

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2024

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

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KPMG Professional Services Company

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P.O. Box 4803
Al Khobar, 34412 - 3146
Kingdom of Saudi Arabia
Commercial Registration No 2051062328

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

الطابق ١٦، برج البرغاش
٦١٨٩ طريق الأمير تركي، الكورنيش
ص.ب ٤٨٠٣
الخبير ٣١٤٦ - ٣٤٤١٢
المملكة العربية السعودية
سجل تجاري رقم ٢٠٥١٠٦٢٣٢٨

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholder of Raya Financing Company (A Single Shareholder Closed Joint Stock Company)

Opinion

We have audited the financial statements of Raya Financing Company ("the Company"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

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

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

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

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

KPMG Professional Services Company, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR100,000,000 and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. Commercial Registration of the headquarters in Riyadh is 1010425494.

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية، شركة مساهمة مهنية مغلقة مسجلة في المملكة العربية السعودية، رأس مالها (١٠٠٠٠٠٠٠٠٠٠) ريال سعودي مدفوع بالكامل، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة إنجليزية خاصة محدودة بالضمان. رقم السجل التجاري للمركز الرئيسي في الرياض هو ١٠١٠٤٢٥٤٩٤.



Independent Auditor's Report

To the Shareholder of Raya Financing Company (A Single Shareholder Closed Joint Stock Company)
(continued)

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Independent Auditor's Report

To the Shareholder of Raya Financing Company (A Single Shareholder Closed Joint Stock Company)
(continued)

Report on Other Legal and Regulatory Requirements

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

For KPMG Professional Services Company

Mohammed Najeeb Alkhelaiwi

License No: 481

Al Khobar, 3 Ramadan 1446H
Corresponding to: 3 March 2025G



RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(Expressed in Saudi Riyals)

	Notes	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	5	27,629,604	3,807,756
Prepayments and other receivables	6	33,664,484	17,686,147
Net investment in finance leases	7	1,791,589,649	771,555,739
Net investment in Murabaha finance	8	116,142,701	115,891,323
Right of use assets	9	6,019,822	6,685,562
Property and equipment	10	5,765,243	2,774,237
Intangible assets	11	752,209	1,305,253
Financial assets at fair value through other comprehensive income	12	892,850	892,850
TOTAL ASSETS		1,982,456,562	920,598,867
SHAREHOLDER'S EQUITY AND LIABILITIES			
SHAREHOLDER'S EQUITY			
Share capital	13	330,000,000	230,000,000
Retained earnings / accumulated losses		4,944,688	(18,301,467)
TOTAL SHAREHOLDER'S EQUITY		334,944,688	211,698,533
LIABILITIES			
Accounts payable	14	267,108,414	187,936,119
Accrued expenses and other current liabilities	15	53,091,917	46,255,477
Provision for zakat	16	6,252,090	1,795,500
Borrowings	17	1,310,539,165	462,427,043
Lease liabilities	9	6,456,656	7,010,597
Employees' end of service benefits	18	4,063,632	3,475,598
TOTAL LIABILITIES		1,647,511,874	708,900,334
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		1,982,456,562	920,598,867

These financial statements appearing on pages 1 to 33 were approved by the Board of Directors on 26 Shaban 1446H corresponding to 25 February 2025G and have been signed on their behalf by:


Abdullah Ali Almajdouie
Chairman


Adel Saleh Alhowar
Chief Executive Officer


Mohammed Maghrabi
Chief Financial Officer

The accompanying notes from 1 to 30 appearing on pages 5 to 33 form an integral part of these financial statements.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Saudi Riyals)

	<u>Note</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
INCOME			
Finance lease income	19	199,688,102	101,862,207
Commission income		67,619,449	19,768,528
Gain on interest free loans from SAMA		-	1,744,039
Total income		267,307,551	123,374,774
EXPENSES			
Provision for Expected Credit Losses ("ECL") on financial assets	7 & 8	(34,684,802)	(13,005,964)
Insurance and other cost of financed vehicles		(72,161,452)	(35,538,291)
Salaries and employee related expenses		(44,864,762)	(27,653,142)
Depreciation and amortization		(3,323,904)	(2,846,311)
Finance charge	21	(63,405,097)	(22,036,910)
Other expenses	20	(19,498,876)	(14,536,911)
Profit before zakat		29,368,658	7,757,245
Zakat expense	16	(6,056,248)	(411,911)
Profit for the year		23,312,410	7,345,334
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement loss on defined benefit plans	18	(66,255)	(332,114)
Other comprehensive loss for the year		(66,255)	(332,114)
Total comprehensive income for the year		23,246,155	7,013,220

The accompanying notes from 1 to 30 appearing on pages 5 to 33 form an integral part of these financial statements.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Saudi Riyals)

	Share capital	Retained earnings / accumulated losses	Total
Balance at 1 January 2024	230,000,000	(18,301,467)	211,698,533
Increase in share capital	100,000,000	-	100,000,000
Profit for the year	-	23,312,410	23,312,410
Other comprehensive loss for the year	-	(66,255)	(66,255)
Total comprehensive income for the year	-	23,246,155	23,246,155
Balance at 31 December 2024	330,000,000	4,944,688	334,944,688
Balance at 1 January 2023	230,000,000	(25,314,687)	204,685,313
Profit for the year	-	7,345,334	7,345,334
Other comprehensive loss	-	(332,114)	(332,114)
Total comprehensive income for the year	-	7,013,220	7,013,220
Balance at 31 December 2023	230,000,000	(18,301,467)	211,698,533

The accompanying notes from 1 to 30 appearing on pages 5 to 33 form an integral part of these financial statements.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Saudi Riyals)

	<u>Notes</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Cash flows from operating activities			
Profit before zakat		29,368,658	7,757,245
<i>Adjustments for:</i>			
- Provision for expected credit loss	7 & 8	34,684,802	13,005,964
- Depreciation		2,770,860	1,601,598
- Amortization		553,044	1,244,713
- Finance cost		63,405,097	22,036,910
- Employees' end of service benefits		1,436,427	847,597
<i>Changes in working capital:</i>			
- Net investment in finance lease		(1,054,970,090)	(426,520,723)
- Prepayments and other receivables		(15,978,337)	(3,464,915)
- Accounts payable		79,099,703	93,615,873
- Accrued expenses and other current liabilities		5,708,948	22,220,116
Cash used in operating activities		(853,920,888)	(267,655,622)
Zakat paid	16	(1,599,658)	(461,244)
EOSB paid		(842,056)	(167,474)
Net cash used in operating activities		(856,362,602)	(268,284,340)
Cash flows from investing activities			
Purchase of property and equipment		(4,082,275)	(2,325,374)
Software under development		(194,517)	-
Net cash used in investing activities		(4,276,792)	(2,325,374)
Cash flows from financing activities			
Proceeds from long-term borrowings	17	1,022,500,000	425,478,612
Repayment of long-term borrowings	17	(181,928,904)	(148,305,973)
Interest paid on long-term borrowings	17	(54,322,966)	(17,599,995)
Share capital introduction		100,000,000	-
Finance lease liabilities paid		(1,786,888)	(1,559,574)
Net cash from financing activities		884,461,242	258,013,070
Net change in cash and cash equivalents		23,821,848	(12,596,644)
Cash and cash equivalents at beginning of the year		3,807,756	16,404,400
Cash and cash equivalent at end of the year	5	27,629,604	3,807,756
SUPPLEMENTARY INFORMATION			
Non-cash transactions:			
Right of use assets recorded against lease liabilities		819,334	4,435,749
Re-measurement loss on defined benefit plans		(66,255)	(332,114)
Transfer of employee termination benefits		72,592	118,020
		825,671	4,221,655

The accompanying notes from 1 to 30 appearing on pages 5 to 33 form an integral part of these financial statements.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION

Raya Financing Company (the “Company”) is a Single Shareholder Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under the Commercial Registration (“CR”) number 2050104609 issued in Dammam on 8 Rabi II 1436H (28 January 2015) and operating under the Saudi Central Bank (SAMA) approval number 351000153064 dated 25 Dhul Hijjah 1435H (19 October 2014). The Company has obtained the license from SAMA to conduct finance leasing activities on 14 Jumada II 1437H (23 March 2016). Further, the Company received no objection certificate from SAMA to conduct Murabaha finance business in the Kingdom of Saudi Arabia during 2019. The registered address of the Company is P.O. Box 336, Dammam 31411, Kingdom of Saudi Arabia.

The Company is owned by Al Majdouie Motors Company Limited (the “Parent Company”), a limited liability company registered in the Kingdom of Saudi Arabia. The Parent Company is effectively owned by Ali Ibrahim Saleh Al Majdouie Company (the ‘Ultimate Parent Company’), which is ultimately controlled by Sheikh Ali Ibrahim Saleh Al Majdouie.

These financial statements include the operations of the Company and its following branches:

<u>Location</u>	<u>Commercial registration number</u>
Riyadh	1010610746
Dammam	2050104609
Jeddah	4030296155

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are prepared by the Company in accordance with International Financial Reporting Standards (IFRS Accounting Standard) issued by the International Accounting Standards Board as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

2.2 Historical cost convention

These financial statements have been prepared on a historical cost basis, using going concern assumption, except for investment which is measured at fair value and employees’ end of service benefits which is measured at projected unit credit method.

2.3 Basis of presentation

The Company’s statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, prepayment and other receivables, accounts payables, accrued expenses and other liabilities and provision for Zakat. The following balances would generally be classified as non-current: property and equipment, intangible assets and employees’ end of service benefits. The balances which are of mixed in nature, i.e. include both current and non-current portions, include net investment in finance leases, net investment in Murabaha finance, lease liabilities and borrowings.

2.4 Functional and presentation currency

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

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed in Saudi Riyals)

2. BASIS OF PRESENTATION (CONTINUED)

2.5 Current versus non-current classification

Until 31 December 2020, the Company presented current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position. Management has reassessed this presentation during 2021 and believes that because of lack of a clearly identifiable operating cycle, presentation of assets and liabilities in order of liquidity provides information that is more relevant than a current/ non-current presentation. Accordingly, assets and liabilities have been presented in order of their liquidity as of 31 December 2024 along with the corresponding figures for 2023. Refer to Note 24 for analysis of financial instruments by undiscounted contractual maturities.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

2.6 Standards, new pronouncements and interpretations

New and revised standards with no material effect on the financial statements

The following revised IFRSs have been adopted. The application of these revised IFRSs did not have any material impact on the amounts reported for current and prior periods.

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases;
- Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants – Amendments to IAS 1 Presentation of Financial Statements;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements;
- Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates.

RAYA FINANCING COMPANY
(A SINGLE SHAREHOLDER SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
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2. BASIS OF PRESENTATION (CONTINUED)

2.6 Standards, new pronouncements and interpretations (Continued)

New and revised standards issued but not yet effective

The Company has not early adopted the following new and revised standards that have been issued but are not yet effective:

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures;
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7;
- IFRS 18 Presentation and Disclosure in Financial Statements;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective date yet to be determined.

The above-mentioned standards are not expected to have a significant impact on the Company's financial statements.

3. MATERIAL ACCOUNTING POLICIES

Following material accounting policies have been applied in preparation of these financial statements. These policies have been applied consistently for all period presented.

3.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and short-term highly liquid investments, with original maturities up to three months, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

3.2 Net investment in finance leases and Murabaha finance

Finance lease

Leases in which the Company transfers substantially all the risk and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. Finance leases are recorded at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments ("PVMLP) and subsequently measured at amortised cost using the effective commission rate. Gross investment in finance leases include the total of future lease payments on finance leases including residual amount receivable ("Lease rentals"). Security deposits with right to offset against lease rentals are deducted from gross investments in finance lease. The difference between lease rentals and the cost of the leased asset including transaction costs is recorded as unearned finance income. For presentation purposes, the unearned finance income and impairment provision for lease losses are deducted from the gross investment in finance leases.

Murabaha finance

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

RAYA FINANCING COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Repossessed assets held for sale

The Company, in the ordinary course of its business, acquires certain vehicles against settlement of related net investment in finance leases. Such assets are considered as assets held for sale are initially recorded at the net realizable value of repossessed assets.

Subsequent to the initial recognition, these assets are carried at the lower of their carrying values or the related net realizable value. Changes in net realisable value and gains or losses on disposal are charged or credited to the statement of comprehensive income.

3.4 Financial instruments

3.4.1 Financial assets

(i) Classification

The Company's financial assets are classified and measured under the following categories:

- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Company measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value through other comprehensive income, gains and losses will be recorded in other comprehensive income.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS
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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

3.4.1 Financial assets (Continued)

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For net investment in finance leases and Murabaha finance, the Company applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

Stage 1 ("Performing") includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

Stage 2 ("Under-performing") includes financial instruments that have had a significant increase in credit risk since initial recognition, unless they have low credit risk at the reporting date, but that do not have objective evidence of impairment. A significant increase in credit risk is presumed if a receivable is more than 30 days past due. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 ("Non-performing") includes financial assets that have objective evidence of impairment at the reporting date. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available (e.g. days past due, customer credit scoring etc.), in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

While cash and cash equivalents and other receivables are also subject to impairment requirements of IFRS 9, these are considered as low risk and the impairment loss is not expected to be material.

Financial assets are written-off only when:

- (i) the receivable is at least one year past due, and
- (ii) there is no reasonable expectation of recovery.

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

RAYA FINANCING COMPANY
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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

3.4.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in statement of comprehensive income.

3.4.3 Offsetting

Financial assets and liabilities are offset and net amounts are reported in the financial statements, when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realize the assets and liabilities simultaneously.

3.5 Accounts payable

Liabilities are obligations to pay for goods and services received, whether or not billed to the Company. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.6 Borrowings

Borrowings are initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.7 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Finance lease and Murabaha finance income is recognised using the effective yield method.

Commission income on lease of motor vehicles is recognised when the lease contracts are executed, as per the agreed terms with the respective supplier.

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3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Government grant

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

3.9 Zakat and taxes

In accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”), the Company is subject to zakat. Zakat expense is charged to profit or loss. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian income Tax law.

3.10 Day one loss

Where the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from active markets, the Company immediately recognizes the difference between the transaction price and fair value (a ‘Day 1’ profit or loss) in the Statement of profit or loss.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Measurement of ECL allowance on investment in finance leases and Murabaha financing contracts is an estimate that has a risk of causing a material adjustment to the carrying amounts of assets within the next financial year. See Notes 7, 8 and 24.1.

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5. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash in hand	155,000	36,787
Cash at bank	27,474,604	3,770,969
	27,629,604	3,807,756

6. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2024	31 December 2023
Prepaid expenses	24,585,420	13,643,648
Advances to suppliers	20,419	659,026
Insurance claims	8,784,790	2,799,547
Repossessed assets held for resale	53,101	359,449
Others	220,754	224,477
	33,664,484	17,686,147

7. NET INVESTMENT IN FINANCE LEASES

7.1 Reconciliation between gross and net investment in finance leases is as follows:

	31 December 2024	31 December 2023
Gross investment in finance lease	2,599,167,497	1,119,826,549
Less: Unearned lease finance income	(743,929,349)	(313,049,907)
Present Value (PV) of minimum lease payments receivable	1,855,238,148	806,776,642
Provision for impairment of finance lease receivables (Note 7.3)	(63,648,499)	(35,220,903)
Net investment in finance leases	1,791,589,649	771,555,739
Due after one year	(1,492,395,895)	(615,520,355)
Due within one year	299,193,754	156,035,384

7.2 The maturity of the gross investment in finance leases as at 31 December 2024 is as follows:

	Gross investment in finance leases	Unearned finance lease income	PV of minimum lease payments
Not later than one year	536,346,327	221,032,487	315,313,840
One to two years	509,232,125	199,976,545	309,255,580
Two to three years	467,533,755	157,166,148	310,367,607
Three to four years	432,287,635	105,081,431	327,206,204
Four to five years	653,767,655	60,672,738	593,094,917
	2,599,167,497	743,929,349	1,855,238,148

The maturity of the gross investment in finance leases as at 31 December 2023 is as follows:

	Gross investment in finance leases	Unearned finance lease income	PV of minimum lease payments
Not later than one year	269,597,208	100,162,798	169,434,410
One to two years	229,071,183	85,233,051	143,838,132
Two to three years	220,884,303	62,986,502	157,897,801
Three to four years	187,591,727	42,908,619	144,683,108
Four to five years	212,682,128	21,758,937	190,923,191
	1,119,826,549	313,049,907	806,776,642

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7. NET INVESTMENT IN FINANCE LEASES (CONTINUED)

7.3 The movement in the impairment of finance lease receivables is as follows:

	31 December 2024	31 December 2023
Balance at the beginning of the year	35,220,903	27,197,422
Allowance for the year	32,520,748	12,652,655
Write-off during the year	(4,093,152)	(4,629,174)
Balance at the end of the year	63,648,499	35,220,903

7.4 Category wise movement in provision for impairment of lease receivables is as follows:

	For the year ended 31 December 2024			
	Performing	Under- performing	Non- performing	Total
2024				
Opening balance as at 1 January	19,602,016	2,891,127	12,727,760	35,220,903
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(5,128,316)	6,680,702	(342,782)	1,209,604
Individual financial assets transferred to non-performing (credit-impaired financial assets)	(4,695,771)	(437,602)	8,678,595	3,545,222
Individual financial assets transferred to performing (12-month expected credit losses)	392,522	(1,780,676)	(1,036,096)	(2,424,250)
New financial assets originated	37,243,209	-	-	37,243,209
Collections / recoveries	(6,557,291)	(419,221)	(3,034,274)	(10,010,786)
Changes in assumptions	170,627	-	2,787,122	2,957,749
Write-off	-	-	(4,093,152)	(4,093,152)
Closing balance as at 31 December	41,026,996	6,934,330	15,687,173	63,648,499
	For the year ended 31 December 2023			
2023	Performing	Under- performing	Non- performing	Total
Opening balance as at 1 January	9,737,124	1,915,625	15,544,673	27,197,422
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(1,903,185)	2,564,414	(531,293)	129,936
Individual financial assets transferred to non performing (credit-impaired financial assets)	(1,734,863)	(417,681)	4,593,673	2,441,129
Individual financial assets transferred to performing (12-month expected credit losses)	153,933	(607,909)	(662,429)	(1,116,405)
New financial assets originated	16,707,570	-	-	16,707,570
Collections / recoveries	(3,401,926)	(566,206)	(4,557,911)	(8,526,043)
Changes in assumptions	43,363	2,884	2,970,221	3,016,468
Write-off	-	-	(4,629,174)	(4,629,174)
Closing balance as at 31 December	19,602,016	2,891,127	12,727,760	35,220,903

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7. NET INVESTMENT IN FINANCE LEASES (CONTINUED)

7.5 Category wise gross lease receivables are as follows:

	31 December 2024	31 December 2023
Performing	2,452,056,749	1,039,265,106
Under-performing	95,016,591	42,914,943
Non-performing	52,094,157	37,646,500
	<u>2,599,167,497</u>	<u>1,119,826,549</u>

7.6 Category wise movement in gross lease receivables is as follows:

	For the year ended 31 December 2024			
	Performing	Under-performing	Non-performing	Total
<u>2024</u>				
Opening balance as at 1 January	1,039,265,106	42,914,943	37,646,500	1,119,826,549
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(95,100,004)	96,779,886	(1,679,882)	-
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(51,292,427)	(6,158,411)	57,450,838	-
Individual financial assets transferred to performing (12 month expected credit losses)	30,099,524	(24,958,022)	(5,141,502)	-
New financial assets originated	1,773,448,697	-	-	1,773,448,697
Write-off	-	-	(4,759,013)	(4,759,013)
Collections / recoveries	(244,364,147)	(13,561,805)	(31,422,784)	(289,348,736)
Closing balance as at 31 December	<u>2,452,056,749</u>	<u>95,016,591</u>	<u>52,094,157</u>	<u>2,599,167,497</u>
	For the year ended 31 December 2023			
	Performing	Under-performing	Non-performing	Total
Opening balance as at 1 January	469,817,515	28,603,337	47,342,947	545,763,799
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(39,296,161)	41,899,816	(2,603,655)	-
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(26,367,037)	(5,546,452)	31,913,489	-
Individual financial assets transferred to performing (12-month expected credit losses)	11,474,455	(8,180,692)	(3,293,763)	-
New financial assets originated	750,014,253	-	-	750,014,253
Write-off	-	-	(5,837,656)	(5,837,656)
Collections / recoveries	(126,377,919)	(13,861,066)	(29,874,862)	(170,113,847)
Closing balance as at 31 December	<u>1,039,265,106</u>	<u>42,914,943</u>	<u>37,646,500</u>	<u>1,119,826,549</u>

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7. NET INVESTMENT IN FINANCE LEASES (CONTINUED)

7.7 Category wise gross lease receivables net of impairment provision is as follows:

	31 December 2024	31 December 2023
Performing	2,411,029,753	1,019,663,090
Under-performing	88,082,261	40,023,816
Non-performing	36,406,984	24,918,740
	2,535,518,998	1,084,605,646

7.8 During 2020, the Company sold its finance lease receivables under a purchase and agency agreement, amounting to Saudi Riyals 77.3 million to a financial institution and derecognized the same from its books, and recorded a net gain of Saudi Riyals 16.6 million on the derecognition. The outstanding position of sold finance lease receivables has been disclosed in Note 25. In respect of these sold finance lease receivables, the Company acts in the capacity of a servicing agent for subsequent collection of lease instalments on behalf of financial institution. The Company has calculated and accounted for a net servicing liability under the agreement with the financial institution, which is disclosed in Note 26.

8. NET INVESTMENT IN MURABAHA FINANCE

8.1 Reconciliation between gross and net Murabaha finance is as follows:

	31 December 2024	31 December 2023
Gross investment in Murabaha finance	146,603,919	143,449,814
Less: unearned Murabaha finance income	(19,173,775)	(17,615,251)
Present Value (PV) of investment in Murabaha finance	127,430,144	125,834,563
Provision for impairment of Murabaha finance receivables (Note 8.3)	(11,287,443)	(9,943,240)
Net investment in Murabaha finance	116,142,701	115,891,323
Due after one year	(51,572,442)	(52,569,410)
Due within one year	64,570,259	63,321,913

8.2 The maturity of the gross investment in Murabaha finance as at 31 December 2024 is as follows:

	Gross investment in Murabaha finance	Unearned Murabaha finance income	PV of investment in Murabaha finance
Not later than one year	86,199,889	12,344,175	73,855,714
One to two years	43,499,195	5,335,021	38,164,174
Two to three years	14,571,549	1,296,550	13,274,999
Three to four years	2,079,502	188,670	1,890,832
Four to five years	253,784	9,359	244,425
	146,603,919	19,173,775	127,430,144

The maturity of the gross investment in Murabaha finance as at 31 December 2023 is as follows:

	Gross investment in Murabaha finance	Unearned Murabaha finance income	PV of investment in Murabaha finance
Not later than one year	81,721,818	11,507,608	70,214,210
One to two years	43,662,703	5,001,091	38,661,612
Two to three years	16,681,409	1,012,328	15,669,081
Three to four years	1,136,368	83,748	1,052,620
Four to five years	247,516	10,476	237,040
	143,449,814	17,615,251	125,834,563

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8. NET INVESTMENT IN MURABAHA FINANCE (CONTINUED)

8.3 The movement in the impairment of net investment in Murabaha finance is as follows:

	31 December 2024	31 December 2023
Balance at the beginning of the year	9,943,240	9,692,661
Allowance for the year	2,164,054	353,309
Write-off during the year	(819,851)	(102,730)
Balance at the end of the year	11,287,443	9,943,240

8.4 Category wise movement in provision for impairment of Murabaha finance is as follows:

	For the year ended 31 December 2024			
2024	Performing	Under- performing	Non- performing	Total
Opening balance as at 1 January	4,979,130	703,209	4,260,901	9,943,240
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(107,972)	95,865	(38,288)	(50,395)
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(226,582)	(21,485)	827,562	579,495
Individual financial assets transferred to performing (12-month expected credit losses)	14,840	(673,915)	-	(659,075)
New financial assets originated	1,882,374			1,882,374
Collections / recoveries	(3,274,199)	(5,784)	(102,551)	(3,382,534)
Changes in assumptions	481	-	3,793,708	3,794,189
Write-off	-	-	(819,851)	(819,851)
Closing balance as at 31 December	3,268,072	97,890	7,921,481	11,287,443

	For the year ended 31 December 2023			
2023	Performing	Under- performing	Non- performing	Total
Opening balance as at 1 January	4,632,144	865,744	4,194,773	9,692,661
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(672,101)	698,921	(154,807)	(127,987)
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(866,468)	(97,384)	1,334,204	370,352
Individual financial assets transferred to performing (12-month expected credit losses)	101,886	(760,252)	(711,718)	(1,370,084)
New financial assets originated	4,223,434	-	-	4,223,434
Collections / recoveries	(2,439,765)	(3,820)	(302,190)	(2,745,775)
Changes in assumptions	-	-	3,369	3,369
Write-off	-	-	(102,730)	(102,730)
Closing balance as at 31 December	4,979,130	703,209	4,260,901	9,943,240

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8. NET INVESTMENT IN MURABAHA FINANCE (CONTINUED)

8.5 Category wise gross investment in Murabaha finance are as follows:

	31 December 2024	31 December 2023
Performing	133,488,550	126,412,626
Under-performing	1,800,339	7,572,631
Non-performing	11,315,030	9,464,557
	146,603,919	143,449,814

8.6 Category wise movement in gross Murabaha finance is as follows:

	For the year ended 31 December 2024			
	Performing	Under- performing	Non- performing	Total
2024				
Opening balance as at 1 January	126,412,626	7,572,631	9,464,557	143,449,814
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(2,420,539)	2,505,623	(85,084)	-
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(10,395,126)	(165,837)	10,560,963	-
Individual financial assets transferred to performing (12-month expected credit losses)	7,320,691	(7,320,691)	-	-
New financial assets originated	75,736,823	-	-	75,736,823
Write-off	-	-	(979,455)	(979,455)
Collections / recoveries	(63,165,925)	(791,387)	(7,645,951)	(71,603,263)
Closing balance as at 31 December	133,488,550	1,800,339	11,315,030	146,603,919

	For the year ended 31 December 2023			
	Performing	Under- performing	Non- performing	Total
2023				
Opening balance as at 1 January	100,271,291	7,839,005	9,219,848	117,330,144
Individual financial assets transferred to under-performing (lifetime expected credit losses)	(12,178,310)	12,522,325	(344,015)	-
Individual financial assets transferred to non -performing (credit-impaired financial assets)	(19,634,007)	(916,153)	20,550,160	-
Individual financial assets transferred to performing (12-month expected credit losses)	8,448,789	(6,867,193)	(1,581,596)	-
New financial assets originated	100,934,490	-	-	100,934,490
Write-off	-	-	(133,922)	(133,922)
Collections / recoveries	(51,429,627)	(5,005,353)	(18,245,918)	(74,680,898)
Closing balance as at 31 December	126,412,626	7,572,631	9,464,557	143,449,814

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8. NET INVESTMENT IN MURABAHA FINANCE (CONTINUED)

8.7 Category wise Murabaha finance net of impairment provision is as follows:

	31 December 2024	31 December 2023
Performing	130,220,478	121,433,499
Under-performing	1,702,449	6,869,421
Non-performing	3,393,549	5,203,654
	135,316,476	133,506,574

9. LEASES

The Company has leases in respect of various offices and delivery yards. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in a number of property leases across the Company. These are used to maximize operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension options held are exercisable only by mutual agreement of the Company and the respective lessor.

	31 December 2024	31 December 2023
Right-of-use assets		
Cost		
Balance as at 1 January	9,428,089	4,992,340
Additions	819,334	4,435,749
Retirement	(192,763)	-
Balance as at 31 December	10,054,660	9,428,089
Accumulated Depreciation		
Balance as at 1 January	(2,742,527)	(1,528,071)
Charge for the year	(1,485,074)	(1,214,456)
Retirement	192,763	-
Balance as at 31 December	(4,034,838)	(2,742,527)
Carrying amounts	6,019,822	6,685,562
Lease liabilities		
Current	1,495,503	1,290,458
Non-current	4,961,153	5,720,139
Balance as at 31 December	6,456,656	7,010,597
Balance as at 1 January	7,010,597	3,741,156
Additions	819,334	4,435,749
Disposals	-	-
Interest on lease liabilities	413,613	393,266
Payments during the year	(1,786,888)	(1,559,574)
Balance as at 31 December	6,456,656	7,010,597

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9. LEASES (CONTINUED)

i) Amounts recognised in profit and loss

	<u>Note</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Depreciation charge of right-of-use assets			
Office premises and delivery yards		1,485,074	1,214,456
Finance charge on leases (included in finance charges)	21	413,613	393,266

The total cash outflow for leases in 2024 was Saudi Riyals 1.8 million (2023: Saudi Riyals 1.6 million).

10. PROPERTY AND EQUIPMENT

	<u>Vehicles</u>	<u>Furniture, fixtures, and office equipment</u>	<u>Total</u>
<u>Cost:</u>			
1 January 2023	74,752	2,519,170	2,593,922
Additions during the year	-	2,325,374	2,325,374
Disposals	-	-	-
31 December 2023	<u>74,752</u>	<u>4,844,544</u>	<u>4,919,296</u>
1 January 2024	74,752	4,844,544	4,919,296
Additions during the year	-	4,257,479	4,257,479
Disposals	(74,752)	(2,023,093)	(2,097,845)
31 December 2024	-	7,078,930	7,078,930
<u>Accumulated depreciation:</u>			
1 January 2023	(74,752)	(1,683,165)	(1,757,917)
Charge for the year	-	(387,142)	(387,142)
Disposals	-	-	-
31 December 2023	<u>(74,752)</u>	<u>(2,070,307)</u>	<u>(2,145,059)</u>
1 January 2024	(74,752)	(2,070,307)	(2,145,059)
Charge for the year	-	(1,091,269)	(1,091,269)
Disposals	74,752	1,847,889	1,922,641
31 December 2024	-	(1,313,687)	(1,313,687)
<u>Carrying amounts:</u>			
31 December 2024	-	5,765,243	5,765,243
31 December 2023	<u>-</u>	<u>2,774,237</u>	<u>2,774,237</u>

Useful lives of property and equipment are as follows:

	Number of years
Vehicles	4
Furniture, fixtures and office equipment	3-5

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11. INTANGIBLE ASSETS

Intangible assets comprise of computer software and license. The movement in intangible assets is as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Cost		
At 1 January and 31 December	<u>9,778,002</u>	<u>10,015,785</u>
Accumulated amortization		
At 1 January	(8,710,532)	(7,465,819)
Charge for the year	(747,561)	(1,244,713)
Disposal	432,300	-
At 31 December	<u>(9,025,793)</u>	<u>(8,710,532)</u>
Carrying amount		
At 31 December	<u>752,209</u>	<u>1,305,253</u>

12. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company holds 89,285 shares in Saudi Finance Leasing Contracts Registry Company, a Saudi Joint Stock Company (the “investee Company”) registered in the Kingdom of Saudi Arabia for financing contracts registration, which represents 2% of total share capital of the investee Company. The management believes that the carrying value of the investment approximates to the fair value at 31 December 2024 and 2023.

13. SHARE CAPITAL

At 31 December, the issued, subscribed and paid-up share capital of the Company comprised 23 million shares of Saudi Riyals 10 each held as follows:

<u>Party name</u>	<u>Country of incorporation</u>	<u>Shareholding %</u>	
		<u>2024</u>	<u>2023</u>
Al Majdouie Motors Company Limited	Saudi Arabia	<u>100%</u>	<u>100%</u>
		<u>Shareholding in Saudi Riyals</u>	
		<u>2024</u>	<u>2023</u>
		<u>330,000,000</u>	<u>230,000,000</u>

14. ACCOUNTS PAYABLE

	<u>Note</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Accounts payable – third parties		<u>167,773,804</u>	<u>87,867,602</u>
Accounts payable – related parties	22	<u>99,334,610</u>	<u>100,068,517</u>
		<u>267,108,414</u>	<u>187,936,119</u>

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15. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>Note</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Accrued expenses		18,758,774	27,940,675
VAT payable		4,866,946	5,169,185
Net servicing liability under agency agreement	25	2,378,700	1,460,469
Advances from customers		27,087,497	11,685,148
		<u>53,091,917</u>	<u>46,255,477</u>

16. ZAKAT

a) Zakat charge for the year:

The Company is subject to Zakat in accordance with the regulations of the General Authority for Zakat, Tax, and Customs Authority (“ZATCA”). Zakat expense is charged to the statement of profit or loss and other comprehensive income. Zakat charge for year ended 31 December comprises of the following:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Zakat charge for the year	6,056,248	411,911

b) Zakat base has been computed based on the Company's understanding of the Zakat regulations enforced in the Kingdom of Saudi Arabia. The Zakat regulations in Saudi Arabia are subject to different interpretations. Certain amounts as disclosed in the financial statements are adjusted to reach at Zakat base. Zakat is calculated based on the estimated zakat base attributable to the shareholder of the Company.

c) Provision for zakat:

Movements in provision for zakat for year ended 31 December are as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Balance at beginning of the year	1,795,500	1,844,833
Charge for the year	6,056,248	1,599,234
Adjustment for prior year *	-	(1,187,323)
Payments during the year	(1,599,658)	(461,244)
Balance at end of the year	<u>6,252,090</u>	<u>1,795,500</u>

d) Zakat assessment status:

The Company has filed its zakat declarations with the ZATCA up to 2023. ZATCA has finalized Company’s assessments up to 2018, whereas assessments for 2019, 2020, 2021, 2022 and 2023 are currently under review by ZATCA.

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17. LONG TERM BORROWINGS

	31 December 2024	31 December 2023
Murabaha facilities	1,283,019,836	418,731,401
Government bank loan	5,706,228	19,960,549
Payable to SAMA	11,557,706	21,020,723
Accrued finance cost	10,255,395	2,714,370
	<u>1,310,539,165</u>	<u>462,427,043</u>
Due within one year	305,064,265	140,059,940
Due after one year	<u>1,005,474,900</u>	<u>322,367,103</u>
	<u>1,310,539,165</u>	<u>462,427,043</u>

The movement in long term borrowings is as follows:

	31 December 2024	31 December 2023
Balance at the beginning of the year	462,427,043	184,809,837
Proceeds from long-term borrowings	1,022,500,000	425,478,612
Finance charges for the year	61,863,992	19,788,601
Less: repayments of principal	(181,928,904)	(148,305,973)
Less: repayments of finance charges	(54,322,966)	(17,599,995)
Discounting impact of interest free loan from SAMA	-	(1,744,039)
Balance at end of the year	<u>1,310,539,165</u>	<u>462,427,043</u>

17.1 Murabaha facilities

During 2024, the Company has drawn Saudi Riyals 1,022.5 million (2023: Saudi Riyals 400 million) from its Murabaha facilities. The loans are secured against corporate guarantees from certain related parties, collateral on receivables against certain leased vehicles covering at least 125% to 150% of the outstanding borrowings. The loans bear financial charges based on prevailing market rates which are based on Saudi Inter Bank Offer Rates. The carrying values of such long-term borrowings are denominated in Saudi Riyals. The repayment of such loans as per the respective repayment schedule is up to 2029. The total Murabaha facilities of the Company as at 31 December 2024 is Saudi Riyals 1,637.3 million (2023: Saudi Riyals 672 million), out of which Saudi Riyals 40.3 million was unutilized as at 31 December 2024 (2023: Saudi Riyals 185.0 million).

17.2 Government bank loan

During 2022, the Company entered into agreements with a government bank to provide financing facilities aggregating to Saudi Riyals 15 million to meet the working capital requirements of the Company, which were fully utilised during the year. Administrative fee is charged by government bank under the loan agreements. The covenants of the borrowing facilities restrict the Company to utilise the loan amounts for the purpose specified in the loan agreements. The carrying values of such long-term borrowings are denominated in Saudi Riyals. The repayment of such loans as per the repayment schedule is up to 2026.

17.3 Payable to SAMA

During 2023, the Company has received interest free loans from SAMA amounting to SR 25.5 million under the Guaranteed Financing Program to finance micro, small, and medium enterprises (MSMEs) to promote the financial stability of these businesses and boost economic growth. These loans are repayable in monthly installments over 3 years starting September 2023. These loans were initially recognized at their fair value resulting in a gain of SR 1.7 million recognized in profit or loss.

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17. LONG TERM BORROWINGS (CONTINUED)

17.4 Contractual maturities of long-term borrowings

The contractual maturities of long-term borrowings are as follows:

	31 December 2024	31 December 2023
Less than 6 months	189,702,511	86,192,770
Between 6 months and 1 year	192,301,107	80,767,200
Between 1 and 2 years	339,623,168	146,993,410
Between 2 and 5 years	824,315,462	208,431,906
	<u>1,545,942,248</u>	<u>522,385,286</u>

18. EMPLOYEES' END OF SERVICE BENEFITS

18.1 Employee benefit obligations - defined benefit plan

The Company operates a defined benefit plan in line with the Labour Law requirement in the Kingdom of Saudi Arabia. The end-of-service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labour Laws of the Kingdom of Saudi Arabia. Employees' end-of-service benefit plan is unfunded plan and the benefit payment obligation are met when they fall due upon termination of employment. The most recent comprehensive actuarial valuation coincided with the year-end reporting date.

	31 December 2024	31 December 2023
At 1 January	3,475,598	2,581,381
Current service cost	1,262,214	717,856
Interest cost	174,213	129,741
Benefits paid	(842,056)	(167,474)
Remeasurements	66,255	332,114
Transfers	(72,592)	(118,020)
At 31 December	<u>4,063,632</u>	<u>3,475,598</u>

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18. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

18.2 Amounts recognised in the statement of profit or loss and comprehensive income

The amounts recognised in the statement of comprehensive income related to employee benefit obligations are as follows:

	31 December 2024	31 December 2023
Current service cost	1,262,214	717,856
Interest expense	174,213	129,741
Total amount recognised in profit or loss	1,436,427	847,597
<u>Remeasurements</u>		
Loss from change in financial assumptions	(48,777)	87,705
Loss / (gain) from change in demographic assumptions	-	51
Loss / (gain) from experience adjustments	115,032	244,358
Total amount recognised in other comprehensive income	66,255	332,114

18.3 Significant actuarial assumptions

	31 December 2024	31 December 2023
Discount rate	5.25%	4.60%
Salary growth rate	5.00%	5.00%
Retirement age	65 years	60 years

18.4 Sensitivity analysis for actuarial assumptions

	Change in assumption		Impact on employee benefit obligations	
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
<u>2024</u>				
Discount rate	50 basis points	50 basis points	(122,346)	129,763
Salary growth rate	50 basis points	50 basis points	101,734	(96,964)
<u>2023</u>				
Discount rate	50 basis points	50 basis points	(105,999)	112,313
Salary growth rate	50 basis points	50 basis points	115,589	(110,117)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

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18. EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

18.5 Expected maturity analysis

The weighted average duration of the defined benefit obligation is 6.20 years (2023: 6.27 years). The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	31 December 2024	31 December 2023
Less than a year	519,939	448,482
Between 1 - 2 years	811,287	547,976
Between 2 - 5 years	2,702,816	1,902,637
Over 5 years	6,533,967	5,117,581
	<u>10,568,009</u>	<u>8,016,676</u>

19. INCOME FROM FINANCING ACTIVITIES

	31 December 2024	31 December 2023
Income from finance leases	183,305,205	86,063,886
Income from Murabaha finance	16,382,897	15,798,321
	<u>199,688,102</u>	<u>101,862,207</u>

20. OTHER EXPENSES

	31 December 2024	31 December 2023
Professional fees	4,107,094	3,714,664
Software license and support	4,618,214	3,101,511
Advertising and marketing	2,028,407	1,652,559
Bank charges	1,781,782	1,082,097
Board of Directors fees	1,065,500	650,592
Others	5,897,879	4,335,488
	<u>19,498,876</u>	<u>14,536,911</u>

21. FINANCE CHARGES

	Note	31 December 2024	31 December 2023
Finance cost on long-term borrowings	17	61,863,992	19,788,601
Finance charge on servicing liabilities		-	-
Interest charge on securitization		1,127,492	1,855,043
Finance charge on leases	9	413,613	393,266
		<u>63,405,097</u>	<u>22,036,910</u>

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22. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personal of the Company, and entities controlled or significantly influenced by such parties. Amount due from / to related parties are disclosed in the statement of financial position.

Transactions with related parties mainly include collections on behalf of the Company, certain expenses and services which are undertaken at mutually agreed terms and conditions. These transactions are approved by management of the following entities and Board of Directors of the Company.

Transactions with related parties:

<u>Nature of transaction</u>	<u>Relationship</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Purchases of motor vehicles	Shareholder	230,522,153	224,629,545
Commission income on lease of motor vehicles	Shareholder	22,696,976	17,860,063
Lease payments	Shareholder	1,109,688	841,821
Key management personnel compensation			
Short term employee benefits		6,064,585	4,317,935
Employees' end of service benefits		275,345	131,568
Board of Directors fees		1,065,500	650,592

The above-mentioned significant transactions with related parties resulted in the following balances:

Due to related parties:

	<u>31 December 2024</u>	<u>31 December 2023</u>
Al Majdouie Motors Company Limited ("Motors") – shareholder	96,915,186	99,416,372
Al Majdouie Holding Company Limited	1,263,583	453,818
Al Majdouie Steel Company	935,000	-
Al Majdouie Trading Establishment	125,361	-
Arsal Operation and Maintenance Company	68,000	101,607
Arjaa Travel and Tourism Company	26,373	96,130
Al Majdouie Logistics Company Limited	1,107	590
	99,334,610	100,068,517

23. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

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

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs that are unobservable. This is the case for unlisted equity securities.

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

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

All financial assets and financial liabilities of the Company are categorized as held at amortised cost except for financial assets at fair value through other comprehensive income. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

The breakdown of these financial assets and liabilities is as follows:

	<u>Note</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
Financial assets			
<i>FVTOCI - Level 3</i>			
Financial asset at fair value through other comprehensive income	12	892,850	892,850
<i>Financial assets at amortised cost</i>			
Cash and cash equivalents	5	27,629,604	3,807,756
Net investment in finance leases	7	1,791,589,649	771,555,739
Net investment in Murabaha finance	8	116,142,701	115,891,323
Other receivables		8,868,612	2,901,961
		<u>1,945,123,416</u>	<u>895,049,629</u>
Financial liabilities			
<i>Liabilities at amortised cost</i>			
Long-term borrowings	17	1,310,539,165	462,427,043
Accounts payable	14	267,108,414	187,936,119
Accrued and other liabilities		4,327,570	19,163,770
<i>Lease liabilities</i>			
	9	6,456,656	7,010,597
		<u>1,588,431,805</u>	<u>676,537,529</u>
Net financial assets		<u>356,691,611</u>	<u>218,512,100</u>

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and commission rate risk), credit risk and liquidity risk. The Company's overall risk management program, which is carried out by senior management, focuses on having cost effective funding as well as managing financial risks to minimize earning volatility and provide maximum return to shareholders. The risks faced by the Company and their respective mitigating strategies are summarized below.

24.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause a financial loss to the Company. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The management analyses credit risk into the following categories:

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24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

24.1 Credit risk (Continued)

Net investment in finance leases and Murabaha finance

The Company currently generates revenues from leasing of motor vehicles and Murabaha finance in the Kingdom of Saudi Arabia. Financing activities of the Company are related to corporate and retail customers. Investment in finance lease and Murabaha finance receivables is generally exposed to significant credit risk. Therefore, the Company has established procedures to manage credit exposure including evaluation of customers' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees whenever considered necessary. The Company also follows a credit classification mechanism as a tool to manage the quality of credit risk of the lease and Murabaha portfolio and grades the individual customers based on both subjectivity and payment history taking into consideration factors such as customer credit standing, financial strength, security and quality of management. The Company monitors customers' grading on a regular basis. Collections from customers are made in the form of monthly installments generally received through variable channels such as SADAD and bank transfers.

The Company has approved collection policies and procedures establishing a collection strategy to follow up with the delinquent customers. In order to monitor exposure to credit risk, reports are reviewed by the Risk Committee on a quarterly basis. Furthermore, the Company has also strengthened its legal department in order to be actively involved in the collection process of delinquent customers.

The Company's investment in finance leases and Murabaha finance contracts comprises individually immaterial balances due from a large customer base and accordingly, the Company does not have any significant concentration of credit risk. The credit risk on net investment in finance leases is also mitigated by the retention of legal title documents of the leased assets. The estimated value of collaterals (i.e. leased vehicles) held against non-performing lease receivables at 31 December 2024, amounted to Saudi Riyals 25.7 million (2023: Saudi Riyals 16.4 million).

Measurement of ECL

The Company applies the IFRS 9 general approach to measuring expected credit losses which uses a 12 month or lifetime expected loss allowance as applicable for investment in finance leases and Murabaha finance. The Company's ECL model is sensitive to macroeconomic variables such as inflation, real GDP growth and government expenditure. Management evaluates changes in such macroeconomic factors on a periodic basis and has recognised the corresponding impact on the calculation of ECL as at 31 December 2024.

The assessment of credit risk in the net investment in finance leases and Murabaha finance requires further estimation of credit risk using ECL which is derived by Probability of default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The Company measures an ECL at a contract level considering the EAD, PD, LGD, potential impact of forward looking macro-economic factors and discount rates. PD estimates are estimates at a certain date, based on the term structures as provided below. For LGD estimates, the Company applies certain percentage on unsecured exposures in accordance with SAMA guidelines subject to a minimum LGD floor percentage. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract i.e. contractual repayments. For discounting, the Company has used each contract's effective interest rate.

Management believes that adequate provision has been accounted for, where required to address the credit risk. Further details related to net investment in finance leases and Murabaha finance and related risk are presented in Note 3.2, Note 7 and Note 8 to these financial statements.

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24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

24.1 Credit risk (Continued)

a) Generating the term structure of PD

PD measures the estimated likelihood of default over a time period. PD has been calculated as a probability that an exposure will move to more than 90 days past due in the next 12 months or over the remaining lifetime of the obligation. “Through the cycle” default rates are calculated, which are later converted to Point-in-time PD using scalar factors by incorporating forward-looking information.

b) 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, management considers the ‘days past due’ analysis of each exposure and certain other qualitative factors such as forbearance status, repayment capacity etc. Management considers such analysis to be an effective and efficient measure of monitoring significant increase in credit risk, without undue cost and effort.

c) Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on an extensive exercise carried out by management, it had concluded to use inflation and real GDP growth for corporate portfolio and inflation and government expenditure for retail portfolio as the macroeconomic factors to incorporate the impact of forward-looking information into the measurement of ECL whereby each factor has been assigned an equal weightage. Such conclusion was reached after performing a correlation analysis between portfolio default rates and Saudi macroeconomic variables, i.e. real GDP growth, nominal GDP, inflation rate, unemployment rate and government expenditure, and considering the strength of linear relationship. The Company measures the ECL as either a probability-weighted 12-month ECL (Stage 1) or a probability-weighted lifetime ECL (Stage 2 and 3). These probability weighted ECLs are determined by running each scenario through the ECL model and multiplying it by the appropriate scenario weightings of 50%, 20% and 30% for “base”, “positive” and “negative” scenarios respectively. Management updates the inputs with respect to macroeconomic factors to their ECL model on an annual basis based on the latest available information.

d) Changes in assumptions

In accordance with the requirement of the applicable accounting framework, management of the Company revisits all inputs and assumptions used for the determination of ECL on a periodic basis. During 2023, management of the Company has performed an exercise to update the calculation and certain inputs and assumptions used for the determination of ECL. The adjustments primarily represent updates to the probabilities of default (PD), which are based on recovery patterns of the Company’s receivable balances under its financing portfolio, and other macroeconomic factors.

e) Sensitivity analysis:

An increase or decrease of 10% in the inflation and real GDP growth variables with all other variables held constant will not result in any material impact on the ECL allowance.

An increase or decrease of 10% in the government expenditure variables with all other variables held constant will result in an increase/decrease of Saudi Riyals 0.52 million, in the ECL allowance.

An increase or decrease of 10% in the loss rates (PDs and LGDs) assuming macro-economic factors remain the same, will result in an increase of Saudi Riyals 2.8 million or a decrease of Saudi Riyals 2.8 million respectively, in the ECL allowance.

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24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

24.1 Credit risk (Continued)

Cash and cash equivalents and other receivables

The Company uses “low credit risk” practical expedient for the cash and cash equivalents with the assumption that the credit risk on such financial instruments has not increased significantly since initial recognition, and therefore the ECL is estimated at an amount equal to the expected credit losses for a period of 12 months.

Cash and cash equivalents are placed with banks having minimum credit ratings of A3 or better, and therefore are not subject to significant credit risk. The stated rating is as per the global bank ratings by Moody’s Investors Service. Management does not expect any losses from non-performance by these counterparties. At 31 December 2024 and 2023, the ECL allowance on cash at bank was immaterial.

Other financial assets at amortised cost include other receivables. These instruments are considered to be low credit risk since they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. At 31 December 2024 and 2023, the ECL allowance on other financial assets was immaterial.

24.2 Commission rate risk

Commission rate risk is the uncertainty of future earnings and expenses resulting from fluctuations in commission rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to commission rate adjustment within a specified period. The most important source of such risk is the Company's leasing activities, Murabaha financing and long-term borrowings. As at the statement of financial position date, the Company has commission bearing financial assets of Saudi Riyals 1,907.7 million (31 December 2023: Saudi Riyals 887.4 million). However, the commission rates have been agreed with the respective customers at the inception of the contract with the customers.

Further, the Company also had variable commission bearing financial liabilities of Saudi Riyals 1,310.5 million (31 December 2023: Saudi Riyals 462.4 million), and had the commission rate varied by 1% with all the other variables held constant, total comprehensive income /loss for the year would have been approximately Saudi Riyals 8.9 million (31 December 2023: Saudi Riyals 3.2 million) higher / lower, as a result of lower / higher finance cost on floating rate borrowings.

24.3 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company’s financial assets and liabilities are not exposed to fair value and cash flow interest rate risks.

24.4 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company’s financial instruments are not exposed to price risk.

24.5 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no significant exposure to currency risk as it mainly deals in Saudi Riyals which is also the functional currency of the Company.

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24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

24.6 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will 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. Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

As at date of statement of financial position, the contractual maturities of the Company's financial assets and financial liabilities are as follows:

	Up to one year	One to three years	More than three years	Total
Financial assets - commission bearing:				
Gross investment in finance leases	536,346,327	976,765,880	1,086,055,290	2,599,167,497
Gross investment in Murabaha finance	86,199,889	58,070,744	2,333,286	146,603,919
	622,546,216	1,034,836,624	1,088,388,576	2,745,771,416
Financial assets - non commission bearing:				
Cash and cash equivalents	27,629,604	-	-	27,629,604
Other receivables	8,868,612	-	-	8,868,612
	36,498,216	-	-	36,498,216
2024	659,044,432	1,034,836,624	1,088,388,576	2,782,269,632
2023	358,028,743	510,299,598	401,657,739	1,269,986,080
Financial liabilities - commission bearing:				
Lease liabilities	1,825,637	2,155,371	3,651,996	7,633,004
Long-term borrowings	382,003,618	617,254,513	546,684,117	1,545,942,248
	383,829,255	619,409,884	550,336,113	1,553,575,252
Financial liabilities - non commission bearing:				
Accounts payable	267,108,414	-	-	267,108,414
Accrued and other liabilities	4,327,570	-	-	4,327,570
	271,435,984	-	-	271,435,984
2024	655,265,239	619,409,884	550,336,113	1,825,011,236
2023	375,720,747	305,145,545	57,030,775	737,897,067
Net financial assets (liabilities)				
Commission bearing	238,716,961	415,426,740	538,052,463	1,192,196,164
Non-commission bearing	(234,937,768)	-	-	(234,937,768)
2024	3,779,193	415,426,740	538,052,463	957,258,396
2023	(17,692,004)	205,154,053	344,626,964	532,089,013

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25. FINANCE LEASE RECEIVABLE – PURCHASE AND AGENCY AGREEMENT

During 2020, the Company sold its finance lease receivables under a purchase and agency agreement, amounting to SR 77.3 million to a financial institution and derecognized the same from its books, and recorded a net gain of SR16.6 million on the derecognition. In respect of these sold finance lease receivables, the Company acts in the capacity of a servicing agent for subsequent collection of lease instalments on behalf of financial institution.

Under the purchase and agency agreement, the Company has been appointed by a financial institution to service the receivables sold to such financial institution against a servicing fee. The Company initially recognizes either a net servicing asset or a net servicing liability for that servicing contract at its fair value. The fair value of net servicing asset / liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset / liability are discount rates, estimates of servicing costs and the fixed servicing fees. The management assesses the cost of servicing at the end of each reporting period. Variations in one or a combination of these assumptions could affect the estimated values of a net servicing liability.

The outstanding position of sold finance lease receivables has been disclosed below.

	31 December 2024	31 December 2023
Finance lease receivables sold under securitization agreements	<u>8,927,108</u>	<u>27,738,459</u>
Due within one year	7,999,547	19,943,328
Due after one year	1,425,839	10,321,843
	<u>9,425,386</u>	<u>30,265,171</u>

26. NET SERVICING LIABILITY UNDER AGENCY AGREEMENT

Under the purchase and agency agreement, the Company has been appointed by a financial institution to service the receivables sold to such financial institution against a servicing fee. The Company initially recognizes either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset / liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset / liability are discount rates, estimates of servicing costs and the fixed servicing fees. The management assesses the cost of servicing at the end of each reporting period. Variations in one or a combination of these assumptions could affect the estimated values of a net servicing liability.

27. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital. Borrowings represent long-term borrowings, loan from a shareholder and lease liabilities. The management analyses the gearing ratio as follows:

	31 December 2024	31 December 2023
Equity	334,944,688	211,698,533
Borrowings	<u>1,316,995,821</u>	<u>469,437,640</u>
Total	<u>1,645,483,853</u>	<u>681,136,173</u>
Gearing ratio (borrowing as a percentage of total)	<u>79.64%</u>	<u>68.92%</u>

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27. CAPITAL RISK MANAGEMENT (CONTINUED)

Further, the Company monitors aggregate amount of financing offered by the Company in line with the regulatory requirements of SAMA, which requires companies engaged in financing other than real estate, not to exceed aggregate financing to capital ratio of five times, which is calculated by dividing net investment in finance lease and Murabaha finance contracts by total equity.

	31 December 2024	31 December 2023
Net investment in finance lease and Murabaha finance contracts	1,907,732,350	887,447,062
Total equity	334,944,688	211,698,533
Aggregate financing to capital ratio	5.7	4.2

28. CONTINGENCIES AND COMMITMENTS

The Company has no commitments and contingent liabilities as at 31 December 2024 (31 December 2023: Nil).

29. EVENTS AFTER THE REPORTING DATE

There were no significant events between the date of financial statements and its approval which requires adjustments / disclosure in these financial statements.

30. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved on 26 Shaban 1446H corresponding to 25 February 2025G.