

**NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)**

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

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
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FOR THE YEAR ENDED 31 DECEMBER 2024

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL FINANCE HOUSE COMPANY
[A JOINT STOCK COMPANY]

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

We have audited the financial statements of the Company, which comprise of the following:

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's Bylaws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL FINANCE HOUSE COMPANY
[A JOINT STOCK COMPANY]

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risk 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 by the 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 the material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NATIONAL FINANCE HOUSE COMPANY
[A JOINT STOCK COMPANY]

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

For PKF Albassam
Chartered Accountants



Sulaiman Bin Dhafir Al Hussain
Certified Public Accountant
License No. 645
Riyadh, Kingdom of Saudi Arabia
05 Ramadhan 1446H
Corresponding to: 05 March 2025



NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

		As at 31 December	
	Note	2024	2023
ASSETS			
Bank balances	6	49,641,237	10,060,915
Prepayments and other receivables	7	5,203,407	3,850,392
Property and equipment	8	541,184	607,585
Net investment in islamic financing	9	645,573,971	441,825,719
Restricted cash deposit	10	20,146,366	13,003,460
Intangible assets	11	7,541,053	7,037,600
TOTAL ASSETS		728,647,218	476,385,671
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	300,000,000	150,000,000
Accumulated losses		(6,126,513)	(18,227,195)
TOTAL EQUITY		293,873,487	131,772,805
LIABILITIES			
Trade payables	13	35,425,878	64,637,872
Other payables and accruals	14	10,439,136	7,600,979
Due to related parties	15	8,759,262	18,681,660
Provision for zakat	16	3,083,797	699,887
Financial facilities	17	376,109,463	252,410,029
Employees' post-employment benefits	18	956,195	582,439
TOTAL LIABILITIES		434,773,731	344,612,866
TOTAL EQUITY AND LIABILITIES		728,647,218	476,385,671

The accompanying notes from 1 to 28 form an integral part of these financial statements.

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2024	2023
INCOME FROM ISLAMIC FINANCING, NET	19	106,259,237	44,604,562
OPERATING (EXPENSES) / INCOME			
General and administrative expenses	20	(34,990,983)	(24,302,471)
Finance cost	21	(26,067,738)	(10,674,421)
Impairment on Islamic financing	9.4	(32,862,881)	(16,975,964)
Selling and marketing expenses	22	(2,986,644)	(1,370,080)
Other income	23	5,609,646	2,621,610
NET OPERATING INCOME / (LOSS) BEFORE ZAKAT		14,960,637	(6,096,764)
Zakat	16	(2,857,052)	(699,887)
NET INCOME / (LOSS) FOR THE YEAR		12,103,585	(6,796,651)
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial (loss) / gain on employees' post-employment benefits	18	(2,903)	35,870
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		12,100,682	(6,760,781)

The accompanying notes from 1 to 28 form an integral part of these financial statements.

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

2023

	Share capital	Additional share capital	Accumulated Losses	Total equity
Balance as at 1 January 2023	100,000,000	50,000,000	(11,466,414)	138,533,586
Net loss for the year	-	-	(6,796,651)	(6,796,651)
Other comprehensive income	-	-	35,870	35,870
Total comprehensive loss for the year	-	-	(6,760,781)	(6,760,781)
Contribution to additional capital	50,000,000	(50,000,000)	-	-
Balance as at 31 December 2023	150,000,000	-	(18,227,195)	131,772,805

2024

	Share capital	Additional share capital	Accumulated Losses	Total equity
Balance as at 1 January 2024	150,000,000	-	(18,227,195)	131,772,805
Net income for the year	-	-	12,103,585	12,103,585
Other comprehensive loss	-	-	(2,903)	(2,903)
Total comprehensive income for the year	-	-	12,100,682	12,100,682
Issuance of share capital	150,000,000	-	-	150,000,000
Balance as at 31 December 2024	300,000,000	-	(6,126,513)	293,873,487

The accompanying notes from 1 to 28 form an integral part of these financial statements.

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating income / (loss) before zakat		14,960,637	(6,096,764)
Adjustments for:			
Impairment on islamic financing	9.4	32,862,881	16,975,964
Finance cost	20	26,067,738	10,674,421
Amortization of intangibles	11	971,019	930,764
Provision for employees' post-employment benefits	18	463,740	325,717
Depreciation of property and equipment	8	348,808	251,681
Depreciation of right-of-use asset		-	32,056
		75,674,823	23,093,839
Increase in operating assets			
Prepayments and other receivables	7	(1,353,015)	(1,272,223)
Net investment in Islamic financing	9	(236,611,133)	(348,365,737)
Restricted cash deposit	10	(7,142,906)	(13,003,460)
(Decrease) / increase in operating liabilities			
Trade payables	13	(29,211,994)	49,661,526
Other payables and accruals	14	2,838,157	2,868,786
Due to related parties	15	(9,922,398)	(179,967)
Cash used in operating activities		(205,728,466)	(287,197,236)
Employees' post-employment benefits paid		(92,887)	(8,879)
Zakat paid	16	(473,142)	(145,363)
Net cash used in operating activities		(206,294,495)	(287,351,478)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets	11	(1,474,472)	(1,004,081)
Purchase of property and equipment	8	(282,407)	(428,919)
Placement of term deposits		(96,000,000)	(171,000,000)
Proceeds from encashment of term deposits		96,000,000	171,000,000
Net cash used in investing activities		(1,756,879)	(1,433,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		150,000,000	-
Proceeds from short term borrowings	17.1	207,506,980	276,060,317
Repayments of short-term borrowings	17.1	(84,286,153)	(25,389,671)
Finance cost paid		(25,589,131)	(8,934,759)
Lease liability paid		-	(68,671)
Net cash generated from financing activities		247,631,696	241,667,216
Net increase / (decrease) in cash and cash equivalents		39,580,322	(47,117,262)
Cash and cash equivalents at beginning of the year		10,060,915	57,178,177
Cash and cash equivalents at the end of the year	6	49,641,237	10,060,915
<u>Supplemental non-cash information</u>			
Net investment in Islamic financing written off	9.4	23,277,595	173,754
Contribution of additional capital		-	50,000,000

The accompanying notes from 1 to 28 form an integral part of these financial statements.

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

National Finance House Company (the "Company") is a Saudi Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial registration number 4030394711 and unified number 7008216371 dated 27 Safar 1442H (corresponding to 14 October 2020) having obtained the necessary approval from the Ministry of Commerce ("MOC") and the Notary Public.

In accordance with article 6 of the implementing regulations of the law of supervision of finance companies, the Company submitted its application to the Saudi Central Bank ("SAMA") to obtain its license as a financing company. The Company obtained the license from SAMA number 202106/SA/59 on 25 Shawwal 1442H (corresponding to 06 June 2021), authorizing to engage in the finance lease activities. The principal activities of the Company include financial lease, financing to Small and Medium Enterprises (SMEs) and Consumer financing. The Company commenced its commercial operations in terms of investing in Islamic financing dated 28 July 2021.

The new Companies Law issued through Royal Decree M/132 on 1 Dhul Hijjah 1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26 Jamad-ul-Thani 1444H (corresponding to 19 January 2023). The management has assessed the impact of the New Companies Law and updated the By-Laws accordingly to ensure alignment with its provisions.

The Company's Head Office is located at the following address:
National Finance House Company
Building number 3388, Al Amir Muhammad Bin AbdulAziz Branch,
Secondary number 6320, Ar Rawdah Dist.
P.O. Box 23432
Jeddah
Kingdom of Saudi Arabia

The Company's activities as per the commercial registration of the Company includes financial lease, consumer financing and small and medium enterprise financing.

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

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

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

2.2. BASIS OF MEASUREMENT

These financial statements are prepared under the historical cost method except for the End of Service Indemnities recognized at the present value of future obligations using the Projected Unit Credit method.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Saudi Riyal, unless otherwise mentioned.

2.4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the SOCPA which require management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (CONTINUED)

2.4. KEY ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

Estimates

2.4.1. Determination of discount rate for present value calculations

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Company.

2.4.2. Actuarial valuation of post-employment benefits

The cost of the post-employment benefits ("employee benefits") under the defined benefit plan is determined using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and rate of employee turnover. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required. Further information on the carrying amounts of the Company's end of service indemnities and the sensitivity of those amounts to changes in discount rate are provided in note 18.

2.4.3. Calculation of loss allowance

The determination of expected credit losses involves key estimates by management. Management has exercised judgment in assessing the impact of current and future economic conditions, as well as other relevant factors that may affect the collectability of financial assets. Key estimates include the estimation of credit risk, probability of default, exposure at default, and loss given default.

The ECL model relies on forward-looking information. Management continually monitors changes in economic conditions and adjusts the ECL estimates as necessary. Given the inherent uncertainty in forecasting economic conditions, the Company performs sensitivity analyses to assess the potential impact of changes in key assumptions on the expected credit losses (refer note 24.3)

2.4.4. Impairment of non-financial assets

Please refer note number 5.6.

Judgements

2.4.5. Business model assessment

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

2.4.6. Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The following amendments to standards relevant to the Company are effective for the annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Company adopted these standards and / or amendments, however, there is no significant impact of these on the financial statements:

Amendments to standard	Description	Effective from accounting period beginning on or after	Summary of the amendment
IAS 1	Classification of liabilities as current or non-current	1 January 2024	<p>The amendment has clarified</p> <ul style="list-style-type: none"> ○ what is meant by a right to defer settlement, ○ that a right to defer must exist at the end of the reporting period, ○ that classification is unaffected by the likelihood that an entity will exercise its deferral right, and ○ that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IFRS 16	Leases on sale and leaseback	1 January 2024	<p>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.</p>
IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024	<p>These amendments require to add disclosure requirements to enhance transparency of supplier finance arrangements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.</p>

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. NEW STANDARDS, AMENDMENTS, AND REVISED IFRS ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following new and revised IFRS standards and amendments to IFRS that have been issued but are not yet effective.

Standard or amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	1 January 2026	These amendments clarify financial assets and financial liabilities are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.
			They also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features.
			Additionally, these amendments introduce new disclosure requirements and update others.
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027	IFRS 18 replaces IAS 1, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes.
			Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.
			IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures (MPMs)* and eliminates classification options for interest and dividends in the statement of cash flows.

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

4. NEW STANDARDS, AMENDMENTS, AND REVISED IFRS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Standard or amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 19	Subsidiaries without Public Accountability	1 January 2027	<p>IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements.</p> <p>A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.</p>
IAS 21	Lack of Exchangeability	1 January 2025	<p>The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.</p> <p>The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.</p>

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may not result in material impact on the financial statements of the Company in the period of initial application.

5. MATERIAL ACCOUNTING POLICIES INFORMATION

Material accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently to all years unless otherwise stated.

5.1. Cash and cash equivalents

Cash and cash equivalents may include cash in hand and at banks and other short-term highly liquid investments, with original maturities of three months or less from the purchase date, if any.

5.2. Leases

Lease arrangements where the Company is a lessee

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NATIONAL FINANCE HOUSE COMPANY
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FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.2. Leases (continued)

Lease arrangements where the Company is a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect finance cost on the lease liability (using the effective profit method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating profit rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

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5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.2. Leases (continued)

Lease arrangements where the Company is a lessor

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

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

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

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which finance income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance).

Ijara receivables

Ijara finance is an agreement wherein gross amounts due under originated Ijara (finance) includes the total of future payments on Ijara finance, plus estimated residual amounts receivable (by an option to purchase the asset at the end of the respective financing term through an independent sale contract). The difference between the Ijarah contracts receivable and the cost of the Ijarah assets is recorded as unearned Ijara finance income and for presentation purposes, is deducted from the gross amounts due under Ijara finance.

5.3. Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

5.3.1. Financial assets

Initial measurement

At initial recognition, the Company recognizes the financial asset at its fair value.

Murabaha receivables

Murabaha is an agreement whereby the Company sells to a customer an asset, which the Company has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Murabaha sale contracts include the total of future sale price payments on the Murabaha agreement (Murabaha sale contract receivable). The difference between the Murabaha sale contracts receivable and the cost of the sold asset is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha sale contracts receivable.

Tawarruq receivables

Tawarruq is an agreement whereby the Company sells to a customer an asset, which the Company has already purchased and received either physically or constructively, and subsequently, to such sale, the customer arranges to sell the underlying asset and receives the sale proceeds. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Tawarruq sale contracts include the total sale price payments on the Tawarruq agreement (Tawarruq sale contract receivable).

The difference between the Tawarruq sale contracts receivable and the cost of the sold asset is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the Tawarruq sale contracts receivable.

Subsequent measurement

After initial recognition financial assets can be measured at amortized cost, Fair value through other comprehensive income ("FVOCI") or Fair value through profit and loss ("FVTPL").

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5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)
5.3. Financial instruments (continued)
5.3.1. Financial assets (continued)

Financial asset at amortized 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.

Business model assessment

The Company assesses 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 the 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 a contractual profit, 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 financing in prior years, the reasons for such financing and its expectations about future financing activities. However, information about financing activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

Assessments whether contractual cash flows are solely payments of principal and 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 financing risks associated with the principal amount outstanding during a particular year and other basic financing 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:

- 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 the 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.

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5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)
5.3. Financial instruments (continued)
5.3.1. Financial assets (continued)

De-recognition of 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 in its entirety, the difference between:

- (i) the carrying amount (measured at the date of derecognition) and
- (ii) the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

Impairment

The Company recognizes loss allowances for ECL on financial instruments at amortised cost. No impairment loss is recognized on equity investments carried at FVOCI.

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

- Financial instruments on which credit risk has not increased significantly since their initial recognition.
- 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company categories' the financing in the following 3 stages for the purpose of impairment:

Stage 1: 12-month ECL applies to all financial assets that have not experienced SICR since origination and are not credit impaired. The ECL will be computed using a factor that represents the PD occurring over the next 12 months and LGD and profit is calculated on a gross basis;

Stage 2: Under Stage 2, where there has been a SICR since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the lifetime ECL will be recorded which is computed using lifetime PD, LGD, and EAD, and profit is calculated on a gross basis. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1;

Stage 3: Under Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit-impaired, and an amount equal to the lifetime ECL will be recorded for the financial assets, and profit is calculated on a net basis.

Measurement of ECL

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

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

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 a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)
5.3. Financial instruments (continued)
5.3.1. Financial assets (continued)

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

- the significant financial difficulty of the customer or issuer;
- a breach of contracts such as a default or past due event;
- the restructuring of financing or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

Financing that has been renegotiated due to deterioration in the customer'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. In addition, financing that is overdue for 90 days or more is considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL, for financial assets measured at amortized cost, are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

Write-off

Financial assets are written off as per the below:

- (i) unsecured exposures are written-off within 360 days once they are classified as stage 3 exposures;
- (ii) secured exposures are written-off within 720 days once they are classified as stage 3 exposures; or
- (iii) exposures with mortgage are written-off within 1080 days once they are classified as stage 3 exposures.

Where financial assets are written off, the Company continues to engage in enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, are recognized as other income in the statement of comprehensive income.

5.3.2. Financial liabilities

Initial measurement

At initial recognition, the Company recognizes financial liability at its fair value.

Subsequent measurement

After initial recognition, the Company classifies its financial liabilities, other than financial guarantees & financing commitments and Shari'a alternatives for financial derivative instruments, at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EPR.

Derecognition of financial liabilities

Financial liabilities are derecognized when the obligations specified in the contract is discharged, canceled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment.

Regular way contracts

All regular way purchase and sales of financial assets are recognized and derecognized on the trade date i.e., the date on which the Company commits to purchase or sell the assets. Regular way purchase or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the marketplace.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.3. Financial instruments (continued)

5.3.2. Financial liabilities (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

5.4. Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

	Years
Computer hardware	3
Furniture and fixture	3-5
Office equipment	5

Depreciation on additions is charged from the month the assets are available for use.

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

Gains/losses on disposal of property and equipment, if any, are taken to the profit and loss account in the year in which they arise.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

5.5. Intangible assets

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses if any. Amortization is charged applying the straight-line method over the useful lives of 5 to 8 years. Amortization is charged from the month in which the asset is available for use. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

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5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.5. Intangible assets (continued)

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

Gains and losses on disposals, if any, are taken to the profit and loss account in the year in which they arise.

Capital work in progress at year-end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant asset categories and are amortized once they are available for their intended use.

5.6. Impairment of non-financial assets

At each reporting date, the carrying amounts of non-financial assets are reviewed regularly to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized as an expense in the statement of profit or loss immediately.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets or cash-generating unit in prior year. The reversal of an impairment loss is recognized in the statement of profit or loss immediately.

5.7. Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of IAS 10, 'Events after the Reporting Year' in the year in which they are approved / transfers are made.

5.8. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation to its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.9. Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

5.10. Employees' post-employment benefits

The liability or asset recognized in the statement of financial position in respect of defined benefit. The plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

Service costs include current service cost and past service cost are recognized immediately in the statement of profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefits expense in the statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

5.11. Contingent liabilities

The Company receives legal claims through its normal cycle. Management has to make estimates and judgments about the possibility to set aside a provision to meet claims. The end of the legal claims date and the amount to be paid is uncertain. The timing and costs of legal claims depend on statutory procedures.

5.12. Revenue recognition

Income from Islamic financing is recognized in the statement of profit or loss using the effective profit method, using the applicable effective profit rate "EPR", on the outstanding balance over the term of the contract.

The calculation of EPR includes transaction costs and fees and commission income received that are an integral part of the EPR. Transaction costs include incremental costs that are directly attributable to the acquisition of the financial assets.

Origination fees charged in respect of processing and other services are recognized as income using EPR over the term of the financing agreement.

Other fee commission income is recognized at a point in time when services are delivered.

5.13. Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at exchange rates prevailing at the date of the transaction and the resulting gain/loss recognized in the statement of profit or loss monetary assets and liabilities in foreign currencies are translated at the rates of exchange that are prevailing on the statement of financial position date. Gains and losses on translation are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

5.14. General and Administrative expenses and Selling and Marketing expenses

Selling and marketing expenses principally comprised of costs incurred in the sale and marketing of the Company's products/services. All other expenses are classified as general and administrative expenses.

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5. MATERIAL ACCOUNTING POLICIES INFORMATION (CONTINUED)

5.15. Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Custom Authority (ZATCA) in the Kingdom of Saudi Arabia and on the accrual basis. Zakat charge for the year is charged directly to the statement of profit or loss with a corresponding liability recognized in the statement of financial position. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

5.16. Financial facilities

Financial facilities are initially recognized at fair value, net of transaction costs incurred. Financial facilities are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of profit or loss over the period of the facilities using the effective interest method. Financial facilities are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The financial facilities are classified as a current liability when the remaining maturity is less than 12 months.

6. BANK BALANCES

		As at 31 December	
	Note	2024	2023
<i>Financial assets carried at amortized cost</i>			
Cash at banks – secured	6.1	49,641,237	10,060,915
		<u>49,641,237</u>	<u>10,060,915</u>

- 6.1.** The Company does not earn profits on current accounts with banks and financial institutions in accordance with Shari'a rules and principles.

7. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
VAT receivable	3,600,591	2,559,581
Prepaid loan origination structure fees	756,509	764,089
Prepaid rent	281,668	253,501
Other prepaid expenses	509,871	227,103
	<u>5,148,639</u>	<u>3,804,274</u>
<i>Financial assets carried at amortized cost – unsecured</i>		
Other receivables	54,768	46,118
	<u>5,203,407</u>	<u>3,850,392</u>

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8. PROPERTY AND EQUIPMENT

	2024			
	Computer hardware	Furniture and fixture	Office equipment	Total
Cost				
Balance as at 1 January	687,028	321,753	15,326	1,024,107
Additions during the year	170,017	110,556	1,834	282,407
Balance as at 31 December	857,045	432,309	17,160	1,306,514
Accumulated depreciation				
Balance as at 1 January	(316,848)	(95,844)	(3,830)	(416,522)
Depreciation charge for the year	(228,995)	(116,512)	(3,301)	(348,808)
Balance as at 31 December	(545,843)	(212,356)	(7,131)	(765,330)
Net book value as at 31 December	311,202	219,953	10,029	541,184

	2023			
	Computer hardware	Furniture and fixture	Office equipment	Total
Cost				
Balance as at 1 January	441,310	146,221	7,657	595,188
Additions during the year	245,718	175,532	7,669	428,919
Balance as at 31 December	687,028	321,753	15,326	1,024,107
Accumulated depreciation				
Balance as at 1 January	(129,116)	(34,058)	(1,667)	(164,841)
Depreciation charge for the year	(187,732)	(61,786)	(2,163)	(251,681)
Balance as at 31 December	(316,848)	(95,844)	(3,830)	(416,522)
Net book value as at 31 December	370,180	225,909	11,496	607,585

9. NET INVESTMENT IN ISLAMIC FINANCINGS

	As at 31 December	
	2024	2023
<u>Financial assets carried at amortized cost – unsecured</u>		
Tawarruq	193,031,382	171,552,722
Murabaha	2,774,075	3,314,234
<u>Investment classified as a finance lease – secured</u>		
Ijara	475,852,370	284,550,330
	671,657,827	459,417,286

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9. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)

9.1. Details of net investment in Islamic financings:

	Tawarruq		Murabaha		Ijara		Total	
	As at December 31		As at December 31		As at December 31		As at December 31	
	2024	2023	2024	2023	2024	2023	2024	2023
Gross investment in islamic financings	292,753,871	283,075,752	4,032,501	4,898,209	681,133,679	404,921,168	977,920,051	692,895,129
Unearned / deferred Islamic financing income	(99,722,489)	(111,529,383)	(1,258,426)	(1,580,517)	(205,281,309)	(120,367,943)	(306,262,224)	(233,477,843)
	193,031,382	171,546,369	2,774,075	3,317,692	475,852,370	284,553,225	671,657,827	459,417,286
Unearned origination fees							(3,122,721)	(1,902,431)
Deferred transaction costs							6,275,278	3,961,991
Impairment on Islamic financing							(29,236,413)	(19,651,127)
Net Investment in Islamic financing							645,573,971	441,825,719
Current portion							114,181,639	30,367,072
Non-current portion							531,392,332	411,458,647
	Tawarruq		Murabaha		Ijara		Total	
	As at December 31		As at December 31		As at December 31		As at December 31	
	2024	2023	2024	2023	2024	2023	2024	2023
Secured	-	-	-	-	475,852,370	284,553,225	475,852,370	284,553,225
Unsecured	193,031,382	171,546,369	2,774,075	3,317,692	-	-	195,805,457	174,864,061
	193,031,382	171,546,369	2,774,075	3,317,692	475,852,370	284,553,225	671,657,827	459,417,286

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9. NET INVESTMENT IN ISLAMIC FINANCINGS (CONTINUED)

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

9.3. The Company has assigned Islamic financing receivables amounting to SR 604 million (31 December 2023: 345 million) to local commercial banks for obtaining financial facilities. These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the risks and rewards, primarily credit risk.

9.4. The movement in the provision for impairment of islamic financings during the year is as follows:

	Note	2024	2023
Balance at the beginning of the year		19,651,127	2,848,917
Provided during the year		32,862,881	16,975,964
Written off during the year	9.5	(23,277,595)	(173,754)
Balance at the end of the year		29,236,413	19,651,127

9.5. During the year, the Credit and Risk Committee of the Company, authorized by the Board of directors, approved a write-off of gross investment in Islamic financing receivable amounting to SR 23.3 million (31 December 2023: 0.17 million) for certain customers with an existing provision of SR 23.3 million (31 December 2023: 0.023 million). These amounts are subject to enforcement activities.

9.6. The Company's islamic financing arrangements do not include variable payments.

9.7. The Company is not exposed to foreign currency risk as a result of the financing arrangements, as all financings are denominated in Saudi Riyals.

10. RESTRICTED CASH DEPOSIT

The Company has placed these funds in restricted bank account. Out of total deposit, SR 10.8 million has been deposited as restricted time deposits for certain financing facilities granted to the Company. The Company also earns a profit on this balance. The yield on the restricted cash deposit is 5.05%.

	As at 31 December	
	2024	2023
<i>Financial assets carried at amortized cost – secured</i>		
Restricted cash deposit	20,062,877	12,903,108
Accrued profit on restricted cash deposit	83,489	100,352
	20,146,366	13,003,460

11. INTANGIBLE ASSETS

	2024			
	License	Computer software	Project under progress	Total
Cost				
Balance as at 1 January	200,000	7,158,767	871,657	8,230,424
Additions during the year	-	1,473,670	802	1,474,472
Balance as at 31 December	200,000	8,632,437	872,459	9,704,896
Accumulated amortization				
Balance as at 1 January	(100,164)	(1,092,660)	-	(1,192,824)
Amortization charge for the year	(40,110)	(930,909)	-	(971,019)
Balance as at 31 December	(140,274)	(2,023,569)	-	(2,163,843)
Net book value as at 31 December	59,726	6,608,868	872,459	7,541,053

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11. INTANGIBLE ASSETS (CONTINUED)

11.1. Project under progress include payments made to vendors for developments and upgrades in-process for computer software.

	2023			
	License	Computer software	Project under progress	Total
Cost				
Balance as at 1 January	200,000	4,832,253	2,194,090	7,226,343
Additions during the year	-	132,424	871,657	1,004,081
Transfers during the year	-	2,194,090	(2,194,090)	-
Balance as at 31 December	200,000	7,158,767	871,657	8,230,424
Accumulated amortization				
Balance as at 1 January	(60,164)	(201,896)	-	(262,060)
Amortization charge for the year	(40,000)	(890,764)	-	(930,764)
Balance as at 31 December	(100,164)	(1,092,660)	-	(1,192,824)
Net book value as at 31 December	99,836	6,066,107	871,657	7,037,600

12. SHARE CAPITAL

The Company's subscribed and paid-up share capital of SR. 300,000,000 is divided into 30,000,000 equity shares of SR. 10 each fully subscribed and paid, and distributed among shareholders as follows:

Shareholders	Holding %	No. of Shares	31 December 2024	31 December 2023
Balubaid Holding Company Limited (Ultimate Parent Company)	100%	30,000,000	300,000,000	150,000,000

12.1. During the year, the Company's shareholders in their first EGA dated 4 Shaban 1445H (corresponding to 14 February 2024) approved the issuance of additional share capital of SR. 75 million at par value of SR. 10 each. The SAMA's non-objection certificate was received on 02 Shaban 1445H (corresponding to 12 February 2024) and the proceeds for additional share capital was received by the Company on 15 Shaban 1445H (corresponding to 25 February 2024).

Further, in second EGM held on 20 Shawwal 1445H (corresponding to 29 April 2024), the Company's shareholders approved to increase the share capital to SR. 300 million by issuance of additional share capital of SR. 75 million at par value of SR. 10 each. The SAMA's non-objection certificate was received on 13 Shawwal 1445H (corresponding to 22 April 2024) and the proceeds for additional share capital was received by the Company on 05 Dhul-Qi'dah 1445H (corresponding to 13 May 2024).

Accordingly, as of 31 December 2024, the share capital of the Company was adjusted. The legal formalities including updating the commercial registration and by-laws were also completed during the year ended 31 December 2024.

13. TRADE PAYABLES

These represent non-profit bearing payables against the purchase of assets financed by the Company on a conventional basis. These unsecured financial liabilities are carried at amortized cost.

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14. OTHER PAYABLES AND ACCRUALS

	Note	As at 31 December	
		2024	2023
Employees related accruals		2,703,181	1,540,900
Accrued due diligence costs		2,233,801	689,342
Accrued software development cost		805,561	1,081,150
Remuneration payable	15	730,500	888,500
Accrued consultancy expenses		706,235	950,320
Other accruals		414,069	457,342
Advance from customers		155,528	751,486
		7,748,875	6,359,040
<i>Financial liabilities at amortized cost – unsecured</i>			
Other payables		2,690,261	1,241,939
		10,439,136	7,600,979

15. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include shareholders, directors and key management personnel. In the ordinary course of its activities, the Company transacts business with its related parties on mutually agreed terms.

Names of Related Party	Nature of Relationship	Country of incorporation	Aggregate % of shareholding in the Company
Balubaid Holding Company Limited	Shareholder	Saudi Arabia	100%
Furniture Leaders Co.	Affiliate	Saudi Arabia	-
Balubaid Automotive Company	Affiliate	Saudi Arabia	-
Omar Abu Bakr Balubaid Co.	Affiliate	Saudi Arabia	-
Arabian Plant for Lubricants and Greases	Affiliate	Saudi Arabia	-
Awtad Co.	Affiliate	Saudi Arabia	-
Digital Excellence	Affiliate	Saudi Arabia	-
Roots Co.	Affiliate	Saudi Arabia	-
Saudi Finance House Company	Affiliate	Saudi Arabia	-
Aswaq Al-Hijaz Company	Affiliate	Saudi Arabia	-

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15. RELATED PARTY TRANSACTIONS AND BALANCES

15.1. Transactions during the year

Following are the related parties including with whom the Company had entered into transactions or have arrangement / agreement in place:

Names of Related Parties	Nature of Relationship	Nature of transactions	2024	2023
Balubaid Holding Company Limited	Shareholder	Training course	6,765	-
		Amount repaid to shareholder	(2,293)	-
Furniture Leaders Co.	Affiliate	Purchases for furniture	123,583	54,625
		Amount repaid to affiliate	(178,208)	-
Balubaid Automotive Company	Affiliate	Purchases for Islamic financing	55,870,456	64,777,733
		Amount repaid to affiliate	(65,578,681)	(65,804,514)
Omar Abu Bakr Balubaid Company	Affiliate	Information Technology Services	1,536,709	1,808,643
		Amount repaid to affiliate	(1,700,729)	(1,016,454)
Key Management Personnel	Key executive employees	Salaries and other short-term employee benefits	5,106,166	3,609,004
	Key executive employees	Employees' post-employment benefits	219,925	198,949
	Shariah Committee	Remuneration	58,165	115,240
	Audit Committee	Remuneration	92,833	167,654
	Board of directors	Remuneration	415,000	595,500
	Award Committee	Remuneration	53,000	61,000
	Risk Committee	Remuneration	100,000	92,000
	Executive	Remuneration	-	112,000

Balance as at year-end

Financial liabilities at amortized cost - unsecured

Due to related parties

	As at 31 December	
	2024	2023
Balubaid Automotive Company	6,888,616	16,596,841
Omar Abu Bakr Balubaid Company	1,863,881	2,027,901
Furniture Leaders Co.	-	54,625
Balubaid Holding Company Limited	6,765	2,293
	8,759,262	18,681,660

Key Management Personnel

	As at 31 December	
	2024	2023
Salaries and other short-term employee benefits	807,540	431,125
Post-employment benefits	527,712	358,374
Board remuneration	730,500	888,500

16. PROVISION FOR ZAKAT

16.1. The movement in the provision for zakat is as follows:

	2024	2023
Balance at the beginning of the year	699,887	145,363
Provision during the year	3,083,797	699,887
Payment during the year	(473,142)	(145,363)
Prior year - reversal	(226,745)	-
Balance at the end of the year	3,083,797	699,887

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16. PROVISION FOR ZAKAT (CONTINUED)

16.2. STATUS OF ASSESSMENTS

The Company submitted its Zakat and income tax returns to the ZATCA until the year ended 31 December 2023 and has obtained a certificate from the ZATCA valid until 02 Dhul-Qi'dah 1446H, corresponding to 30 April 2025. There has been no assessment rendered to the Company by ZATCA from the year of registration through to 2023.

17. FINANCIAL FACILITIES

		As at 31 December	
	Note	2024	2023
Long-term financial facilities	17.2	373,891,473	250,670,646
Finance cost payable		2,217,990	1,739,383
		376,109,463	252,410,029

17.1. Movement in financial facilities

	2024	2023
Opening balance	252,410,029	-
Add: facilities obtained during the year	207,506,980	276,060,317
Less: payments made during the year	(84,286,153)	(25,389,671)
Finance cost during the year	23,928,210	9,470,591
Less: finance cost paid during the year	(23,449,603)	(7,731,208)
Closing balance	376,109,463	252,410,029

17.2. Maturity profile

	As at 31 December	
	2024	2023
Current portion	119,439,180	69,015,079
Non-current portion	254,452,293	181,655,567
	373,891,473	250,670,646

17.3. Secured financial facilities at amortized cost

	As at 31 December	
	2024	2023
Islamic financial facilities:		
- Tawarruq	373,891,473	252,410,029
	373,891,473	252,410,029

The Company has obtained bank financial facilities from local Islamic banks for the purpose of financing working capital needs and financing to customers. These bank facilities bear finance costs according to the internal lending rates of Saudi banks (SIBOR) in addition to an agreed profit margin which is 2.5% and also have restricted cash deposits. Also refer note 10.

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18. EMPLOYEES' POST-EMPLOYMENT BENEFITS

	As at 31 December	
	2024	2023
The present value of employees' post-employment benefits	956,195	582,439

18.1. Principal actuarial assumptions

	2024	2023
Discount rate (% per annum)	5.52%	4.51%
Rate of increase in salaries (% per annum)	5.00%	4.00%
Mortality rates	A1949-52	A1949-52
Employee turnover (withdrawal) rates	25%	20%

18.2. Amount recognized in statement of profit or loss for the year ended

	2024	2023
Service cost	439,567	316,141
Finance cost on employees' post-employment benefits	24,173	9,576
Total amount charged to the statement of comprehensive loss	463,740	325,717

18.3. Amount charged in the statement of other comprehensive income for the year ended

	2024	2023
Actuarial gains due to change in demographic assumptions	(66,668)	-
Actuarial losses due to change in financial assumptions	(199)	(10,808)
Actuarial losses due to experience adjustments	69,770	(25,062)
Return on plan assets	-	-
Amount charged to other comprehensive income	2,903	(35,870)

18.4. Reconciliation of the present value of defined benefit obligation

	2024	2023
The present value of the defined benefit obligation at 1 January	582,439	301,471
Current service cost	458,755	316,141
Past service cost	(19,188)	-
Finance cost on defined benefit obligations	24,173	9,576
Benefits paid during the year	(92,887)	(8,879)
Actuarial gain	2,903	(35,870)
The present value of defined benefit obligation at 31 December	956,195	582,439

18.5. The sensitivity of the employees' post-employment benefits to changes in the weighted principal assumptions is:

	Change in assumption	Increase / (decrease) in present value of post-employment benefits liability	
		Amount	%
Discount rate	+100 bps	918,642	-3.93%
	-100 bps	996,949	4.26%
Long term salary	+100 bps	996,757	4.25%
	-100 bps	918,115	-3.98%

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18. EMPLOYEES' POST EMPLOYMENT BENEFITS (CONTINUED)

18.6. Maturity Profile

	As at 31 December	
	2024	2023
Year 1	234,552	117,267
Year 2	292,085	162,067
Year 3	326,613	197,729
Year 4	349,569	224,168
Year 5 onwards	3,621,901	4,046,139
Total undiscounted liabilities	4,824,720	4,747,370
Less: Finance cost	(3,868,525)	(4,164,931)
	956,195	582,439

The weighted average duration of the defined benefit obligation is 4 years.

The liability of employees' post-employment benefits related to key management amounted to SR 0.52 million (2023: 0.35 million) (refer note 15).

	As at 31 December	
	2024	2023
Current portion	234,552	117,267
Non-current portion	4,590,168	4,630,103
	4,824,720	4,747,370

19. INCOME FROM ISLAMIC FINANCING, NET

	2024	2023
Revenue from main operations – over the period		
Income from Tawarruq	50,963,499	23,620,462
Income from Murabaha	675,983	618,515
	51,639,482	24,238,977
Income from Ijara	54,619,755	20,365,585
	106,259,237	44,604,562

19.1. Directly allocated transaction cost of Islamic financing is amounting to SR 7.84 million (2023: 5.06 million).

20. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2024	2023
Salaries and allowances		21,051,145	14,522,183
Professional and consultancy fees		4,905,606	3,589,821
Governmental expenses		3,563,332	2,543,520
Collection commission expense		2,349,691	633,746
Amortization of intangible assets	11	971,019	930,764
Utilities		496,649	470,247
Rent		422,165	451,500
Depreciation on property and equipment	8	348,808	251,681
Repairs and maintenance		228,664	198,820
Withholding tax		38,068	38,744
Depreciation on right-of-use asset		-	32,056
Others		615,836	639,389
		34,990,983	24,302,471

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21. FINANCE COST

	2024	2023
Islamic financial facilities		
- Tawarruq	23,928,210	9,470,591
Facility management fees	1,234,348	778,946
Bank charges	881,007	415,308
Employees' post-employment benefits	24,173	9,576
	<u>26,067,738</u>	<u>10,674,421</u>

22. SELLING AND MARKETING EXPENSES

	2024	2023
Marketing expenses	1,175,896	905,235
Sales commission	1,810,748	464,845
	<u>2,986,644</u>	<u>1,370,080</u>

23. OTHER INCOME

	Note	2024	2023
Vendors rebate		2,018,404	1,402,952
Interest on term deposits		778,155	589,066
Government grant	23.1	521,099	469,752
Revenue from admin fees		631,176	159,840
Insurance claim-back		1,551,036	-
Other		109,776	-
		<u>5,609,646</u>	<u>2,621,610</u>

- 23.1.** During 2024, government grant of SR 0.52 million (2023: SR 0.47 million) was received from Human Resource Development Fund (HRDF) as part of government's initiative to support the efforts in developing and recruiting the national workforce. There are no future related costs in respect of this grant.

24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

Financial instruments by category

As at 31 December 2024			
	At amortized cost	At FVOCI	Total
Financial assets as per the Statement of Financial Position			
Bank balances	49,641,237	-	49,641,237
Restricted cash deposits	20,146,366	-	20,146,366
Net investment in Islamic financings	645,573,971	-	645,573,971
Other receivables	54,768	-	54,768
	<u>715,416,342</u>	<u>-</u>	<u>715,416,342</u>
As at 31 December 2023			
	At amortized cost	At FVOCI	Total
Financial assets as per the Statement of Financial Position			
Bank balances	10,060,915	-	10,060,915
Restricted cash deposits	13,003,460	-	13,003,460
Net investment in Islamic financings	441,825,719	-	441,825,719
Other receivables	46,118	-	46,118
	<u>464,936,212</u>	<u>-</u>	<u>464,936,212</u>

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24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

	As at 31 December	
	2024	2023
Financial liabilities as per the Statement of Financial Position at amortized cost		
Financial facilities	376,109,463	252,410,029
Trade payables	35,425,878	64,637,872
Due to related parties	8,759,262	18,681,660
Other payables	2,690,261	1,241,939
	422,984,864	336,971,500

24.1. Risk management structure

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

Board of Directors

The Board of Directors are responsible for establishing the Company's policies, including risk management framework, and reviewing the performance of the Company to ensure compliance with these policies.

Credit and risk management committee

The credit and risk management committee are appointed by the Board of Directors. The credit and risk management committee assists the Board in reviewing overall risks which the Company might face, evaluate and review operational and non-operational risks and decide on mitigating factors related therewith.

Audit committee

The audit committee is appointed by the Board of Directors. The audit committee assists the Board in carrying out its responsibilities with respect to assessing the quality and integrity of financial reporting, the audit thereof, and the soundness of the internal controls of the Company.

Internal audit

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

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

24.2. Market risk

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

Market risk comprises three types of risks: currency risk, profit rate risk, and other price risks.

24.2.1. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company did not undertake significant transactions in currencies other than Saudi Riyals during the year. Accordingly, the Company is not exposed to any significant currency risk.

24.2.2 Profit rate risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Company is exposed to long term obligations with floating profit rates due to long-term financial facilities.

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24. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES (CONTINUED)

24.2. Market risk (continued)

24.2.3. Other price risks

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

24.3. Credit risk

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

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 and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for exposure by comparing:

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

Generating the term structure of PD

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

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors as well as an in-depth analysis of the impact of certain other factors (e.g., forbearance experience) on the risk of default.

Determining whether credit risk has increased significantly

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

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modeling.

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

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

Definition of 'Default'

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

- the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the customer is past due more than 90 days on any material credit obligation to the Company.

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24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

24.3. Credit risk (continued)

In assessing whether a customer is in default. The Company considers indicators that are:

- qualitative- e.g., breaches of the covenant, SIMAH scoring, sector of economies, employment type;
- quantitative- e.g., overdue status and;
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Incorporation of forward-looking information

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables and credit risk and credit losses. The economic scenario used includes the key indicators of Gross Domestic Product (GDP) forecast, average consumer prices, Brent oil prices, and general governmental total expenditure.

Measurement of ECL

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

- The probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

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

Probability of Default (PD) measures the estimated likelihood of default over a time horizon. For the model, PD has been calculated as a probability that an exposure will move to 91 DPD or above over next 12 months. Through the Cycle (TTC) default rates have been calculated and later they have been converted using scalar factor.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective profit rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. Outstanding Balance, Instalment Amount, and Profit Rate are used to derive an amortizing balance curve for each account.

Sensitivity of ECL allowance:

The increase or decrease of 10% change in macro-economic factor will result in SR 0.37 million increase or SR 0.37 million decrease in the ECL provision.

Stress testing of macro-economic scenarios with a weightage of 30% for upside and downside scenarios will result in SR 0.15 million increase or SR 0.15 million decrease in the ECL provision.

Out of the total assets of SR 728.6 million (2023: SR 476.4 million), the assets which were subject to credit risk amounted to SR 715.4 million (2023: SR 464.9 million). The management analyzes the credit risk in the following:

	Note	As at 31 December 2024	2023
Net investment in Islamic financings	9	645,573,971	441,825,719
Bank balances	6	49,641,237	10,060,915
Restricted cash deposit	10	20,146,366	13,003,460
Other receivables	7	54,768	46,118
		<u>715,416,342</u>	<u>464,936,212</u>

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24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

24.3. Credit risk (continued)

24.3.1. Bank balances and other receivables

The credit quality of the Company's bank balances and restricted cash deposit is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. Other receivables are neither significant nor exposed to significant credit risk. No ECL was taken for restricted cash deposits and bank balances as the impact of the ECL was not material.

	As at 31 December	
	2024	2023
Cash at bank:		
- A-	56,656,466	12,142,769
Restricted term deposit:		
- A-	13,131,137	10,921,606
	69,787,603	23,064,375

24.3.2. Net investment in Islamic financings

The investment in Islamic financings generally exposes to significant credit risk. Therefore, the Company has established a number of procedures to manage credit exposure including evaluation of lessees' creditworthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

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

The aging of net investment in Islamic financings contracts is as under:

	As at 31 December	
	2024	2023
Neither past nor due	529,421,206	352,945,702
Past due 1-30 days	53,723,228	57,318,674
Past due 31-90 days	12,030,361	12,309,794
Past due 91-180 days	20,126,208	15,659,005
Past due 181-365 days	41,355,867	17,941,163
Past due over 1 year	15,000,957	3,242,948
Net Investment in Islamic financing before adjustment	671,657,827	459,417,286
Unearned origination fees	(3,122,721)	(1,902,431)
Deferred transaction costs	6,275,278	3,961,991
Net Investment in Islamic financing before provision	674,810,384	461,476,846
Less: Impairment for Islamic financing	(29,236,413)	(19,651,127)
Net of Impairment loss	645,573,971	441,825,719
Total portfolio coverage ratio (impairment divided by Net Investment in Islamic financing before adjustment)	4.35%	4.28%

The portfolio that is neither past due nor impaired has a satisfactory history of repayment, where applicable. As at the statement of financial position date, the Company has adequate collateral to cover the overall credit risk exposure after making an impairment provision.

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24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

24.3. Credit risk (continued)

24.3.2. Net investment in Islamic financings (continued)

Management classifies the investment in Islamic financing that are either not yet due or otherwise past due but for 90 days or less as “performing” while all receivables that are past due for more than 90 days are classified as “non-performing”. Below is the breakdown of performing and non-performing Islamic financing:

	As at 31 December	
	2024	2023
Performing	595,174,796	422,574,170
Non-performing	76,483,031	36,843,116
	671,657,827	459,417,286

Net investment in Islamic financing and the corresponding ECL allowance is classified into as follows:

	As at 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Carrying amount before ECL	576,210,723	13,065,626	82,381,478	671,657,827
ECL	4,140,987	190,113	24,905,313	29,236,413
%	0.72%	1.46%	30.23%	4.35%

	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Carrying amount before ECL	404,963,744	13,261,826	41,191,716	459,417,286
ECL	(2,519,133)	(1,916,807)	(15,215,187)	(19,651,127)
%	0.62%	14.45%	36.94%	4.28%

The movement in provision for impairment for Islamic financing receivables is as follows:

	Stage 1	Stage 2	Stage 3	Total
1 January 2024	2,519,133	1,916,807	15,215,187	19,651,127
Transfer from stage 1	(459,712)	44,785	414,928	-
Transfer from stage 2	380,538	(1,713,687)	1,333,148	-
Transfer from stage 3	1,000,190	135,341	(1,135,531)	-
Financial assets – settled	(102,616)	(85,776)	(863,026)	(1,051,418)
Financial assets - originated	2,181,517	91,839	3,538,591	5,811,947
Net re-measurement of loss allowance	(1,378,062)	(199,196)	16,948,920	15,371,662
Write-off during the year	-	-	(10,546,905)	-
31 December 2024	4,140,987	190,113	24,905,313	29,236,413

	Stage 1	Stage 2	Stage 3	Total
1 January 2023	864,093	1,459,691	525,133	2,848,917
Transfer from stage 1	(136,857)	35,346	101,511	-
Transfer from stage 2	574,683	(1,262,265)	687,582	-
Transfer from stage 3	38,896	23,042	(61,938)	-
Financial assets – settled	(49,312)	(64,953)	(14,828)	(129,093)
Financial assets - originated	1,776,579	1,497,578	11,134,993	14,409,150
Net re-measurement of loss allowance	(548,949)	228,368	3,016,488	2,695,907
Write-off during the year	-	-	(173,754)	(173,754)
31 December 2023	2,519,133	1,916,807	15,215,187	19,651,127

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24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

24.3. Credit risk (continued)

24.3.2. Net investment in Islamic financings (continued)

The movement of gross financing receivables at gross exposure by stages is as follows:

	Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total
1 January 2024	404,963,743	13,261,826	41,191,716	459,417,285
Transfer from stage 1	(51,052,179)	6,056,134	44,996,045	-
Transfer from stage 2	3,275,821	(12,028,905)	8,753,084	-
Transfer from stage 3	3,202,914	555,800	(3,758,714)	-
Financial assets – settled	(22,466,644)	(711,584)	(1,924,241)	(25,102,469)
Financial assets - originated	290,724,921	5,853,847	14,515,069	311,093,837
Net re-measurement of loss allowance	(52,437,852)	78,508	2,193,140	(50,166,204)
Write-off during the year	-	-	(23,584,621)	(23,584,621)
31 December 2024	576,210,723	13,065,627	82,381,478	671,657,828

Concentration risk

Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

The Company manages its credit risk exposure through diversification of Islamic financing activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses.

Collateral held as security and other credit enhancements

The credit risks on gross amounts due in relation to the investment in Islamic financing is mitigated by holding collaterals which are leased assets. Further, the carrying amount of investment in Islamic Financing amounts against which collateral has been obtained amounts to SR 475.9 million (31 December 2023: 284.55 million) and the fair value of collateral amounting to SR 323.5 million as at 31 December 2024 (31 December 2023: SR 248 million). The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

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24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

24.4. Liquidity risk

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

The table below summarizes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	As at 31 December 2024					
	Carrying amount	Contractual cash flows	Up to three months	More than three months and up to one year	One to five years	More than five years
Trade payables	35,425,878	35,425,878	25,610,469	9,815,409	-	-
Other payables	2,690,261	2,690,261	2,690,261	-	-	-
Due to related parties	8,759,262	8,759,262	8,642,997	116,265	-	-
Financial facilities	376,109,463	376,109,463	32,274,931	89,382,238	254,452,294	-
	422,984,864	422,984,864	69,218,658	99,313,912	254,452,294	-
	As at 31 December 2023					
	Carrying amount	Contractual cash flows	Up to three months	More than three months and up to one year	One to five years	More than five years
Trade payables	64,637,872	64,637,872	48,828,940	15,808,932	-	-
Other payables	1,241,939	1,241,939	1,241,939	-	-	-
Due to related parties	18,681,660	18,681,660	17,717,230	964,430	-	-
Financial facilities	252,410,029	252,410,029	18,993,153	51,761,309	181,655,567	-
	336,971,500	336,971,500	86,781,262	68,534,671	181,655,567	-

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24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES (CONTINUED)

24.4. Liquidity risk (continued)

Analysis of financial assets and liabilities based on contractual maturities

The table shows an analysis of financial assets and liabilities according to contractual maturities:

	As at 31 December 2024			
	Carrying amounts	Up to three months	More than three months and up to one year	More than one year
Bank balances	49,641,237	49,641,237	-	-
Restricted cash deposit	20,146,366	-	18,846,366	1,300,000
Other receivables	54,768	54,768	-	-
Net investment in Islamic financing	645,573,971	42,395,373	71,786,266	531,392,332
Financial assets	715,416,342	92,091,378	90,632,632	532,692,332
Trade payables	35,425,878	25,610,469	9,815,409	-
Other payables	2,690,261	2,690,261	-	-
Due to related parties	8,759,262	8,642,997	116,265	-
Financial facilities	376,109,463	32,274,931	89,382,238	254,452,294
Financial liabilities	422,984,864	69,218,658	99,313,912	254,452,294
Maturity gap	292,431,478	22,872,720	(8,681,280)	278,240,038
Cumulative maturity gap	-	22,872,720	14,191,440	292,431,478

	As at 31 December 2023			
	Carrying amounts	Up to three months	More than three months and up to one year	More than one year
Bank balances	10,060,915	10,060,915	-	-
Restricted cash deposit	13,003,460	-	13,003,460	-
Other receivables	46,118	46,118	-	-
Net investment in Islamic financing	441,825,719	3,421,894	30,844,694	407,559,131
Financial assets	464,936,212	13,528,927	43,848,154	407,559,131
Trade payables	64,637,872	48,828,940	15,808,932	-
Other payables	1,241,939	1,241,939	-	-
Due to related parties	18,681,660	17,717,230	964,430	-
Financial facilities	252,410,029	18,993,153	51,761,309	181,655,567
Financial liabilities	336,971,500	86,781,262	68,534,671	181,655,567
Maturity gap	127,964,712	(73,252,335)	(24,686,517)	225,903,564
Cumulative maturity gap	-	(73,252,335)	(97,938,852)	127,964,712

The Company has access to unused financial facilities amounting to SR 316.4 million (2023: SR 139.9 million) at the reporting date. These facilities may be drawn at any time subject to the continuance of satisfactory credit rating. These facilities have an average maturity of 1 year

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24. FINANCIAL INSTRUMENT AND RELATED DISCLOSURES (CONTINUED)

24.3. Capital risk management

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Company monitors the aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA.

	2024	2023
Leverage ratio	2.29 Times	3.49 Times
(Net investment in Islamic financing before provision and adjustments divided by total equity)		

As per SAMA regulations, the leverage ratio of the Company must not exceed 3 times of equity, however, the Company has got exemption from SAMA to exceed the leverage ratio by 4 times of equity.

25. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

25.1. Fair value measurement of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable 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 that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in 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).

25.2. The Company's financial assets consist of cash and bank balances, investment, net investment in Islamic financing, restricted cash deposits and other receivables, its financial liabilities consist of trade payables, financial facilities, due to related party and other liabilities.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate to their fair values.

26. CONTINGENCIES AND COMMITMENTS

There were no contingent liabilities and commitments as at 31 December 2024 and 2023.

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27. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end that require disclosure or adjustment in these financial statements.

28. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were approved and authorized for issue on 5 Ramadan 1446 (corresponding to 5 March 2025) by the Board of Directors of the Company.