.1	**24,995**	17,025
		227,810	184,090

6.1 This account includes receivable against interest rate swap amounting to SAR 4 million, net unamortized onboarding cost of SAR 6 million, loans provided to staff amounting to SAR 1.5 million, and receivables from customers against fee receivables from customer care services amounting to SAR 5.8 million.

7. INVESTMENT AT FVOCI

Pursuant to Article 18/1 of the financial leasing law, Saudi Financial Lease Contract Registry Company (SIJIL) was established on 3/2/1439, corresponding to 23 October 2017, under CR No. 1010612415, and SAMA approval no. 381000124076 dated 23/12/1438, corresponding to 14 September 2017.

This Company has been set up by SAMA as a means to further regulate the market and facilitate transfer of leases between suppliers of finance and counterparties. SIJIL has 700,000 shares of SR 10 each. These 700,000 shares have been divided between finance lease companies registered and operating in Saudi Arabia. The Company purchased 89,285 shares at SR 10 each, amounting to SR 892,850.

As at the date of these financial statements, the carrying value of this investment is not materially different to its fair value.

8. DERIVATIVE

			Notional amount			
SR in 000'	Positive fair value of derivative	Negative fair value of derivative	Within 3 months	Within 3-12 months	Within 1-5 years	Total
IRS - 2024	**18,234**	**(1,001)**	**189,167**	**567,500**	**1,901,667**	**2,658,334**
IRS - 2023	28,606	(2,326)	176,042	528,125	1,278,333	1,982,500

The Company entered into a commission rate swap with its parent, Banque Saudi Fransi (BSF), the Company is exposed to variability in future commission cash flows on long term borrowings which bear commission at a variable rate. The company uses commission rate swaps as cash flow hedges of these commission rate risks. As at 31 December 2024, there was no ineffective portion between hedge item (borrowing) and the hedge instrument (IRS). The positive fair value of commission rate swaps as on 31 December 2024 is SAR 18.23 million (2023: SAR 28.60 million) and the negative fair value of commission rate swaps is SAR 1 million (2023: SAR 2.33 million). The fair value of commission rate swaps is calculated using discounted cash flow model using a risk-free discount rate adjusted for appropriate risk margin for counterparty risk including the entity's own credit risk.

9. INTANGIBLE ASSETS

	2024	2023
Cost at the beginning of the year	**10,941**	6,532
Additions during the year	**4,650**	4,409
Cost at the end of the year	**15,591**	10,941
Opening amortization balance	**(6,688)**	(5,690)
Amortization charge for the year	**(1,932)**	(998)
Accumulated amortization at end of the year	**(8,620)**	(6,688)
Net book value	**6,971**	4,253
Asset under development - CWIP	**40,841**	-
Total	**47,812**	4,253

9.1 Intangible assets include computer software related to loan origination, loan management and related licenses.

(SAR '000)

10. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS

Movement in the property and equipment and right of use assets during the year is as follows:

For the year ended 31 December 2024	**Lease hold improvements**	**Furniture and fixtures**	**Equipment's**	**Motor vehicles**	**Computer hardware**	**Right of use assets ***	**Total**
Cost:							
Balance at beginning of the year	**1,570**	**806**	**1,368**	**352**	**2,132**	**2,576**	**8,804**
Additions	**125**	**209**	**-**	**-**	**313**	**-**	**647**
Balance at the end of the year	**1,695**	**1,015**	**1,368**	**352**	**2,445**	**2,576**	**9,451**
Accumulated depreciation:							
Balance at beginning of the year	**459**	**201**	**891**	**352**	**1,239**	**2,140**	**5,282**
Charge for the year	**158**	**92**	**132**	**-**	**407**	**427**	**1,216**
Balance at the end of the year	**617**	**293**	**1,023**	**352**	**1,646**	**2,567**	**6,498**
Net book value as at 31 December 2024	**1,078**	**722**	**345**	**-**	**799**	**9**	**2,953**

For the year ended 31 December 2023	Lease hold improvements	Furniture and fixtures	Equipment's	Motor vehicles	Computer hardware	Right of use assets *	Total
Cost:							
Balance at beginning of the year	1,570	651	1,234	352	1,869	2,576	8,252
Additions	-	155	134	-	263	-	552
Balance at the end of the year	1,570	806	1,368	352	2,132	2,576	8,804
Accumulated depreciation:							
Balance at beginning of the year	302	137	770	352	728	1,587	3,876
Charge for the year	157	64	121	-	511	553	1,406
Balance at the end of the year	459	201	891	352	1,239	2,140	5,282
Net book value at 31 December 2023	1,111	605	477	-	893	436	3,522

* Right of use assets pertains to lease of premises of the Company's branches.

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11. RELATED PARTY TRANSACTIONS

The related parties of the Company comprise of BSF and its affiliated entities and certain key management personnel. The Company transacts with its related parties in the ordinary course of business. The transactions with related parties are undertaken in light of applicable rules and regulations.

The Company in its ordinary course of business transacts with the following related parties. The terms of those billings and charges are on an agreed basis with these related parties:

Name	Relationship
Banque Saudi Fransi (BSF)	Parent
Sofinco Saudi Fransi (SSF)	Affiliate

In addition to the related party transactions and balances disclosed elsewhere in these financial statements, significant transactions and balances arising from transactions with related parties are as follows:

a) Transactions with related parties

Nature of transactions	*Related parties*	**For the year ended 31 December 2024**	For the year ended 31 December 2023
Zakat and other Operational expenses	BSF	**5,849**	9,360
IT maintenance and network related expenses	BSF	**(4,217)**	(4,773)
Financial charges on long-term loan and commission rate swaps including bank charges	BSF	**(155,198)**	(112,025)
Salaries and employee related expenses	BSF	**(4,847)**	(386)
Draw down of long-term loan	BSF	**2,871,958**	750,000
Payments of long-term loan	BSF	**(2,716,125)**	(887,300)
Cash received for end of service benefit	BSF	**117**	580
Premises related expenses	BSF	**1,386**	-
Profit Paid – Borrowing	BSF	**192,437**	141,431
Guarantee Issued	BSF	**30,000**	30,200
Proceeds from Sold Portfolio	BSF	**2,499,359**	1,138,108
Provision against Partial Recourse	BSF	**25,545**	10,129
Derivative Cashflow Hedge	BSF	**2,198,958**	1,982,500

Certain expenses paid by BSF on behalf of the Company were not charged by BSF to the Company; these expenses mainly included electricity expenses.

The above transactions mainly resulted in the following balances:

b) Due to related parties (excluding term loan):

	2024	2023
SSF (Managed & owned by BSF)	**859**	1,074
BSF	**(456)**	-
	403	1,074

c) Other balances with a related party:

Nature of balances	*Related party*	**2024**	2023
Cash and cash equivalents	Banque Saudi Fransi	**86,746**	38,018
Financial guarantee	Banque Saudi Fransi	**18,005**	10,129
Payable against Sold Portfolio Collection	Banque Saudi Fransi	**89,802**	-
Long-term tawarruq financing	Banque Saudi Fransi	**2,909,188**	2,757,102

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11. RELATED PARTY TRANSACTIONS (CONTINUED)

d) The company considers chief executive officer, chief financial officer, chief risk officer, chief business development officer, chief sales officer, chief information technology officer and chief governance and legal officer as key management personnel. The compensation of the key management personnel is listed below:

	2024	2023
Salaries	**6,202**	6,421
End of service benefits	**337**	267
	6,539	6,688

12. LONG -TERM TAWARRUQ FINANCING

The Company has a shariah-compliant facility "Al Tawarruq" with a limit of SAR 2,600 million from its parent company Banque Saudi Fransi ("BSF"). There was an additional one-time special approval of SAR 200 million from BSF.
As at 31 December, the outstanding / utilized amounts from the above facility which are as follows:

	2024	2023
Current portion	**777,521**	728,769
Non-current portion	**2,131,667**	2,028,333
	2,909,188	2,757,102

The long-term loans carry profit rate equal to SIBOR plus 0.5% per annum payable on maturity. The management have provided BSF with promissory notes against this facility.

The movement in borrowings for the year ended 31 December was as follows:

	2024	2023
Balance at beginning of the year	**2,757,102**	2,884,722
Borrowings during the year	**2,871,958**	750,000
Principal repayments during the year	**(2,716,125)**	(887,300)
Profit accrued during the year	**188,690**	151,111
Profit repayments during the year	**(192,437)**	(141,431)
Balance at end of the year	**2,909,188**	2,757,102

13. ACCOUNTS PAYABLE

	2024	2023
Dealers payable	**287,560**	402,823
Insurance payable	**99,851**	145,272
Payable against Sold Portfolio collection	**89,802**	-
Commission payable	**15,452**	11,599
Third-party insurance collected	**9,134**	9,107
Customer verification expense payable	**7,550**	4,682
Others	**4,127**	5,436
Government fee payable	**2,637**	1,478
	516,113	580,397

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14. ACCRUED EXPENSES AND OTHER LIABILITIES

	2024	2023
Payable to service providers	**69,362**	11,735
Financial Guarantee	**18,005**	10,129
Salaries and employee related expenses	**9,021**	10,317
Others	**3,384**	92
Legal and professional charges	**840**	561
Lease Liability	**812**	775
	101,424	33,609

15. EMPLOYEES’ END OF SERVICE BENEFITS

The following tables summaries the components of employee benefits recognized in the statements of financial position, statement of income and statement of comprehensive income.

a) Amount recognised in the statement of financial position as at 31 December:

	2024	2023
Present value of defined benefit obligation	**12,084**	12,393

b) Benefit expense (recognized in the statement of income):

	For the year ended 31 December 2024	For the year ended 31 December 2023
Current service cost	**2,581**	1,905
Interest cost	**620**	501
Benefit expense	**3,201**	2406

c) Amount recognized in statement of comprehensive income:

	For the year ended 31 December 2024	For the year ended 31 December 2023
Actuarial (gain) / loss on defined benefit plan	**(2,133)**	415

d) Movement in the present value of defined benefit obligation:

	For the year ended 31 December 2024	For the year ended 31 December 2023
Present value of defined benefit obligation at beginning of the year	**12,393**	10,182
Charge recognised in the statement of profit or loss:		
Current service cost	**2,581**	1,905
Interest cost	**620**	501
	3,201	2,406
Actuarial gain on defined benefit plan recognized in the statement of other comprehensive income	**(2,133)**	415
Transfer in	**-**	580
Benefits paid	**(1,377)**	(1,190)
Present value of defined benefit obligation at end of the year	**12,084**	12,393

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15. EMPLOYEES’ END OF SERVICE BENEFITS (CONTINUED)

e) Principal actuarial assumptions:

	31 December 2024	31 December 2023
Discount rate	**5.60%**	5.20%
Salary increases rate	**4.00%**	5.00%
Plan duration	**10.67 years**	11.33 years

f) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	31 December 2024		31 December 2023	
	Increase	**Decrease**	Increase	Decrease
Discount rate (0.5% movement)	**(568)**	**616**	(644)	706
Future salary growth (0.5% movement)	**628**	**(580)**	694	(644)

16. ZAKAT

The movement in the provision for zakat for the years ended 31 December is as follows:

	31 December 2024	31 December 2023
Opening zakat	**5,893**	11,670
Charge for the year:		
- Current	**3,626**	2,146
- Prior years (16.1)	**-**	1,285
Charge for the year	**3,626**	3,431
Payment during the year	**(896)**	(9,208)
Closing zakat	**8,623**	5,893

16.1 In the year 2023 the Company has booked prior year charge for the year 2022 by 1.2 million as the provision was originally estimated based on standalone financials as of 31 December 2022, however, during 2023 the actual zakat was paid after calculating as a group with BSF.

Status of assessments

The Company has submitted its zakat returns for the years ended 31 December 2012 to 2023 with the Zakat, Tax and Customs Authority (“ZATCA”).

2012 to 2015

The Company (“SFL”) has received zakat and tax assessments for the years from 2012 to 2015 from the zakat, tax and custom authority ("ZATCA") requesting to settle additional Zakat liability of SR 8.570 million. SFL filed an objection against these assessments with the ZATCA. However, the ZATCA raised revised assessment for the period from 2012 to 2015 requesting to settle additional Zakat liability of SR 9.828 million. The additional liability was primarily due to disallowance of provision of lease losses and provision for performance related bonus and not allowing SFL's claim "net investment in finance leases" from the Zakat base. During 2024, SFL filed a new appeal against the revised assessment to the General Secretariat of Tax Committees ("GSTC") level 1. GSTC scheduled hearing session for the FP 2012 and ZATCA accepting our appeal, thereafter, GSTC issued its decision by establishing the termination of the litigation accordingly, and ZATCA cancelled the zakat liability for FP 2012 by amount of SAR 0.4 million.

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16. ZAKAT (Continued)

Regarding the FY2013, 2014, 2015; GSTC level 1 held a court session on 7 July 2024, and issued its decisions by partial acceptance for some items in FY 2013 and 2014, and fully acceptance for FY 2015 and accordingly, SFL has raised an appeal memo for FY 2013 and 2014 for "GSTC level 2" during the statutory period. Further, the ZATCA has raised an appeal memo for FY 2015 for "GSTC level 2". No notification for hearing session has been received by SFL yet for FY 2023, 2014, 2015. SFL is of the view that the case will be in company's favour for all the mentioned assessment under review.

During the year, zakat assessment is made on a consolidated basis and to be paid by BSF on behalf of the Company. The charge for the Company was billed by BSF at the end of the year. No assessments have been raised by ZATCA for the year 2023.

17. SHARE CAPITAL

During the second quarter of the year, the Board of Directors of the Company recommended in its meeting to increase the Company's share capital from SAR 500 million to SAR 750 million by way of issuing new shares for cash payment. The proposed increased is approved by the shareholders during the second quarter of the year 2024. Consequently, the number of ordinary shares issued to the Company increased from 50 million shares to 75 million shares, an increase of 25 million shares. The Company has completed the relevant regulatory requirements during the period, including the update of the Commercial Registration for the revised capital amount, and amendment of the Company's bylaws.

18. STATUTORY RESERVE

The Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia require the Company to allocate 10% of its net income after zakat each year to form a statutory reserve until such reserve equals 30% of the Company's share capital. The statutory reserve is not available for distribution. During the year, the Company has transferred SR 3.1 million (2023: SR 1.7 million).

19. FINANCE INCOME

	2024	2023
Lease finance income	**225,940**	182,906
Personal finance income	**68,734**	9,536
	294,674	192,442

20. FEE INCOME AND EXPENSES

Fee income	**2024**	2023
Insurance income	**31,140**	26,795
Processing fee	**7,022**	32,306
Other operating income	**9,613**	8,418
	47,775	67,519
Fee expenses		
Insurance expenses	**(15,909)**	(14,675)
Commission	**(6,499)**	(26,494)
Registration fee	**(712)**	(792)
Verification expenses	**(16,239)**	(7,625)
	(39,359)	(49,586)

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21. GENERAL AND ADMINISTRATION EXPENSES

	2024	2023
IT maintenance and network related expenses	**13,605**	8,993
Advertising and promotion expenses	**11,230**	19,943
Collection expenses	**3,000**	3,600
Consultancy fees	**2,492**	728
Board Remuneration	**1,455**	1,455
Other expenses	**3,438**	3,507
Legal and professional charges	**769**	905
Communication expenses	**724**	919
Printing and stationery	**487**	377
Penalty paid to SAMA	**185**	101
Repair and maintenance	**392**	194
Traveling expenses	**221**	312
General insurance expense	**884**	813
	38,882	41,847

22. OTHER INCOME

	2024	2023
Recoveries against previously written off lease receivables	**4,823**	2,717
Other (22.1)	**9,106**	7,624
	13,929	10,341

22.1 The other income includes fee for GCC Authority to drive, ownership transfer, lost key, istamarah renewal and various other services charged to customers during the year.

23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets (including lease receivables) and financial liabilities are measured at amortized cost except for derivative financial instruments and equity instruments which are measured at fair value. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate their fair values except for net investments in finance leases.

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

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23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

		---------------Fair Value---------------			
31 December 2024	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Receivable from finance lease	**3,672,075**	**-**	**-**	**3,989,329**	**3,989,329**
Receivable from Personal finance	**827,510**	**-**	**-**	**830,139**	**830,139**
Investment (FVOCI)	**893**	**-**	**-**	**893**	**893**
Other Assets	**227,810**	**-**	**-**	**227,810**	**227,810**
Positive fair value of derivative	**18,234**	**-**	**18,234**	**-**	**18,234**
Financial liabilities:					
Negative fair value of derivative	**1,001**	**-**	**1,001**	**-**	**1,001**
Long Term Tawarruq Financing	**2,909,188**	**-**	**-**	**2,909,188**	**2,909,188**
Due to Related Party	**403**	**-**	**-**	**403**	**403**

		---------------Fair Value---------------			
31 December 2023	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets:					
Receivable from finance lease	3,958,542	-	-	4,340,066	4,340,066
Receivable from Personal finance	240,227	-	-	243,013	243,013
Investment (FVOCI)	893	-	-	893	893
Other Assets	184,090	-	-	184,090	184,090
Positive fair value of derivative	28,606	-	28,606	-	28,606
Financial liabilities:					
Negative fair value of derivative	2,326	-	2,326	-	2,326
Long Term Tawarruq Financing	2,757,102	-	-	2,757,102	2,757,102
Due to Related Party	1,074	-	-	1,074	1,074

The fair value of net investment in finance lease is determined using discounted cash flow technique considering the credit adjusted market rates. The rates are determined based on the risk profile of lease receivables and current commission rates.

Fair value of long-term loan is not significantly different from the carrying values included in the financial statements since the current market commission rates for similar financial instruments are not significantly different from the contracted rates.

Fair value of financial assets held at fair value through other comprehensive income – equity instruments is not significantly different from the carrying values included in the financial statements. There had been no inter-level transfers during the year.

24. FINANCIAL RISK MANAGEMENT

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has nominated the risk management head, who has the responsibility to monitor the overall risk process within the Company. The risk management head e has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The risk management head is responsible for managing risk decisions and monitoring on risk levels and reports to the Risk Management Committee.

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24. FINANCIAL RISK MANAGEMENT (Continued)

1) Credit risk

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to investment in finance lease receivables and personal financing.

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

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of Company’s performance to developments affecting a particular industry or geographical location.

a) Credit quality analysis

The Company seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. Further, the Company holds the title of the leased assets as a collateral against the finance leases and in case of default by the customer, the outstanding amount is recovered through the disposal of the leased assets.

The table below shows the gross maximum exposure to credit risk for the components of the statement of financial position:

	31 December 2024	31 December 2023
Net investment in finance lease	**3,637,187**	3,899,702
Net Personal financing	**774,457**	231,856
Other assets	**227,810**	184,090
Cash and cash equivalent	**86,746**	38,018
Positive fair value of derivatives	**18,234**	28,606
	4,744,434	4,382,272

The following table sets out information about the credit quality of investment in finance lease and personal finance as at 31 December 2024. The amounts in the table represent gross carrying amounts.

	31 December 2024			
Gross investment in finance leases and personal financing	**12 Month ECL**	**Life time ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
PD Range (0-0.05%)	**5,278,909**	**36,834**	**-**	**5,315,743**
PD Range (0.05-0.22%)	**99,746**	**73,686**	**-**	**173,432**
PD Range (0.22-3.62%)	**6,021**	**5,830**	**-**	**11,851**
PD Range (100%)	**-**	**-**	**94,254**	**94,254**
Total	**5,384,676**	**116,350**	**94,254**	**5,595,280**

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24. FINANCIAL RISK MANAGEMENT (Continued)

1) Credit risk (Continued)

a) Credit quality analysis (Continued)

	31 December 2023			
Gross investment in finance leases and personal financing	12 Month ECL	Life time ECL not credit impaired	Lifetime ECL credit impaired	Total
PD Range (0-0.05%)	4,869,328	22,272	-	4,891,600
PD Range (0.05-0.22%)	96,337	67,115	-	163,452
PD Range (0.22-3.62%)	3,973	70,540	-	74,513
PD Range (100%)	-	-	46,573	46,573
Total	4,969,638	159,927	46,573	5,176,138

b) Amounts arising from ECL – Significant increase in credit risk

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

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
- the 12 month probability of default (PD) as at the reporting date; with
- the 12 month probability of default (PD) at the time of initial recognition of the exposure

i) Credit risk stages

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

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

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

- Payment record – this includes overdue status as well as a range of variables about payment ratios
- Requests for and granting of forbearance
- Existing and forecast changes in business, financial and economic conditions

ii) Generating the term structure of PD

Credit Risk grades mapped to probabilities, Credit transition probabilities and Macroeconomic inputs determine the term structure of Probability of Default. The Company collects performance and default information about its credit risk exposures separately for the corporate and retail portfolios.

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

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24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

ii) Generating the term structure of PD (continued)

This analysis includes the identification and calibration of relationships between changes in default rates and macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. Forward looking predictions of key macro-economic indicators e.g. GDP growth, inflation, unemployment or CDS spreads are translated analytically into the impact on Risk Factors, especially PD. For both the corporate and retail portfolios, the key macro-economic indicator is unemployment rate (separately for Saudi & Non-Saudi), inflation rate, interest rate and exchange rate.

iii) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs (as a result of moving to higher delinquency buckets) and qualitative factors like legal cases, fraud cases (if any).

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

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- the criteria do not align with the point in time when an asset becomes 30 days past due;

iv) Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly by its view on the future evolving macroeconomic environment. Based on advice from economic experts and consideration of a variety of forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting.

The Company considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Company’s credit portfolios in determining them.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 to 15 years. The Company has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

Economic indicators	**Forecast calendar years used in 2024 ECL model**			**Forecast calendar years used in 2023 ECL model**		
	2025	**2026**	**2027**	**2024**	**2025**	**2026**
Unemployment rate-Saudi, (%,SA)	**4.98**	**4.98**	**4.98**	4.97	4.99	4.99
Unemployment Rae -Non Saudi (%, SA)	**1.15**	**1.15**	**1.16**	1.31	1.18	1.18
Consumer Price Index: Total,(Index 2018=100,SA)	**115.49**	**118**	**120.53**	112.89	116.3	117.5
Interest Rate: Money Market Rae-3-Month SIBOR (%pa, NSA)	**4.42**	**3.41**	**3.37**	5.66	4.40	3.35
Exchange Rate- Real Broad Index, (Index 2010=100,NSA)	**114.56**	**113.14**	**112.18**	117.41	114.36	113.42

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

v) Definition of 'Default'

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

- the borrower is unlikely to pay its credit obligations to Company in full and company files a legal case against borrower; or
- the borrower is past due more than 90 days on any material credit obligation to Company.

In assessing whether a borrower is in default, the Company considers indicators that are quantitative- e.g. overdue status and non-payment on another obligation of the same customer to the Company.

vi) Measurement of ECL

The key inputs into the measurement of ECL are the following risk estimates:

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

These parameters are generally derived from internally developed statistical models, regulatory inputs (e.g. in case of LGD) and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models, and assessed using rating tools tailored for company's portfolio. These analytical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PD's are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD based on the history of recovery rates of claims against defaulted counterparties. LGD model considers the structure, any sale of collateral, and recovery costs of any collateral that is integral to the financial asset.

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

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period.

vii) Modified financial assets

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

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- The risk of default at the reporting date (based on modified contractual terms) and
- The risk of default occurring at initial recognition (based on original, unmodified contractual terms).

(SAR '000)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

b) Amounts arising from ECL – Significant increase in credit risk (continued)

vii) Modified financial assets (continued)

If the modification results in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of the following:

- risk of default at the reporting date (based on modified contractual terms); and
- the risk of default based on the modified terms.

The modified terms usually include extending the maturity, changing the timing of profit payments and amending the terms of loan covenants. Both retail and corporate loans are subject to modification.

For financial assets, which are modified, the estimate of PD reflects whether the modification has improved or restored the Company ability to collect profit and principal. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired / default or the risk of default is considered to have decreased.

c. Expected Credit Loss allowance

The following table shows reconciliations from the opening to the closing balance of the carrying amount of the investment in finance lease, personal finance and the related loss allowance account for the year ended 31 December 2024.

Investments in finance lease and personal financing	**12 Month ECL**	**Lifetime ECL (not credit impaired)**	**Lifetime ECL (credit impaired)**	**Total**
Balance at 1 January, 2024	**4,032,058**	**128,660**	**38,051**	**4,198,769**
Transfer from 12 Month ECL	(72,503)	39,772	32,731	-
Transfer from Lifetime ECL not credit impaired	58,028	(72,253)	14,225	-
Transfer from Lifetime ECL credit – impaired	8,641	2,075	(10,716)	-
Net repayment received during the year	181,735	(47,400)	(6,665)	127,670
Agreement to Sale Portfolio	(2,499,359)	-	-	(2,499,359)
New finance lease receivables originated during the year	2,622,868	44,104	23,998	2,690,970
Write Off	-	-	(18,465)	(18,465)
Balance at 31 December 2024	**4,331,468**	**94,958**	**73,159**	**4,499,585**

(SAR '000)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

1) Credit risk (continued)

c. Expected Credit Loss allowance (continued)

Expected credit losses	**12 Month ECL**	**Lifetime ECL (not credit impaired)**	**Lifetime ECL (credit impaired)**	**Total**
Balance at 1 January, 2024	**22,582**	**17,133**	**27,496**	**67,211**
Transfer from 12 Month ECL	(970)	665	305	-
Transfer from Lifetime ECL not credit – Not impaired	7,173	(9,677)	2,504	-
Transfer from Lifetime ECL not credit – impaired	5,597	1,409	(7,006)	-
Net re-measurement of loss allowance	(17,029)	(2,700)	48,420	28,691
Financial assets that have been derecognized during the year	(9,176)	(4,174)	(12,990)	(26,340)
New finance lease receivables originated during the year	16,889	2,891	17,064	36,844
Write Off			(18,465)	(18,465)
Balance at 31 December 2024	**25,066**	**5,547**	**57,328**	**87,941**

The following table shows reconciliations from the opening to the closing balance of the carrying amount of the investment in finance lease, personal finance and the related loss allowance account for the year ended 31 December 2023.

Investments in finance lease and personal financing	**12 Month ECL**	**Lifetime ECL (not credit impaired)**	**Lifetime ECL (credit impaired)**	**Total**
Balance at 1 January, 2023	**3,551,799**	**126,177**	**31,582**	**3,709,558**
Transfer from 12 Month ECL	(64,156)	51,072	13,084	-
Transfer from Lifetime ECL not credit impaired	45,784	(61,368)	15,584	-
Transfer from Lifetime ECL credit – impaired	2,691	2,534	(5,225)	-
Net repayment received during the year	(770,177)	(59,328)	(14,349)	(843,854)
Agreement to Sale Portfolio	(1,045,895)	-	-	(1,045,895)
New finance lease receivables originated during the year	2,312,009	69,573	9,847	2,391,429
Write Off	-	-	(12,469)	(12,469)
Balance at 31 December 2023	**4,032,055**	**128,660**	**38,054**	**4,198,769**

Expected credit losses	**12 Month ECL**	**Lifetime ECL (not credit impaired)**	**Lifetime ECL (credit impaired)**	**Total**
Balance at 1 January, 2023	**23,690**	**14,840**	**24,513**	**63,043**
Transfer from 12 Month ECL	(881)	604	277	-
Transfer from Lifetime ECL not credit – Not impaired	7,158	(8,593)	1,435	-
Transfer from Lifetime ECL not credit – impaired	1,723	1,537	(3,260)	-
Net re-measurement of loss allowance	(12,711)	3,869	12,278	3,436
Financial assets that have been derecognized during the year	(3,623)	(4,314)	(1,398)	(9,335)
Reversal for Sold Portfolio	(5,639)	-	-	(5,639)
New finance lease receivables originated during the year	12,865	9,190	6,120	28,175
Write Off	-	-	(12,469)	(12,469)
Balance at 31 December 2023	**22,582**	**17,133**	**27,496**	**67,211**

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

2) Market rate risk

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as Interest rates, Foreign Exchange rates and Equity prices.

a) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The most important source of such rate is the Company’s borrowing where fluctuations in special commission rates, if any, are reflected in the results of its operations.

The sensitivity to a 50 basis points change in financial charges on long term loans, with all other variable constant on the Company’s financial charges for the year are mentioned below:

	2024		2023	
	Change in basis points	**Impact on financial charges**	Change in basis points	Impact on financial charges
Saudi Riyals in ‘000	**+50**	**(4,298)**	+50	(28,547)
Saudi Riyals in ‘000	**-50**	**4,298**	-50	28,547

b) Currency risk

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

As US Dollar is pegged with Saudi Riyal, therefore, Company does not have any currency risk in these transactions.

3) Liquidity risk

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

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

Management monitors the maturity profile of the Company's assets and liabilities based on the remaining period at the statement of financial position date to the contractual maturity date to ensure that adequate liquidity is maintained. All liabilities other than end of service benefits and long-term loans are contractually payable on a current basis. The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

The table below summarizes the maturity profile of the Company’s financial liabilities based on contractual undiscounted repayment obligation. The contractual maturities of the liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective expected maturities.

(SAR '000)

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

3) Liquidity risk (continued)

The maturity profile of the Company's financial assets and liabilities is as follows:

31 December 2024	**Within 3 months**	**3 to 12 months**	**1 to 5 years**	**No fixed maturity**	**Total**
Assets					
Cash in hand and at banks	**86,746**	**-**	**-**		**86,746**
Investment in finance leases	**334,533**	**937,142**	**3,263,574**	**-**	**4,535,249**
Investment in personal finance	**105,399**	**242,649**	**711,983**	**-**	**1,060,031**
Investment at FVOCI				**893**	**893**
Positive fair value of derivative	**18,234**	**-**	**-**	**-**	**18,234**
Other assets	**227,810**	**-**	**-**	**-**	**227,810**
	772,722	**1,179,791**	**3,975,557**	**893**	**5,928,963**
Liabilities and Shareholders' equity					
Accounts payable	**516,113**	**-**	**-**	**-**	**516,113**
Lease liabilities	**812**	**-**	**-**	**-**	**812**
Due to related parties		**403**	**-**	**-**	**403**
Negative fair value of derivatives	**1,001**	**-**	**-**	**-**	**1,001**
Long term loan	**210,021**	**567,500**	**2,131,667**	**-**	**2,909,188**
Advance from customer	**-**	**102,515**	**-**	**-**	**102,515**
	727,947	**670,418**	**2,131,667**	**-**	**3,530,032**
Maturity gap	**44,775**	**509,373**	**1,843,890**	**893**	
Cumulative maturity gap	**44,775**	**554,148**	**2,398,038**	**2,398,931**	

31 December 2023	Within 3 months	3 to 12 months	1 to 5 years	No fixed maturity	Total
Assets					
Cash in hand and at banks	38,018	-	-		38,018
Investment in finance leases	390,379	995,310	3,473,595	-	4,859,284
Investment in personal finance	21,674	56,640	238,540	-	316,854
Investment at FVOCI	-	-	-	893	893
Positive FV for Derivative	28,606	-	-		28,606
	478,677	1,051,950	3,712,135	893	5,243,655
Liabilities and Shareholders' equity					
Accounts payable	580,397	-	-	-	580,397
Lease liabilities	33,609	-	-	-	33,609
Due to related parties		1,074	-	-	1,074
Negative fair value of derivatives	2,326	-	-	-	2,326
Long term loan	200,644	528,125	2,028,333	-	2,757,102
Advance from customer	-	68,091	-	-	68,091
	816,976	597,290	2,028,333	-	3,442,599
Maturity gap	(338,299)	454,660	1,683,802	893	
Cumulative maturity gap	(338,299)	116,361	1,800,163	1,801,056	

25. GEOGRAPHICAL CONCENTRATION

The Company’s operations are restricted to the Kingdom of Saudi Arabia only.

26. COMMITMENTS

The Company has finance lease contracts approved but not utilised, indicative offers issued which are under consideration of the customers as of the reporting date which have the potential to convert into financing amounting to SAR 23 million (2023: SR 40.2 million).

As at 31 December 2024, the Company has an outstanding guarantee of SR 30 million (2023: SR 30.2 million) submitted in favour of Abdul Latif Jameel Retail Company Limited against purchases of vehicle for onward leasing to customers.

27. COMPARATIVE FIGURES

Some figures within the financial statements have been reclassified to align with the current year's presentation. This reclassification did not affect the income or shareholders' equity previously reported.

28. SUBSEQUENT EVENTS

There were no subsequent events after the statement of financial position date which require adjustments to / or disclosure in the financial statements.

29. BOARD OF DIRECTORS’ APPROVAL

The financial statements have been approved by the Board of Directors on **18th March 2025** (corresponding to **18th Ramadan 1446H**).