FALCOM HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
Together with the
INDEPENDENT AUDITORS' REPORT
For the year ended 31 December 2024

INDEX	**PAGE**

KPMG Professional Services Company
Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية
واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditors' Report

To the Shareholders of Falcom Holding Company

Opinion

We have audited the consolidated financial statements of Falcom Holding Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Independent Auditor's Report (continued)

To the Shareholders of Falcom Holding Company (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

KPMG Professional Services Company

كي بي إم جي للإستشارات المهنية
ترخيص رقم ٤٦
س.ت ١٠١٠٤٢٥٤٩٤
Lic No. 46
C.R. 1010425494
R : 2
KPMG
KPMG Professional Services

Hani Hamzah A. Bedairi
License Number 460

Riyadh: 06 Ramadan 1446H
Corresponding to: 06 March 2025

FALCOM HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2024	31 December 2023	1 January 2023
ASSETS			(Restated)*	(Restated)*
Non-current assets				
Investments accounted for using the equity method	5	**392,252**	177,483	182,377
Investments held at fair value through statement of income (FVSI)	6	**37,273**	33,934	5,850
Investments at fair value through statement of income (FVOCI)		-	-	893
Islamic financing receivables – net		-	-	1,306,072
Property and equipment & right-of-use assets	10	**3**	9,538	87,584
Goodwill and other intangibles		-	-	139,200
Investment properties		-	-	10,528
Total non-current assets		**429,528**	220,955	1,732,504
Current assets				
Advance paid for Investment in fund	7	**13,000**	-	-
Investments held at fair value through statement of income (FVSI)	6	-	30,403	29,356
Margin deposit with Muqassa		-	22,461	45,263
Margin lending and Murabaha financing	8	-	86,436	75,748
Islamic finance receivables – net		-	-	442,435
Due from related parties		-	-	14
Prepayments and other assets	12	**1,718**	36,447	111,958
Cash and cash equivalents	13	**1,200**	110,812	98,103
		15,918	286,559	802,877
Assets classified as held for sale		-	-	60,680
Investment held for distribution to owners	28	**2,185,332**	2,197,146	-
Total current assets		**2,201,250**	2,483,705	863,557
Total assets		**2,630,778**	2,704,660	2,596,061
LIABILITIES AND SHAREHOLDERS' EQUITY				
Non-current liabilities				
Bank financing – non-current portion		-	-	585,159
Lease liability	10	-	9,203	444
Employees' end of service benefits	16	**4,446**	20,439	31,057
Total non-current liabilities		**4,446**	29,642	616,660
Current liabilities				
Lease liability	10	-	2,062	144
Bank financing – current portion	15	-	31,000	71,843
Accounts payable and accruals	17	**27,853**	27,146	75,439
Provision for zakat	18	**2,119**	18,064	39,344
Liabilities directly associated with assets held for distribution to owners	28	**587,970**	699,658	-
Total current liabilities		**617,942**	777,930	186,770
Total liabilities		**622,388**	807,572	803,430
Shareholders' equity				
Share capital	19	**1,155,000**	1,155,000	1,155,000
Statutory reserve	20	**60,081**	59,517	53,557
Other reserves	21	**(6,053)**	(5,304)	(4,303)
Retained earnings / (Accumulated losses)		**4,354**	(70,183)	(123,819)
Total shareholders' equity		**1,213,382**	1,139,030	1,080,435
Non-controlling interest	30	**795,008**	758,058	712,196
Total equity		**2,008,390**	1,897,088	1,792,631
Total liabilities and shareholders' equity		**2,630,778**	2,704,660	2,596,061
Contingencies and commitments	23			

*The comparatives information is restated. See note 3.1

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

FALCOM HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2024	31 December 2023
Income			
Share in net loss from investments accounted for using the equity method	5	**(4,414)**	(5,873)
(Loss) / Income from investments at FVSI, net		**(327)**	5,318
Gain on sale and distribution of subsidiary shares	28	**319,685**	-
		314,944	(555)
Expenses			
Salaries and employee related expenses	24	**(31,886)**	(18,823)
Finance cost, net		**(1,738)**	(1,114)
Depreciation	10	**(1)**	-
Impairment loss	5	**(20,817)**	-
Other general and administrative expenses	24	**(7,785)**	(3,282)
		(62,227)	(23,219)
Income (Loss) from operations		**252,717**	(23,774)
Other income		**1,218**	900
Income (loss) before zakat		**253,935**	(22,874)
Provision for zakat	18	**(2,119)**	(1,548)
Net income (loss) from continued operation		**251,816**	(24,422)
Discontinued operation			
Profit from discontinued operation	28	**132,584**	130,140
Net income		**384,400**	105,718
Other comprehensive income			
Re-measurement loss of employees' end of service benefits	16	**(749)**	(1,261)
Total comprehensive income		**383,651**	104,457
Net income attributable to:			
-Parent		**316,256**	59,596
-Non-controlling interest		**68,144**	46,122
		384,400	105,718
Total comprehensive income attributable to:			
Parent		**315,507**	58,595
Non-controlling interest		**68,144**	45,862
		383,651	104,457
Basic and diluted earnings per share	25	**2.74**	0.52
Basic and diluted earnings / (losses) per share – continuing operations	25	**2.18**	(0.55)

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

FALCOM HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Other reserves	Retained earnings/ Accumulated losses)	Total	Non-Controlling interest	Total Equity
1 January 2023		1,155,000	53,557	(4,303)	(81,618)	1,122,636	669,995	1,792,631
Impact of change in accounting policy	3.1	-	-	-	(42,201)	(42,201)	42,201	-
1 January 2023 (Restated)*		1,155,000	53,557	(4,303)	(123,819)	1,080,435	712,196	1,792,631
Net income for the year		-	-	-	59,596	59,596	46,122	105,718
Re-measurement loss of employees' end of service benefits		-	-	(1,001)	-	(1,001)	(260)	(1,261)
Transfer to statutory reserve	20	-	5,960	-	(5,960)	-	-	-
Total comprehensive income for the year		-	5,960	(1,001)	53,636	58,595	45,862	104,457
31 December 2023 (Restated)*		1,155,000	59,517	(5,304)	(70,183)	1,139,030	758,058	1,897,088
1 January 2024		**1,155,000**	**59,517**	**(5,304)**	**(70,183)**	**1,139,030**	**758,058**	**1,897,088**
Net income for the year		-	-	-	**316,256**	**316,256**	**68,144**	**384,400**
Re-measurement loss of employees' end of service benefits		-	-	**(749)**	-	**(749)**	-	**(749)**
Transfer to statutory reserve	20	-	**564**	-	**(564)**	-	-	-
Dividend	22	-	-	-	**(241,155)**	**(241,155)**	**(31,194)**	**(272,349)**
Total comprehensive income for the year		-	**564**	**(749)**	**74,537**	**74,352**	**36,950**	**111,302**
31 December 2024		**1,155,000**	**60,081**	**(6,053)**	**4,354**	**1,213,382**	**795,008**	**2,008,390**

*The comparatives information is restated. See note 3.1

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

FALCOM HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2024	31 December 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before zakat after profit from discontinued operation		**407,684**	135,294
Adjustments for non-cash items:			
Depreciation of property and equipment & right of use asset	10	**10,545**	6,268
Depreciation of investment properties		**812**	157
Amortization of intangible asset		-	7,508
Unwinding of SAMA deposits		-	396
Gain on disposal of property and equipment		**(2,072)**	(24,704)
Gain on disposal of Investment property		-	(5,044)
Realised (gain) from investments at FVSI, net		**(300)**	(20,537)
Unrealised loss / (gain) from investment at FVSI		**327**	(3,318)
Gain on sale and distribution of subsidiary shares	28	**(319,685)**	-
Impairment charge on assets held for sale		**304**	264
Impairment charge on investment in Yaqeen Capital	5	**20,817**	-
Provision for employees' end of service benefits		**4,582**	6,188
Income from investments accounted for using the equity method	5	**4,414**	5,873
Finance cost		**1,738**	2,819
Interest on lease liability		**329**	478
Charge of allowance for expected credit losses, net		**15,567**	85,986
Commission expense on Islamic Bank Financing		**46,240**	50,320
Commission income from Islamic financing receivables		**(362,559)**	(395,256)
Reversal of impairment on fund's financial assets		-	(845)
Reversal provide of loss on customers' accounts		-	(343)
Changes in operating assets and liabilities:			
Margin deposit with Muqassa		**2,085**	22,801
Islamic financing receivables, net		**21,172**	(173,924)
Margin lending and Murabaha financing		**(52,491)**	(8,383)
Due from related parties		**(244)**	(1,876)
Accounts receivable		**19,682**	-
Prepayments and other assets		**13,776**	(4,963)
Other balances with banks		**(2,917)**	-
Accounts payable and accruals		**2,628**	(2,929)
Net cash (used in) operation		**(167,566)**	(317,770)
Employees' end of service benefits paid		**(4,366)**	(5,142)
Commission income received		**333,277**	358,614
Commission expenses and charges paid		**(46,920)**	(50,320)
Zakat paid		**(32,169)**	(32,835)
Net cash generated from / (used in) operating activities		**82,256**	(47,453)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		**(888)**	(592)
Proceeds from disposal of property and equipment		**3,000**	76,961
Additions to intangible assets		**(4,680)**	(582)
Addition to investments held at FVSI		**(53,124)**	(334,537)
Proceeds from disposal investments classified as held for sale		-	54,683
Proceeds from sale of investments at FVSI		-	334,539
Advance paid for investment	7	**(13,000)**	-
Proceeds from sale of shares of subsidiary, net	28	**120,000**	-
Payment of transaction cost relating to IPO		**(14000)**	-
Loss of cash on account of loss of control		**(21,009)**	-
Net cash generated from investing activities		**16,299**	**130,472**

FALCOM HOLDING COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
AS AT 31 DECEMBER 2024
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 December 2024	31 December 2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term financing	15	**170,000**	356,000
Principle repayment of short-term financing		**(349,288)**	(343,647)
Repayment of SAMA deposits		**-**	(12,236)
Finance cost paid		**(1,738)**	(7,056)
Payment of lease liabilities		**(1,960)**	(2,076)
Net cash (used in) financing activities		**(182,986)**	(9,015)
Net changes in cash and cash equivalents		**(84,431)**	74,004
Cash and cash equivalents at beginning of year	13	**172,107**	98,103
Cash and cash equivalents at end of year	13	**87,676**	172,107
SUPPLEMENTAL NON-CASH INFORMATION			
Re-measurement of employees' end of service benefits	16	**749**	1,261
Assets held for distribution to owners	28	**2,185,332**	2,197,146
Liabilities directly associated with asset held for distribution to owners	28	**587,970**	699,658

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. GENERAL

Falcom Holding Company (the "Company") and its subsidiaries (collectively referred to as the "Group"), is a Saudi closed joint stock company, incorporated in the Kingdom of Saudi Arabia. Falcom Holding Company operates under Commercial Registration No. 1010468790, dated 10 Jumada al-Thani 1438H (corresponding to 9 March 2017) in Riyadh. The address of the Group's head office is as follows:

Falcom Holding Company
P.O. Box 884
Riyadh 11421, Kingdom of Saudi Arabia

The main objective for the Company is to manage its subsidiaries or participation in the management of other companies in which it contributes and provide the necessary support for them and the ownership of industrial property rights of patents, trademarks and industrial and the rights of franchise and other moral rights and exploitation and lease to its subsidiaries or others. The accompanying consolidated financial statements include the financial statements of the Company and its following subsidiaries collectively (the "Group"):

	Subsidiary name	Country	Effective ownership percentage 2024	2023
1	Yaqeen Financial (Yaqeen Capital)	Saudi Arabia	**40%**	100%
2	Nayifat Finance Company	Saudi Arabia	**48.01%**	48.01%
3	Boursa Café	Saudi Arabia	**90%**	90%
4	Falcom Yaqeen	Saudi Arabia	**-**	100%

(1) Yaqeen Capital a joint stock company, incorporated in Kingdom of Saudi Arabia was formed pursuant to the ministerial resolution No. 2631 dated 10 Ramadan 1427H (corresponding to 3 October 2006). The Company operates under Commercial Registration No. 1010226584, dated 4 Dhu Al Hijjah 1427H (corresponding to 25 December 2006) in Riyadh. FFS main operations include brokerage services, investment advisory, and asset management. During the year ended 31 December 2024, the Group sold its 20% direct investment through an IPO and 40% of its indirect investment through Falcom Yaqeen, by transferring the 100% shares of Falcom Yaqeen to its shareholders as a dividend in kind.

(2) Nayifat Finance Company is a Saudi joint stock company under Commercial Registration ("CR") number 1010176451 issued in Riyadh on 9 Jumad al-Thani 1431 H (corresponding to 23 May 2010). The Nayifat Finance Company is licensed to operate under The Saudi Central Bank ("SAMA") having license no. 5/AS/201312 expiring on 25 Safar 1450H (corresponding to 18 July 2028). The Nayifat Finance Company is authorized to provide lease finance, consumer finance, small and medium enterprise finance, debt crowdfunding and credit cards finance in the Kingdom of Saudi Arabia.

(3) The Company has an investment in a subsidiary under the name of Boursa Café which was established on 13 Safar 1430H (corresponding to 9 February 2009) with a share capital of SR 50,000. Boursa Café is a limited liability company which aims to start and operate cafes, restaurants and hotels and buying and acquiring real estates for the benefit of the Boursa Café, as well as, managing commercial agencies. Boursa Café investment was measured at equity accounting and was not consolidated into these consolidated financial statements as the investment was insignificant (see Note 5).

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. GENERAL(CONTINUED)

(4) Falcom Yaqeen Investment Company was a single shareholder limited liability company, incorporated in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010963181, dated 5 Jumada al-Akhera 1445H (corresponding to 19 December 2023) in Riyadh. The Company owns 40% shares of Yaqeen Capital Company. During the year ended 31 December 2024, the Group has transferred the shares of Falcom Yaqeen Investment Company by way of dividend in kind to its shareholder in the proportion of shares held by them. As a result, the Falcom Yaqeen Investment Company is no more a single shareholder company.

The Yaqeen Capital Company assets, liabilities and equity have been excluded from the consolidated financial statements on 28 May 2024, and the related impact were as follows:

Company Name	Total asset	Total liability	Total equity	Investment in Associate (after the loss of control)	Profit from loss of control	Foreign currencies translation reserve
Yaqeen Capital	**300,645**	**40,331**	**260,314**	**240,000**	**47,936**	**-**
Total	**300,645**	**40,331**	**260,314**	**240,000**	**47,936**	**-**

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) 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”).

b) Basis of measurement and presentation

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, except as disclosed in the notes to these consolidated financial statements.

c) Going concern

The Group's management has assessed its ability to continue as a going concern and it is satisfied that it has sufficient financial resources and that it will be able to continue as a going concern in the foreseeable future. Furthermore, the Group and the management are not aware of any other material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on a going concern basis.

d) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the Group’s functional currency. Except as otherwise indicated, financial information presented in SR has been rounded off to the nearest thousand.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these Group's financial statements are set out below. The accounting policies used in the preparation of these Group's financial statements are consistent with those used in the preparation of the Group's financial statements for the year ended 31 December 2023 except for the change in accounting policy as explained in note 3.1 below.

3.1 Change in accounting policies

During the year, the Group have changed its accounting policy for the calculation of non-controlling interest. The Group have decided to allocate the share of goodwill to the non-controlling interest at the time of transaction with non-controlling interest. The Group believes that both the methods are acceptable under the requirements of IFRS 3: "Business combinations", however, the Group believes that allocating goodwill to the non-controlling interest is the preferred approach in the industry and the change will give more reliable information to the users of the Group's financial statements.

In accordance with the requirements of IAS 8 "Accounting policies, changes in accounting estimates and errors", the voluntary change in accounting policy should be applied retrospectively. Therefore, the Group have restated the prior year consolidated statement of financial position as summarized below:

	As at 1 January 2023		
	As previously reported	**Adjustments**	**As restated**
Shareholders' equity			
Accumulated losses	(81,618)	(42,201)	(123,819)
Total shareholders' equity	1,122,636	(42,201)	1,080,435
Non-controlling interest	669,995	42,201	712,196

	As at 31 December 2023		
	As previously reported	**Adjustments**	**As restated**
Shareholders' equity			
Accumulated losses	(27,982)	(42,201)	(70,183)
Total shareholders' equity	1,181,231	(42,201)	1,139,030
Non-controlling interest	715,857	42,201	758,058

As a result of the change, there is no impact on the prior year consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cashflows.

3.2 New standards, interpretations and amendments adopted by the Group

Following standards, interpretations and amendments are effective from the current year and are adopted by the Group. The Group has assessed that these amendments have no significant impact on the Group's financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 New standards, interpretations and amendments adopted by the Group (continued)

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

3.3 New standards not yet effective and not early adopted

The International Accounting Standard Board (IASB) has issued the following accounting standards, interpretation and amendments, which were effective from periods on or after 1 January 2024. The Group did not opt for early adoption of these pronouncements and do not expect the adoption to have a significant impact on the consolidated financial statements of the Group. Standards, interpretations, and amendments issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt these standards when they become effective.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 New standards not yet effective and not early adopted (continued)

Standard/ interpretation	Description	Effective from periods beginning on or after
Amendment to IFRS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	1 January 2025
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	1 January 2026.
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	1 January 2027

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.4 Cash and cash equivalents

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

3.5 Financial instruments

(a) Initial recognition

The Group initially recognises financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument.

(b) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through statement of income); and

- Those to be measured at amortised cost.

<u>Debt instruments</u>

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- The Group's business model for managing the asset; and
- The contractual cash flow characteristics of the asset.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVSI.

SPPP: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payment of principal and profit (the "SPPP" test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVSI.

Based on these factors, the Group classifies its debt instruments into one of the two measurement categories as described in (c) below.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Classification and subsequent measurement of Group's equity instruments is described in (c) below.

(c) Measurement

At initial recognition, the Group measures financial assets at its fair value plus, in the case of a financial asset not at fair value through consolidated statement of comprehensive income, transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at (FVSI) are expensed in consolidated statement of comprehensive income.

Subsequent measurement of debt instrument

It depends on the Group's business model for managing the assets and the cash flow characteristics of the assets. The Group classifies its debt instruments into three measurement categories:

i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognised in consolidated statement of comprehensive income when the asset is derecognised or impaired. Profit from these financial assets is calculated based on the effective yield method. Accordingly, net investment in leases and Islamic financing receivables has been classified as financial assets under amortised cost.

ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, profit on financial instruments (revenue) and foreign exchange gains and losses which are recognised in consolidated statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated statement of comprehensive income and recognised in other gains/(losses). Profit from these financial assets is included in finance income using the effective yield method.

iii) Fair value through statement of income (FVSI): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through consolidated statement of comprehensive income. A gain or loss on a debt investment that is subsequently measured at fair value through consolidated statement of income and is not part of a hedging relationship is recognised in consolidated statement of income and presented net in the consolidated statement of profit or loss and other comprehensive income within other gains/(losses) in the year in which it arises. Profit from these financial assets is included in the finance income.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

The Group subsequently measures all equity investments at FVSI, except where the Group has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to the consolidated statement of income, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in the consolidated statement of income when the Group's right to receive payments is established.

(d) Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Definition of default:

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

- the borrower is unlikely to pay its credit obligations to the Group in full; or
- the borrower is past due more than 60 days on any material credit obligation to the Group.

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

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; 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.

Staging criteria:

The financial assets of the Group have the following staging criteria:

1- Performing (Stage 1): these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows.

The Group's Islamic finance receivables primarily represent retail and consumer loans and therefore management believes that past due information is the most appropriate basis for assessing the increase in credit risk and based on management experience and analysis, the balances which are less than 60 days past due do not result in significant increase in credit risk and are considered as performing.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

The Group measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.

2- Underperforming (Stage 2): these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 60 days past due in making a contractual payment/installment.

The Group measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.

3- Non-performing (Stage 3): these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.

The Group measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses.

Write-off

Financial assets are written-off, when the Group has concluded that there is no reasonable expectation of recovery. Where financial assets are written off, the Group continues to engage enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, they are presented as part of provision for impairment-net are recognised in the statement of comprehensive income/loss.

Measurement of ECL:

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

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

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant change in credit risk on an ongoing basis throughout each reporting period. The impairment model was developed considering probability of default and loss given default which were derived from historical data of the Group and are adjusted to reflect the expected future outcome which includes macroeconomic factors such as inflation and gross domestic product growth rate.

The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount.

For financial assets, a credit loss is calculated as the present value (at effective profit rate) of the difference between:

(a) The contractual cash flows that are due to the Group under the contract; and
(b) The cash flows that the Group expects to receive.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

For credit cards, which includes both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

(c) De-recognition of financial assets

A financial asset is derecognised, when the contractual rights to the cash flows from the financial asset expire or the asset is transferred and the transfer qualifies for de-recognition. In instances where the Group is assessed to have transferred a financial asset, the asset is derecognised if the Group has transferred substantially all the risks and rewards of ownership. Where the Group has neither transferred nor retained substantially all the risks and rewards of ownership, the financial asset is derecognised only if the Group has not retained control of the financial asset. The Group recognises separately as assets or liabilities any rights and obligations created or retained in the process.

(d) Financial liabilities - classification, measurement and de recognition

Financial liabilities are classified and subsequently measured at amortised cost using the effective yield method. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Group derecognises a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires.

(e) Modifications of financial assets and financial liabilities

a- Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in consolidated statement of income.

b- Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in consolidated statement of income.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.6 Business combination

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Material subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of comprehensive income, and consolidated statement of changes in shareholders' equity, respectively. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Equity Method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in statement of income, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates, are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment on annual basis. Any impairment loss is recognised to the consolidated statement of comprehensive income.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Zakat

The Group is subject to zakat in accordance with the regulations of zakat and Income Tax. Provision for zakat is charged to the consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. Zakat is not accounted for as an income tax and as such no deferred tax assets and liabilities are calculated relating to Zakat.

The Group withholds taxes, if any, on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under the Tax Law.

3.8 Revenue

The revenue of the Group broadly categorised as:

a- *Contract with customers*
b- *Dividend income*

The related accounting policies are follows:

The calculation of the EPR includes transaction costs and fees & 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 asset.

a- *Contracts with customers*

The Group recognises revenue under IFRS 15 using the following five steps model:

Step 1: Identify the contract with customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Recognise revenue	The Group recognises revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Based on the above five steps the revenue recognition policy for the revenue stream is as follow:

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Revenue (continued)

Special commission income on Murabaha contract receivable

Special commission income is recognized to the extent that it is probable that economic benefits will flow to the Company, and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Special commission income and commission expense are recognized in the statement of comprehensive income using the effective commission rate method. The ‘effective commission rate’ is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective commission rate for financial instruments other than purchase or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument but excluding expected credit losses. For purchase or originated credit-impaired financial assets, a credit adjusted effective commission rate is calculated using estimated future cash flows including expected credit loss (“ECL”) allowance.

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

Measurement of amortized cost and special commission income

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

The effective commission rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or financial liability. In calculating special commission income and commission expense, the effective commission rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective commission rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market commission rates.

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

b- Dividend income

Dividend income is recognised when the right to receive the income is established

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.9 Employees' end of service benefits

Employee end of service benefits are payable as a lump sum to all employees, under the terms and conditions of Saudi Labor Law applicable to the Group, on termination of their employment contracts. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of the Kingdom of Saudi Arabia.

The calculation of obligation is performed using the Projected Unit Credit Method to make a reliable estimate of the ultimate cost to the Group of the benefit payable to employees. Actuarial gains or losses on re-measurement of obligation are recognised immediately in other comprehensive income. Actuarial gains and losses represent changes in the present value of the obligation resulting from experience adjustments and the effects of changes in actuarial assumptions.

3.10 Leases

Leases are recognised as a right-of-use asset and a corresponding liability, at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Subsequently, the lease liabilities are measure at amortised cost using the effective interest rate method. They are re-measured when there is a change in future lease payments arising from a change in rate, or if Group changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liabilities are re-measured in this way, a corresponding comprehensive income adjustment is made to the carrying amount of the right-of-use asset or is recorded in consolidated statement of income if the carrying amount of right-of-use asset reduced to zero.

Right-of-use assets

Right-of-use assets are initially measured at cost, comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs; and
- restoration costs.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.10 Leases (continued)

Refundable security deposits are not included in the initial measurement of a right-of-use asset. However, the difference between the nominal amount of the refundable security deposits and its fair value at the commencement of the lease represent, an additional lease payment which is prepaid and accordingly added to the initial carrying amount of the right-of-use asset and released to the consolidated statement of income over the lease term as part of the depreciation of those assets.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the right-to-use assets is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of lease liabilities.

Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Short-term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment and furniture.

3.11 Non-current assets classified as held for Sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the assets to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the assets is recognised at the date of derecognition.

Assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.12 Islamic financing receivables (IFR)

The Group initially recognizes IFRs when, and only when, the entity becomes party to the contractual provisions of the instrument. IFRs are measured initially at fair value including directly attributable transaction costs which is generally the transaction price and subsequently at their amortized cost. IFRs are offered under the following Shariah compliant mode:

Tawarruq
It is a contract whereby the Group sells a commodity or an asset to its customer on a deferred payment basis. The customer sells the same commodity or an asset to a third party at market price to raise the needed cash. The selling price charged by Group comprises the cost plus an agreed commission margin.

4. USE OF ACCOUNTING ESTIMATES AND ADJUSTMENTS

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Such estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the input, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.5 Impairment of financial assets, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;
(ii) Choosing appropriate models and assumptions for the measurement of ECL;
(iii) Establishing the number and relative weights of forward-looking scenarios for each type of product/ market and the associated ECL; and
(iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgments and estimates by the Group is set out in note 3.5 (d) Impairment of financial assets.

(b) Provisions for liabilities and charges

The Group receives legal claims against it in the normal course of its business. Management makes judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process being followed as per the law.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. USE OF ACCOUNTING ESTIMATES AND ADJUSTMENTS (CONTINUED)

(c) Determination of whether control or significant influence exist over an investee

The Group has certain investments which is 'controlled' by the Group and therefore, those investees are being consolidated in these consolidated financial statements. Determining whether the Group controls these subsidiaries usually focuses on the assessment of whether the Group is exposed to, or has the right to, variable returns from its involvement with these subsidiaries and has the ability to affect those returns through power over these investees. The Group has determined that it has control.

The Group has investment of 40% and 45.55% in an investee, the Group determined to have no control on it and hence, it has been classified as an associate in these consolidated financial statements as the group determined to have meaningful representation on the board of that investee.

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	**31 December 2024**	31 December 2023
Investments accounted for using the equity method	5.1	**392,252**	177,483

5.1 Investments accounted for using equity method

Name	Relationship	Country of incorporation and operations	Ownership percentage 31 December 2024	Ownership percentage 31 December 2023	31 December 2024	31 December 2023
Al Amthal Financing Company	Associate	Saudi Arabia	**45.55%**	45.55%	**165,607**	177,438
Yaqeen Capital	Associate	Saudi Arabia	**40%**	100%	**226,600**	-
FAL Industrial City Company (5.1.1)	Associate	Saudi Arabia	**37.50%**	37.50%	-	-
Boursa Cafe Company	Subsidiary	Saudi Arabia	**90%**	90%	**45**	45
					392,252	177,483

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The movement of the investment accounting for using equity method was as follows:

	31 December 2024	31 December 2023
Balance at beginning of the year	**177,483**	182,332
Addition during the year (Yaqeen Capital Company)	**240,000**	-
Share of income	**(3,642)**	(5,873)
Share of other comprehensive income	**(772)**	979
Impairment loss	**(20,817)**	-
Balance at end of the year	**392,252**	177,438

The following table summarises the financial information of Al Amthal Financing Company as included in its own financial statements. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Al Amthal Financing Company.

	2024	2023
Percentage ownership interest	**45.55%**	45.55%
Total assets	**483,361**	707,141
Total liabilities	**119,788**	317,593
Net assets (100%)	**363,573**	389,548
Group's share of net assets (45.55%)	**165,607**	177,438
Revenue for the year	**63,100**	97,106
Profit for the year	**(25,521)**	(12,893)
Other comprehensive income	**(453)**	2,150
Total comprehensive income	**(25,975)**	(10,743)
Group's share of total comprehensive income	**(11,831)**	(5,873)

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The following table summarizes the financial information of Yaqeen Capital as included in its own financial statements. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Yaqeen Capital.

	31 December 2024	31 December 2023
Percentage ownership interest	**40%**	100%
Total assets	**326,557**	320,063
Total liabilities	**47,698**	61,261
Net assets (100%)	**278,859**	258,802
Company's share of net assets	**111,544**	258,802
Profit for the year	**21,472**	38,225
Other comprehensive income – Re-measurement loss of employees' end of service benefits	**(1,415)**	(1,715)
Total comprehensive income	**20,057**	36,510
Group's share of total comprehensive income *	**7,417**	36,510
Reconciliation to carrying amount**		
Fair value of shares held by the Group	**240,000**	-
Share in profit of the company	**7,417**	-
Impairment loss	**(20,817)**	-
	226,600	-

* The Company's share of profit represents 40% of the profit from Yaqeen Capital Company starting from May 28, 2024, when Yaqeen Capital Company became an associate. The profit for the period from January 1 2024 to May 28 2024, was consolidated into the statement of profit and loss and other comprehensive income, and is presented under income from discontinued operations.

**No comparative amount was mentioned as Yaqeen Capital was a subsidiary as at 31 December 2023 and was consolidated in the comparative year.

5.1.1 Impairment on investments accounted for using equity method

	31 December 2024	31 December 2023
Balance at the beginning of the year	**(664)**	(664)
Impairment loss on Yaqeen Capital	**(20,817)**	-
Balance at the end of the year	**(21,481)**	(664)

As of December 31, 2024, the recoverable amount of Yaqeen Capital Company is SR 226.6 million which is less than its book value SR 247.417 million. Therefore, an impairment of SR 20.817 million has been recognized.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Investments at fair value through statement of income (FVSI)

	31 December 2024	31 December 2023
Investment – current	**-**	30,403
Investment – non-current	**37,273**	33,934
	37,273	64,337

During the year ended 31 December 2024, the Company acquired 100% of the units of Billions Feeder 2402 – RCOF IV Fund, which, in turn, invested in the units of Global Islamic Fund SPC Segregated Portfolio No. 24. The Company has consolidated Billions Feeder 2402 – RCOF IV Fund, and the investments held by this fund are accounted for at fair value through the statement of income.

7. ADVANCE PAID FOR INVESTMENT IN FUND

	31 December 2024	31 December 2023
Advance paid for investment in Fund	**13,000**	-
	13,000	-

During the year ended 31 December 2024, the Group made an investment of SR 13 million in Yaqeen Residential Complex Fund (Fund). The objective of this Fund is to achieve capital appreciation over the medium to long term through the development and renovation of a residential complex.

An additional investor is set to transfer the residential complex to the Fund, with the Fund issuing units to this investor based on the fair value of the property. The Fund's operations will only commence once the residential complex will be transferred to the Fund. Incase if the transfer does not occur, the Fund will be liquidated, and all contributions made by the Group will be refunded.

As of 31 December 2024, the Fund has not commenced its operations, and therefore, it has been recorded as an advance paid for investment in Fund.

8. MARGIN LENDING AND MURABAHA FINANCING

	31 December 2024	31 December 2023
Margin lending	**-**	48,430
Murabaha financing	**-**	39,174
Allowance for expected credit losses	**-**	(1,168)
	-	86,436

The balance as of December 31, 2023, relates to Yaqeen Capital Company. There is no balance as of December 31, 2024, due to the loss of control over Yaqeen Capital Company.

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. ISLAMIC FINANCING RECEIVABLES – NET

The business activities of the Group are in the Kingdom of Saudi Arabia and primarily represent Tawarruq cash financing and Islamic credit cards.

9.1 The breakup of Islamic financing receivables is as follows:

31 December 2024	**Personal**	**SME**	**Islamic credit cards**	**Total**
Performing	**1,252,450**	**305,710**	**24,408**	**1,582,568**
Non-performing	**288,763**	**125,957**	**2,818**	**417,538**
Gross receivables	**1,541,213**	**431,667**	**27,226**	**2,000,106**
ECL allowance	**(116,637)**	**(15,823)**	**(2,592)**	**(135,052)**
Net receivables	**1,424,576**	**415,844**	**24,634**	**1,865,054**
Discontinued operation	**(1,424,576)**	**(415,844)**	**(24,634)**	**(1,865,054)**
Net receivables	**-**	**-**	**-**	**-**

31 December 2023	Personal	SME	Islamic credit cards	Total
Performing	1,251,701	374,484	28,402	1,654,587
Non-performing	248,897	84,309	7,000	340,206
Gross receivables	1,500,598	458,793	35,402	1,994,793
ECL allowance	(113,941)	(5,908)	(2,433)	(122,282)
Net receivables	1,386,657	452,885	32,969	1,872,511
Discontinued operation	(1,386,657)	(452,885)	(32,969)	(1,872,511)
Net receivables	-	-	-	-

9.2 Reconciliation of gross to net Islamic financing receivables

31 December 2024	**Personal**	**SME**	**Islamic credit cards**	**Total**
Gross receivables	**2,202,927**	**541,065**	**27,226**	**2,771,218**
Unearned commission income	**(661,714)**	**(109,398)**	**-**	**(771,112)**
	1,541,213	**431,667**	**27,226**	**2,000,106**
ECL allowance	**(116,637)**	**(15,823)**	**(2,592)**	**(135,052)**
Net receivables	**1,424,576**	**415,844**	**24,634**	**1,865,054**

31 December 2023	Personal	SME	Islamic credit cards	Total
Gross receivables	2,190,821	592,892	35,402	2,819,115
Unearned commission income	(690,223)	(134,099)	-	(824,322)
	1,500,598	458,793	35,402	1,994,793
ECL allowance	(113,941)	(5,908)	(2,433)	(122,282)
Net receivables	1,386,657	452,885	32,969	1,872,511

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. ISLAMIC FINANCING RECEIVABLES – NET (CONTINUED)

9.3 Stage-wise analysis of Islamic financing receivables

31 December 2024	**Personal**	**SME**	**Islamic credit cards**	**Total**
Stage 1	**1,015,710**	**146,302**	**22,030**	**1,184,042**
Stage 2	**236,740**	**159,408**	**2,378**	**398,526**
Stage 3	**288,763**	**125,957**	**2,818**	**417,538**
	1,541,213	**431,667**	**27,226**	**2,000,106**
ECL allowance	**(116,637)**	**(15,823)**	**(2,592)**	**(135,052)**
Net receivables	**1,424,576**	**415,844**	**24,634**	**1,865,054**

31 December 2023	Personal	SME	Islamic credit cards	Total
Stage 1	1,081,868	340,739	25,664	1,448,271
Stage 2	169,833	33,745	2,738	206,316
Stage 3	248,897	84,309	7,000	340,206
	1,500,598	458,793	35,402	1,994,793
ECL allowance	(113,941)	(5,908)	(2,433)	(122,282)
Net receivables	1,386,657	452,885	32,969	1,872,511

As at 31 December 2024, the Company has classified certain contracts amounting to SR 63.92 million (31 December 2023: SR 15.50 million) as Stage 3 as they are currently undergoing a curing period following their prior classification.

Although these contracts remain classified as Stage 3, they are currently within the curing period as per the Company's internal credit risk management policies and regulatory guidelines. During this period, the contracts are monitored to ensure sustained performance before they can be reclassified to a lower-risk stage. This classification does not necessarily indicate a permanent credit impairment but reflects the structured curing process required before transitioning to a lower-risk category.

Certain comparative numbers have been re-arranged to conform to better presentation.

9.4 Reconciliation of gross Islamic financing receivables

Movement in gross Islamic financing receivables is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balances as at 1 January 2024	**1,342,362**	**290,230**	**362,201**	**1,994,793**
Transfer from Stage 1	**(374,389)**	**257,340**	**117,049**	**-**
Transfer from Stage 2	**57,370**	**(137,565)**	**80,195**	**-**
Transfer from Stage 3	**3,347**	**1,690**	**(5,037)**	**-**
Net other movements*	**155,352**	**(13,169)**	**(83,943)**	**58,240**
	(158,320)	**108,296**	**108,264**	**58,240**
Written off during the year	**-**	**-**	**(52,927)**	**(52,927)**
Balances as at 31 December 2024	**1,184,042**	**398,526**	**417,538**	**2,000,106**

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. ISLAMIC FINANCING RECEIVABLES – NET (CONTINUED)

9.4 Reconciliation of gross Islamic financing receivables (continued)

	Stage 1	Stage 2	Stage 3	Total
Balances as at 1 January 2023	1,331,152	194,472	286,524	1,812,148
Transfer from Stage 1	(322,030)	189,498	132,532	-
Transfer from Stage 2	35,417	(103,772)	68,355	-
Transfer from Stage 3	17,590	2,721	(20,311)	-
Net other movements*	280,233	7,311	(38,705)	248,839
	11,210	95,758	141,871	248,839
Written off during the year	-	-	(66,194)	(66,194)
Balances as at 31 December 2023	1,342,362	290,230	362,201	1,994,793

*net other movements include financing originated, financing repaid and other measurements.

9.5 Movement in ECL allowance of Islamic financing receivables

	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2024	**12,141**	**24,674**	**85,467**	**122,282**
Transfer from Stage 1	**(12,802)**	**5,811**	**6,991**	**-**
Transfer from Stage 2	**4,294**	**(12,892)**	**8,598**	**-**
Transfer from Stage 3	**716**	**544**	**(1,260)**	**-**
Financial assets settled	**(2,860)**	**(5,662)**	**(17,375)**	**(25,897)**
New financial assets originated	**25,141**	**-**	**-**	**25,141**
Net re-measurement of loss allowance	**(17,219)**	**2,556**	**81,116**	**66,453**
	(2,730)	**(9,643)**	**78,070**	**65,697**
Written off during the year	**-**	**-**	**(52,927)**	**(52,927)**
ECL allowance as at 31 December 2024	**9,411**	**15,031**	**110,610**	**135,052**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	10,845	15,009	37,787	63,641
Transfer from Stage 1	(22,341)	8,891	13,450	-
Transfer from Stage 2	2,901	(8,055)	5,154	-
Transfer from Stage 3	1,750	496	(2,246)	-
Financial assets settled	(2,415)	(3,153)	(7,904)	(13,472)
New financial assets originated	27,585	-	-	27,585
Net re-measurement of loss allowance	(6,184)	11,486	105,420	110,722
	1,296	9,665	113,874	124,835
Written off during the year	-	-	(66,194)	(66,194)
ECL allowance as at 31 December 2023	12,141	24,674	85,467	122,282

9.6 Charge of expected credit loss allowance - net

	31 December 2024	31 December 2023
Provision for expected credit loss allowance – net of reversal	**(65,697)**	(124,835)
Recoveries against receivables previously written off	**50,130**	38,274
Charge of expected credit loss allowance – net	**(15,567)**	(86,561)

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. ISLAMIC FINANCING RECEIVABLES – NET (CONTINUED)

9.7 Collaterals

The Company in the ordinary course of financing activities holds collateral as security to mitigate credit risk in the Islamic finance financing receivables. This collateral mostly includes real estate properties, Kafalah guarantees and personal guarantees. The real estate properties are held against SME Islamic financing receivables and are managed against relevant exposures subject to annual revaluation as per the Company's policy. The collateral held as security is needed to the extent that such collateral mitigates credit risk. As of 31 December 2024, the fair value of collateral held against those Islamic financing amount to SR 1,065 million (2023: SR 1,443 million).

The carrying amount of credit-impaired personal Islamic financing receivables and Islamic credit cards are fully collateralised by personal guarantees. The amounts of collateral held as security for credit-impaired SME Islamic financing receivables, categorized by the collateral value-to-receivables ratio as of 31 December, are as follows:

	31 December 2024	31 December 2023
51-70%	**12,635**	-
More than 70%	**113,322**	92,749
Total	**125,957**	92,749

9.8 Assignment of Islamic financing receivables

The Company assigned Islamic financing receivables amounting to SR 0.60 billion (31 December 2023: SR 0.79 billion) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 0.48 billion (31 December 2023: SR 0.62 billion).

These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the related risks and rewards, primarily credit risk. The Company is liable for the repayments of their assigned receivables to local commercial banks in case of customer default. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position.

Pursuant to the terms of the transfer agreement, the Company is not allowed to re-pledge those receivables and the financial institution lenders have recourse only to the receivables in the event the Company defaults its obligation.

9.9 Amounts written off still subject to enforcement activity

As at 31 December 2024, Islamic financing receivables written off still subject to legal enforcement activity is SR 190 million (31 December 2023: SR 169 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

10. PROPERTY AND EQUIPMENT & RIGHT-OF-USE ASSETS

2024	Freehold land	Building and freehold improvements (* Note 10.1)	Leasehold improvements	Furniture and office equipment	Total
Cost:					
1 January 2024	27,963	7,140	11,205	62,750	109,058
Additions	-	386	-	885	1,271
Disposals	(928)	-	-	-	(928)
Loss of control	-	-	(324)	(42,066)	(42,390)
Discontinued operation	(27,035)	(7,526)	(10,881)	(21,563)	(67,005)
31 December 2024	-	-	-	6	6
Accumulated depreciation:					
1 January 2024	-	6,594	9,904	59,953	76,451
Charge for the year	-	514	551	1,234	2,299
Disposals	-	-	-	-	-
Loss of control	-	-	(324)	(41,213)	(41,537)
Discontinued operation	-	(7,108)	(10,131)	(19,971)	(37,210)
31 December 2024	-	-	-	3	3
Net book value at:					
31 December 2024	-	-	-	3	3

(All amounts in Saudi Riyals thousands unless otherwise stated)

10. PROPERTY AND EQUIPMENT & RIGHT-OF-USE ASSETS (CONTINUED)

2023	Freehold land	Building and freehold improvements *(* Note 10.1)*	Leasehold improvements	Furniture and office equipment	Total
Cost:					
1 January 2023	27,963	72,362	11,205	62,158	173,688
Additions	-	-	-	592	592
Disposals	-	(65,222)	-	-	(65,222)
Discontinued operation	(27,963)	(7,140)	(10,881)	(20,678)	(66,662)
31 December 2023	-	-	324	42,072	42,396
Accumulated depreciation:					
1 January 2023	-	19,899	9,200	56,523	85,622
Charge for the year	-	639	704	3,430	4,773
Disposals	-	(13,944)	-	-	(13,944)
Discontinued operation	-	(6,594)	(9,580)	(18,740)	(34,914)
31 December 2023	-	-	324	41,213	41,537
Net book value at:					
31 December 2023	-	-	-	859	859

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 PROPERTY AND EQUIPMENT & RIGHT-OF-USE ASSETS (CONTINUED)

10.1 Right of use asset

This includes the carrying amount of right-of-use assets i.e., certain branch premises on lease. The movement in right-of-use assets and corresponding lease liabilities for the years ended 31 December is as follows:

	As at 31 December 2024	As at 31 December 2023
Balance at the beginning of the year	**8,992**	748
Additions during the year	**386**	9,739
Depreciation charge for year	**(393)**	(1,495)
Loss of control	**(8,679)**	-
Discontinued operation	**(306)**	(313)
Balance at the end of the year	**-**	8,679

Lease liability

Amounts recognized in statement of financial position and statement of comprehensive income in relation to lease liability are as follows:

	As at 31 December 2024	As at 31 December 2023
Balance at the beginning of the year	**11,409**	588
Additions during the year	**386**	12,419
Interest expense for the year	**9**	478
Payment for lease liability	**(344)**	(2,076)
Loss of control	**(11,265)**	-
Discontinued operation	**(195)**	(144)
Balance at the end of the year	**-**	11,265
Lease liability – current	**-**	2,062
Lease liability – non-current	**-**	9,203
	-	11,265

11. RELATED PARTY BALANCES AND TRANSACTIONS

In the ordinary course of business, the Group enters into transactions with its related parties and these transactions are based on the mutually agreed terms. These represent transactions with related parties, i.e. shareholders, directors and senior management of the Group and the companies over which they have a significant influence. Pricing policies and terms of these transactions are approved by the Group's management. Key management personnel are those persons, including executive directors, having authority and responsibility for planning, directing and controlling the activities at the Group level.

a) *Related party transactions were as follows:*

Nature of transaction	**31 December 2024**	31 December 2023
Key management compensation – Falcom Holding Company	**25,128**	11,192
Key management compensation – Subsidiaries	**10,965**	21,034
Directors' remunerations and related committees – Falcom Holding Company	**4,505**	5,110
Directors' remunerations and related committees – Subsidiaries	**7,211**	11,007
Bonus to Directors and employees of Yaqeen Capital Company, an associate	**15,000**	**-**
Rental Income - Al-Amthal Financing Company, an associate	**-**	1,014

(All amounts in Saudi Riyals thousands unless otherwise stated)

11. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

b) Related party balances as at year end were as follows:

	31 December 2024	31 December 2023
Employees' end of service benefits	**4,446**	20,439
Board of Directors remuneration payable	**4,505**	5,110
Bonus payable to Director of Yaqeen Capital Company	**6,000**	-
Bonus payable to Key Management – Falcom Holding Company	**16,473**	2,938

12. PREPAYMENTS AND OTHER ASSETS

	Note	**31 December 2024**	31 December 2023
Commission and account receivables		**-**	29,800
Prepaid expenses		**11,386**	20,400
Loans to employees		**-**	319
Commodity for facilitating Tawarruq financing		**36,425**	35,000
Other receivables	12.1	**4,470**	28,148
Margin deposit		**5,933**	3,016
Discontinued operation		**(50,563)**	(80,236)
		1,718	36,447

12.1 During the year, the Group have received SR 20 million from the court against the settlement of an SME customer.

13. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Cash in hand	**20**	63
Short term Murabaha deposits	**-**	78,005
Cash at bank	**87,656**	94,039
	87,676	172,107
Discontinued operation	**(86,476)**	(61,295)
	1,200	110,812

14. ASSETS HELD FOR SALE

Repossessed assets – real estate properties:

These represent 7 properties (31 December 2023: 7 properties) in the Kingdom of Saudi Arabia which were repossessed by the Company against settlement of Islamic finance receivables. The Board of Directors during the meeting dated 6 march 2024 has directed and approved the sale of properties through best possible means and recommended to utilize the services of real estate marketing.

The fair value of these properties was determined by independent valuer which is accredited by the Saudi Authority for Accredited Valuers (TAQEEM). The valuer has assumed that the surrounding sales and offers prices to rely upon to determine the market value. The valuation of these properties is assessed on market value using the comparable approach. The cumulative fair value (level 3 hierarchy) of these properties on 31 December 2024 is SR 39.6 million (31 December 2023: SR 29.4 million). Management is continuously monitoring the progress of the sale of properties at best price.

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. ASSETS HELD FOR SALE (CONTINUED)

The carrying amount of assets held for sale is analysed as follows:

	31 December 2024	31 December 2023
Carrying amount at classification as held for sale	**20,669**	20,669
Cumulative impairment loss	**(2,784)**	(2,480)
Carrying value of assets held for sale	**17,885**	18,189
Discontinued operation	**(17,885)**	(18,189)
	-	-

15. BANK FINANCING

15.1 The breakup of Islamic bank financing is as follows:

	31 December 2024	31 December 2023
Current	**204,166**	273,839
Non-current	**271,538**	381,977
Discontinued operation	**(475,704)**	(624,816)
	-	31,000

The group has long-term Islamic financing limits amounting to SR 1,880 million (31 December 2023: SR 2,185 million) with local banks to finance current and long-term funding needs of which SR 480 million was utilized as of 31 December 2024 (31 December 2023: SR 931 million). These financing facilities are repayable in three to five years in monthly, quarterly or bi-annual instalments. The financing bear commission rates at prevailing market rates.

15.2 The movement schedule of Islamic bank financing was as follows:

	31 December 2024	31 December 2023
Payable as at 1 January	**655,816**	657,002
Additional financing during the year	**170,000**	356,000
Charge during the year	**47,978**	3,678
Payments during the year	**(398,090)**	(360,864)
Discontinued operation	**(475,704)**	(624,816)
Payable as at 31 December	**-**	31,000

16. EMPLOYEES END OF SERVICE BENEFITS

	31 December 2024	31 December 2023
1 January	**34,083**	31,057
Provision for the year for all consolidated entities	**3,605**	6,188
Payments during the year	**(4,115)**	(4,423)
Loss of control	**(15,843)**	-
Re-measurements loss recognised in OCI during the year	**749**	1,261
Discontinued operation	**(14,034)**	(13,644)
31 December	**4,446**	20,439

(All amounts in Saudi Riyals thousands unless otherwise stated)

16. EMPLOYEES END OF SERVICE BENEFITS (CONTINUED)

Key actuarial assumptions for the Falcom Holding / Nayifat Finance Company

	31 December 2024	31 December 2023
End of service benefits:		
Discount rate	**5.15%**	4.60%
Salary growth rate	**4%**	5%

Sensitivity analysis for actuarial assumptions

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 employees' EOSB.

	Change in assumption		**Impact on employee benefit obligations**	
31 December 2024	**Increase in assumption**	**Decrease in assumption**	**Increase in assumption**	**Decrease in assumption**
End of service benefits:				
Discount rate	**+0.5%**	**-0.5%**	**(4,350)**	**4,547**
Salary growth rate	**+0.5%**	**-0.5%**	**4,514**	**(4,379)**

	Change in assumption		Impact on employee benefit obligations	
31 December 2023	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
End of service benefits:				
Discount rate	+0.5%	-0.5%	(7,224)	6,453
Salary growth rate	+0.5%	-0.5%	7,797	(5,938)

17. ACCOUNTS PAYABLE AND ACCRUALS

	Note	**31 December 2024**	31 December 2023
Accounts payable		**3,916**	28,430
Accrued Board of Directors' remunerations		**6,650**	7,077
Accrued employees' cost		**10,898**	6,825
Accrued expenses		**25,807**	10,815
Accrued key management fees and bonus		**-**	2,980
Other	17.1	**60,129**	14,196
Discontinued operation		**(79,547)**	(43,177)
Total		**27,853**	27,146

17.1 This includes dividends declared for the shareholders of the Group amounting to SR 29 million (2023: SR 7.2 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

18. ZAKAT

18.1 Components of zakat base

The Group's subsidiaries file separate zakat and income tax declarations on standalone basis. The significant components of the zakat base of each company under zakat and income tax regulations are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deduction for the net book value of property and equipment, investments and certain other items.

18.2 Movement in provision for zakat

	Note	**31 December 2024**	31 December 2023
Balance at the beginning of the year		**36,085**	39,344
Provision for the year of all consolidated entities		**19,869**	19,926
Provision for prior years zakat assessments	18.3 & 18.4	**-**	9,650
		55,954	68,920
Payments during the year of all consolidated entities		**(18,829)**	(32,835)
		37,125	36,085
Loss of control		**(16,516)**	-
Discontinued operation		**(18,490)**	(18,021)
Balance at the ending of the year		**2,119**	18,064

18.3 Status of assessments – Nayifat Finance Company

a) The final assessment and settlement for the Zakat liability for the years up to 2013 was received during the year 2019 and settled subsequently.

During 2018, the Company agreed to a Zakat settlement for the years 2014 to 2017, with an agreement that the Company will withdraw all of the previous appeals which were filed with the competent authority. This was settled completely in 2023 with the final payment of SR 5.36 million in 2023.

All due Zakat returns up till year-end 2023 have been duly filed. There have been no assessment orders received for years from 2019 to 2023.

b) The Zakat return for the year 2024 will be filed in due course.

18.4 Status of assessments – Falcom Holding Company

The Company has submitted all zakat declarations up to 31 December 2023 to ZATCA and paid the zakat, however, the Company has not received the final assessments yet.

19. SHARE CAPITAL

The authorized and paid-in capital of the Group is 1.155 billion (2023: SR 1.155 billion) divided into 115.5 million shares of SR 10 each.

Following the year ending 31 December 2024, the Group's board of directors has approved a resolution to decrease the share capital of Falcom Holding Company from SR 1,155 million to SR 400 million.

20. STATUTORY RESERVE

In accordance with the Group's By-laws, the Group shall set aside a statutory reserve, after absorption of accumulated losses, if any, by the appropriation of 10% of net income and ordinary general assembly may decide to stop this until the reserve equals at least 30% of the share capital.

(All amounts in Saudi Riyals thousands unless otherwise stated)

21. OTHER RESERVES

	31 December 2024	31 December 2023
Balance as at 1 January	**(5,304)**	(4,303)
Re-measurement of employees' service benefits	**(749)**	(1,001)
Balance as at 31 December	**(6,053)**	(5,304)

22. DIVIDEND

During the year ended 31 December 2024, the Group has declared dividend of SR 241,155 (2023: Nil) and paid in kind by transferring the shares of Falcom Yaqeen to the shareholders of the Company in the proportion of shares held by them.

Nayifat Financing Company has also declared a dividend of SR 60 million during the year. Only the portion of the dividend attributable to non-controlling interest SR 31,194 is reflected in these consolidated financial statements. The dividend was subsequently paid on January 13, 2025.

23. CONTINGENCIES AND COMMITMENTS

Contingencies

The contingencies related to zakat are disclosed in Note 18 to these consolidated financial statements.

Capital commitments

There are no significant capital commitments at the consolidated statement of financial position date.

Contingent Asset

The Group purchased a parcel of land, initially classified as Investment property, in 2008 for earning income or capital gain. During 2010, Yaqeen Capital (formerly known as Falcom Financial Services) and other related parties signed an agreement with FAL Industrial City Company, the "Developer", which is an associate company, to develop a special industrial city in the Kingdom of Saudi Arabia on a parcel of land owned by Yaqeen Capital (formerly known as Falcom Financial Services) and the related parties, whereby the Developer will charge all direct and indirect costs and expenses attributable to the development of the industrial city plus a management fee of 7.5% of such costs and expenses to the land owners in proportion to their ownership percentage in the land, in which the Group owns 12.53%. On 15 May 2017, as part of the Group's restructuring plan, assets including Yaqeen Capital's (formerly known as Falcom Financial Services) share in the land and FAL Industrial City Company were transferred to Falcom Holding Company at the net carrying value. Capital work in progress principally represents the Group's share in the costs and expenses charged by the Developer.

During 2022, the Group had fully impaired its land and its capital work in progress due to the fact that the part of the land is no longer registered in the name of the related party (former Chairman and a Board Member) according to the decision issued by the Supreme Committee which formed pursuant to the Royal Decree Number (A/38) dated 5 November 2017 (corresponding to 15/2/1439H). Therefore, the Group has changed from claiming its ownership of part of the land into claiming the monetary market value of its share of the part of the land. The Company filed a case against the former Chairman to recover the fair value of the land. On 03 August 2023, the first instance court issued its judgment in the Company's favor with a cash compensation of SR 337,290,296 in return of the land value. On 26 December 2023, the Execution Court has issued an order, obligating the person against whom the execution was executed, to pay the amount of SR 337,390,396 to the Company. Subsequently, on 9 January 2024, the Company collected SR 3,168,493 which were recognised in the consolidated financial statements for the year ended 31 December 2023. On 24 December 2023, the defendant submitted an objection request against the judgement "ordering the defendant to compensate the Company in cash" before the Supreme

(All amounts in Saudi Riyals thousands unless otherwise stated)

23. CONTINGENCIES AND COMMITMENTS(CONTINUED)

Court. On 31 October 2024, the Supreme Court issued its decision to accept the objection request and overturn the enforceable judgment and return the case to the Court of Appeal to reconsider it and issue a ruling. Following several hearings at the Court of Appeal after the Supreme Court's decision, the Court of Appeal issued its final ruling on 29 January 2025 in favor of the Group, ordering the defendant to pay SR 377,290,396. However, as of 31 December 2024, the legal advisor indicated that there was no virtual certainty that the Court of Appeal's judgment would be favorable to the group. Consequently, no receivable has been recognized in these consolidated financial statements.

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	**31 December 2024**	31 December 2023
Salaries and employees related expenses	24.1	**31,886**	18,823
Other general and administrative expenses	24.2	**7,785**	3,282

24.1 Salaries and employee related expenses

	31 December 2024	31 December 2023
Salaries and employee related costs	**109,068**	128,082
Chairman, Directors and Board committee fees	**11,716**	16,117
Management fees and bonus	**2,286**	4,216
Discontinued operation	**(91,184)**	(129,592)
	31,886	18,823

24.2 Other general and administrative expenses

	31 December 2024	31 December 2023
Repairs, maintenance and office supplies	**5,130**	5,792
Rent related to short term leases	**9,090**	5,990
Advertisement expenses	**1,464**	1,983
Communication expenses	**-**	-
Legal and professional expenses	**10,866**	8,935
Utilities and miscellaneous expenses	**9,849**	15,956
Security and others cost	**-**	-
Insurance expenses	**6,593**	8,228
VAT expenses	**-**	-
IT support charges	**10,886**	15,692
Other	**7,058**	6,697
Discontinued operation	**(53,151)**	(65,991)
	7,785	3,282

25. EARNINGS PER SHARE

The basic and diluted earnings per share ("EPS") have been computed by dividing net income for the year by the weighted average number of shares outstanding during the year.

Earnings / (losses) per share:	**31 December 2024**	**31 December 2023**
Net income for the year (SR '000)	**316,256**	59,596
Weighted average number of shares for basic and diluted EPS	**115,500,000**	115,500,000
Basic and diluted earnings per share (in Saudi Arabian Riyals)	**2.74**	0.52
Basic and diluted earnings / (losses) per share (in Saudi Arabian Riyals) – continuing operations	**2.18**	(0.21)

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

26.1 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group 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 Group 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).

Specific valuation techniques used to value financial instruments include:

- Net asset value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(All amounts in Saudi Riyals thousands unless otherwise stated)

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

31 December 2024	**FVSI**	**FVOCI**	**Amortised cost**	**Equity method**	**Total**
Financial assets:					
Investments – current (Level 2)	**13,000**	-	-	-	**13,000**
Investments – non-current (Level 2)	**37,273**	-	-	-	**37,273**
Margin lending and murabaha financing	-	-	-	-	-
Margin deposit with muqassa	-	-	-	-	-
Cash and cash equivalents (Level 3)	-	-	**1,200**	-	**1,200**
Other assets	-	-	-	-	-
Investments accounted for using equity method (Level 3)	-	-	-	**392,252**	**392,252**
	50,273	-	**1,200**	**392,252**	**443,725**
Financial liabilities:					
Bank financing – current	-	-	-	-	-
Lease liability – current	-	-	-	-	-
Lease liability – non-current	-	-	-	-	-
Accounts payable and accruals (Level 3)	-	-	**27,853**	-	**27,853**
	-	-	**27,853**	-	**27,853**

31 December 2023	FVSI	FVOCI	Amortised cost	Equity method	Total
Financial assets:					
Investments – current					
- Level 1	11,099	-	-	-	11,099
- Level 3	19,304	-	-	-	19,304
Investments – non-current					
- Level 2	4,033	-	-	-	4,033
- Level 3	29,901	-	-	-	29,901
Margin lending and murabaha financing	-	-	86,436	-	86,436
Margin deposit with muqassa	-	-	22,461	-	22,461
Cash and cash equivalents (Level 3)	-	-	110,812	-	110,812
Other assets	-	-	36,447	-	36,447
Investments accounted for using equity method	-	-	-	177,483	177,483
	64,337	-	256,156	177,483	497,976
Financial liabilities:					
Bank financing – current (Level 3)	-	-	31,000	-	31,000
Lease liability – current (Level 3)	-	-	2,062	-	2,062
Lease liability – non-current (Level 3)	-	-	9,203	-	9,203
Accounts payable and accruals (Level 3)	-	-	27,146	-	27,146
	-	-	69,411	-	69,411

(All amounts in Saudi Riyals thousands unless otherwise stated)

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial assets and financial liabilities that are classified as held for distribution to owners are not included in the table above. Their carrying amount is a reasonable approximation of fair value except for the fair value of Islamic financing receivables which is classified as level 3 as per fair value hierarchy and has been determined using expected cash flows discounted at relevant current effective profit rate for respective segment. The fair value of Islamic financing receivables as at 31 December 2024 amounts to SR 1,929 million (31 December 2023: SR 1,804 million).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

During the years ended 31 December 2024 and 2023, there were no transfers into or out of Level 1, level 2 and level 3 fair value measurements.

The fair values of financial instruments which are carried at amortised cost are not significantly different from there carrying values in the consolidated financial statements, due to the short-term duration of financial instruments and the current market commission rates are not significantly different from the contracted rates for bank financing. An active market for these instruments is not available and the Group intends to realize the carrying value of these financial instruments through settlement with the counter party at the time of their respective maturities.

26.2 Fair valuation techniques

The following tables show the valuation techniques used in measuring Level 2 fair values.

Type	Valuation techniques	Significant unobservable inputs	Sensitivity to changes in significant unobservable inputs
Financial assets at fair value through statement of income	Valuation is based on the Net Assets Value of the Fund.	None	None
Investments accounted for using the equity method	Discounted cashflows	Discount rate at market terms (31 Dec 2024: 11.29%; 31 Dec 2023: Nil)	The estimated fair value would increase (decrease) if the discount rates are lower (higher) by 1%

27. FINANCIAL RISK MANAGEMENT

Effective risk management is of primary importance to the Group. Risks include market risk (primarily foreign exchange risk, price risk and commission rate risk), credit risk, liquidity risk, and operational risk. The Group ensures that it is conservatively capitalized relative to its risk levels, as well as external requirements and benchmarks.

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, investments at FVSI, investment classified as held for sale, margin deposit with muqassa, margin lending and murabaha financing, due from related parties, other assets, accounts payable and accruals and bank financing. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the consolidated financial statements, when there is a legally enforceable right to set off the recognised amounts and intention is either to settle on a net basis, or to realize the asset and liability simultaneously.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk:

Credit risk is the risk that one party of a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk as a result of the counterparty's failure to meet its contractual obligations when due, in respect of:

- Cash at banks
- Islamic finance receivables (IFRs)

Credit risk is the risk that the Group will incur a financial loss as a result of the failure of the customer or counterparty to a financial instrument to fulfil its contractual obligations. The carrying amount of financial assets represents their maximum credit exposure.

Islamic financing receivables (IFR)

IFRs are exposed to significant credit risk. The Group has established procedures to manage credit exposure including robust process regarding evaluation of credit worthiness which includes obtaining formal credit approvals, assigning risk-based credit limits, and obtaining collateral such as personal guarantees from consumer segment and tangible collateral from most SME & HNWI customers of at least 150% of the financing amount.

The assessment of credit worthiness include the following key parameters:

- Dual credit score i.e. SIMAH and application scoring system.
- Minimum income level and maximum financing burden of the customer.
- Repayment history with other financial institutions sourced from SIMAH.
- Salary certificate from the employer and last three months' bank statement where the customer's monthly salary is credited.

Majority of the Group's customers are Government sector employees. To manage this concentration risk, customers are requested to provide standing instructions to credit Nayifat account by monthly installments due. In addition, the customers also provide direct debit mandate as a stand-by repayment mode. The Group generally receives repayments through SADAD and bank transfers. The Group has an approved collection policy and procedure manual establishing a collection strategy to follow up with delinquent customers. In order to monitor exposure to credit risk, on monthly basis reports are produced by the Management Information System (MIS) department and are reviewed by Board Credit Committee on a quarterly basis. These reports show the collection and delinquency status of the customers. The Group has strengthened its legal department to be actively involved in the collection process of delinquent customers. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.
The assessment of credit risk of IFR also requires further estimations of credit risk using ECL which is derived by PD, LGD and EAD.

Generating the term structure of PD

PD for personal financing is calculated using an 'observed default rate' method which is based on the actual default history of the portfolio. To generate the term structure, obligors are classified into performing and non-performing categories over a time period which is based on days past due. An obligor is considered as non-performing (Stage 3) whose last instalment is past due by more than 90 days. The average ratio of the non-performing customers to performing customers for each segment based on income of the obligor provide the observed default rate for that segment. This is then converted to a forward-looking estimate by incorporating probability-weighted current forecasts of selected macroeconomic variables.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

For credit cards, due to unavailability of extensive historical data, personal financing loss rates have been used as a proxy value. Similarly, due to unavailability of extensive historical data for SMEs and HNWIs, a proxy PD using industry classification of the customer is derived from latest Moody’s publication.

Significant increase in credit risk (SICR)
In determining whether credit risk has increased significantly since initial recognition, the Group assesses past-due information.

Accordingly, based on instalment collection history, the management believes that a significant increase in credit risk arises only when the instalment is past due by more than 30 days. The management engages the recovery team for the purposes of collection of outstanding balance as the receivable is non-performing.

The Group groups its IFRs into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1: When IFRs are first recognised, the Group recognises an allowance based on 12-month ECLs. Stage 1 IFRs also include facilities where the credit risk has improved, and the IFR has been reclassified from Stage 2.

Stage 2: When a IFR has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECL. Stage 2 IFRs also include facilities, where the credit risk has improved, and the IFR has been reclassified from Stage 3.

Stage 3: IFRs considered credit-impaired. The Group records an allowance for the lifetime ECL.

Incorporation of forward-looking information

The Group 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 allowance. The Group considers a variety of external actual and forecast information and formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. The base case represents the most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

The Group has used GDP growth rate and inflation rate as their key macroeconomic factors giving equal weightages to each. These macro-economic factors have been updated based on the latest available information from the IMF.

The Group has identified and documented aforementioned key drivers of credit risk and credit losses for the consumer portfolio and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The Group has used below base case near term forecast in its ECL model, which is based on updated information available as at the reporting date:

(All amounts in Saudi Riyals thousands unless otherwise stated)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Economic indicators	Weightage	Forecast calendar years used in 2024 ECL model (in percentage)		
		2024	2025	2026
GDP growth rate	50%	6.0	4.0	3.5
Inflation rate	50%	2	2	2

The table below shows the change in economic indicators to the ECL computed under three different scenarios used by the Group.

Scenarios	Weightage	2024	2023
Base case	40%	**134,203**	122,890
Upside	30%	**127,891**	114,257
Downside	30%	**143,345**	134,830

The average credit losses of IFRs with more than 50,000 customers with shared risk characteristics is a reasonable estimate of the probability weighted amount. Further, the Group has also considered different scenarios with the different weightage and concluded that the current level of provision is sufficient to cover the related credit risk in compliance with the requirements of IFRS 9.

Enhancements to ECL model
During the current year, the management has enhanced its model and determined the PD using 'Observed Default Rate' ('ODR') method which calculates distinct PDs for each segment by averaging number of defaulted customers at each successive monthly cohort till the reporting date. The default tracking for each monthly cohort is carried out during the next 12 months unlike last year where the default event was identified at the end of 12th month from the cohort. These PDs are converted into forward looking PDs by considering probability weighted scenarios of selected MEVs stated above.

Measurement of ECL
The Group measures an ECL at an account level taking into account the PD, LGD, EAD and discount rate. PD estimates are estimated at a certain date, based on the term structures as stated above. LGD estimates for personal financing portfolio are derived from historical data of subsequent recoveries from defaulted facilities for each segment based on income of the obligors.

Due to lack of data for defaulted accounts and their subsequent recoveries for credit cards and unsecured portion of SME receivables, a proxy LGD rate for unsecured exposures is used. For SME customers, the portion of the IFRs secured against eligible collateral, a floor LG is considered after applying a haircut.

EAD represents the expected exposure in the event of a default. The Group derives EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD for personal financing and SME financing is its gross carrying amount while for credit cards, in addition to its gross carrying amount, a proxy rate for credit conversion factor is used. For discounting the Group has used each contract's effective commission rate.

(All amounts in Saudi Riyals thousands unless otherwise stated)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity of ECL allowance:
Changes in macro-economic factors, such that there is 10% increase in GDP with corresponding 10% decrease in inflation rates will result in SR 2.80 million decrease in ECL provision as at 31 December 2024. Likewise, changes in macro-economic factors, such that there is 10% decrease in GDP with corresponding 10% increase in inflation rates will result in SR 1.80 million increase in ECL provision as at 31 December 2024.

The increase or decrease of 10% change in loss rates (PDs and LGDs) assuming macro-economic factor remains the same will result SR 13 million increase or SR 12 million decrease in the ECL provision.

The Company's management believes that adequate provision has been made, where required to address the credit risk. Moreover, the Company in the ordinary course of providing finance receivables obtain additional personal guarantees for security to mitigate credit risk associated with IFR. For additional credit quality disclosure relating to IFR, please refer note 9 to these consolidated financial statements. The credit quality of IFRs is further detailed below:

Tawarruq –Personal financing

31 December 2024	**Gross exposure**	**ECL allowance**	**Net exposure**
0 to 30 days	**1,015,710**	**(8,441)**	**1,007,269**
30 to 90 days	**236,740**	**(14,353)**	**222,387**
90 to 180 days	**69,152**	**(23,137)**	**46,015**
180 to 270 days	**33,361**	**(11,162)**	**22,199**
270 to 360 days	**30,130**	**(10,081)**	**20,049**
360 to 450 days	**31,748**	**(10,622)**	**21,126**
450 to 540 days	**30,417**	**(10,177)**	**20,240**
540 to 630 days	**35,559**	**(11,898)**	**23,661**
630 days & above	**58,396**	**(16,766)**	**41,630**
Total	**1,541,213**	**(116,637)**	**1,424,576**

31 December 2023	Gross exposure	ECL allowance	Net exposure
0 to 30 days	984,399	(11,759)	972,640
30 to 90 days	253,747	(24,319)	229,428
90 to 180 days	71,747	(22,875)	48,872
180 to 270 days	45,332	(14,321)	31,011
270 to 360 days	44,949	(13,898)	31,051
360 to 450 days	31,871	(9,997)	21,874
450 to 540 days	19,494	(6,484)	13,010
540 to 630 days	15,965	(5,325)	10,640
630 days & above	33,094	(4,963)	28,131
Total	1,500,598	(113,941)	1,386,657

(All amounts in Saudi Riyals thousands unless otherwise stated)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

SME

31 December 2024	**Gross exposure**	**ECL allowance**	**Net exposure**
0 to 30 days	**146,302**	**(689)**	**145,613**
30 to 90 days	**159,408**	**(447)**	**158,961**
90 to 180 days	**26,691**	**(588)**	**26,103**
180 to 270 days	**4,957**	**(441)**	**4,516**
270 to 360 days	**880**	**(59)**	**821**
360 to 450 days	**20,205**	**(1,052)**	**19,153**
450 to 540 days	**-**	**-**	**-**
540 to 630 days	**554**	**(28)**	**526**
630 days & above	**72,670**	**(12,519)**	**60,151**
Total	**431,667**	**(15,823)**	**415,844**

SME

31 December 2023	Gross exposure	ECL allowance	Net exposure
0 to 30 days	332,299	(158)	332,141
30 to 90 days	33,745	(61)	33,684
90 to 180 days	12,737	(215)	12,522
180 to 270 days	4,732	(230)	4,502
270 to 360 days	104	(5)	99
360 to 450 days	11,784	(631)	11,153
450 to 540 days	47,082	(3,010)	44,072
540 to 630 days	627	(31)	596
630 days & above	15,683	(1,567)	14,116
Total	458,793	(5,908)	452,885

Islamic credit cards

31 December 2024	**Gross exposure**	**ECL allowance**	**Net exposure**
0 to 30 days	**22,030**	**(282)**	**21,748**
30 to 90 days	**2,378**	**(231)**	**2,147**
90 to 180 days	**1,095**	**(803)**	**292**
180 to 270 days	**616**	**(451)**	**165**
270 to 360 days	**1,107**	**(825)**	**282**
Total	**27,226**	**(2,592)**	**24,634**

31 December 2023			
0 to 30 days	25,664	(224)	25,440
30 to 90 days	2,738	(296)	2,442
90 to 180 days	2,505	(685)	1,820
180 to 270 days	1,877	(513)	1,364
270 to 360 days	2,618	(715)	1,903
Total	35,402	(2,433)	32,969

Other financial assets subject to ECL allowance

The Company believes that it has a low credit risk on other financial assets and the loss allowance is not assessed as material for the Company. A significant portion of cash at banks and other balances with banks are held with banks which have been assigned globally understood investment grade rating. Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

(All amounts in Saudi Riyals thousands unless otherwise stated)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 Credit risk:

The below balances with banks are neither past due nor impaired and are classified in stage 1. There were no movements in staging during year. The following table sets out information about the credit quality of balances with banks as of 31 December:

	31 December 2024	31 December 2023
Investment grade (A+)	**5,712**	112,564
Investment grade (A-)	**96,668**	62,002
Non-investment grade (B+)	**141**	494
Non-investment grade (B+)	**102,521**	175,060

27.2 Liquidity risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments.

Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due equal their carrying balances, unless material, as the impact of discounting is immaterial.

Liquidity risk	**Less than 12 months**	**More than 12 months**	**Total**
31 December 2024			
Financial assets			
Cash and bank balances	**1,200**	-	**1,200**
Margin lending and Murabaha financing	-	-	-
Other assets	-	-	-
Advance paid for investment	**13,000**	-	**13,000**
Investments at FVSI	-	**37,273**	**37,273**
Total financial assets	**14,200**	**37,273**	**51,473**
Financial liabilities			
Accounts payable and accruals	**27,853**	-	**27,853**
Lease liability	-	-	-
Bank financing	-	-	-
Total financial liabilities	**27,853**	-	**27,853**

(All amounts in Saudi Riyals thousands unless otherwise stated)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk	Less than 12 months	More than 12 months	Total
31 December 2023			
Financial assets			
Cash and bank balances	110,812	-	110,812
Margin lending and Murabaha financing	86,436	-	86,436
Other assets	36,447	-	36,447
Investments at FVSI	30,403	33,934	64,337
Total financial assets	264,098	33,934	298,032
Financial liabilities			
Accounts payable and accruals	27,146	-	27,146
Lease liability	2,062	9,203	11,265
Bank financing	31,000	-	31,000
Total financial liabilities	60,208	9,203	69,411

27.3 Currency risk:

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Company has no exposure to foreign currency risk as it mainly deals in Saudi Arabian Riyals which is also the functional currency of the Company.

27.4 Price risk:

Price risk is the risk that the value of a financial instrument will fluctuate because 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 is not exposed to significant price risk as it does not have any material financial instruments whose prices are fluctuated based on internal or external factors as mentioned above.

Operating segments are identified based on internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to segments and to assess their performance. Performance of each segment is measured based on the related activities of each segment where the return from respective portfolio is the basis for performance measurement as management believes that this indicator is the most relevant in evaluating the results of segments.

The Company's reportable segments are as follows:

1) **Personal financing:** These relate to personal financing provided to retail segment.
2) **SME financing:** These relate to financing provided to SMEs and HNWIs.
3) **Islamic credit cards:** These relate to Islamic credit cards provided to retail customers.

(All amounts in Saudi Riyals thousands unless otherwise stated)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

The segment wise breakup of assets and liabilities is as follows:

Markets	**31 December**	**Sensitivity**	
Investments at FVTPL	**2024**	**Profit**	**Percentage**
Cayman Islands	**37,273**	**+/- 373**	**+/- 1%**

Markets	**31 December**	**Sensitivity**	
Investments at FVTPL	**2023**	**Profit**	**Percentage**
Saudi Arabia	64,238	+/-643	+/- 1%

27.5 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Group's activities either internally or externally at the Group's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

Operational risk is a distinct risk category which the Group manages within acceptable levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. The objective in managing operational risk is to ensure control of the Group's resources by protecting its assets and minimizing the potential for financial loss.

The Group's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations. The management of operational risk has a key objective of minimizing the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

28. HELD FOR DISTRIBUTION / DISCONTINUED OPERATIONS

28.1 Held for distribution:

A group of assets to be disposed (disposal group) can be classified as held for distribution to owners when the entity is committed to distribute the disposal group to the owners. Non-current assets classified as held for distributions to owners are measured at the lower of their carrying amount and fair value less cost to distribute when: a) the assets are available for immediate in their present condition and distribution must be highly probable. Immediately before the initial classification as held for sale, the carrying amounts of the assets are measured in accordance with the applicable accounting policies related to the asset or liability before reclassification as held for sale.

The assets below have been presented as held for distribution following the approval of Group management, and the transaction is expected to complete in the upcoming year.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28. HELD FOR DISTRIBUTION / DISCONTINUED OPERATIONS (CONTINUED)

	As at 31 December 2024	As at 31 December 2023
Disposal group assets		
Cash and cash equivalents	**86,476**	61,295
Margin deposit with Muqassa	**5,933**	3,016
Islamic financing receivables – net	**1,865,054**	1,872,511
Equity investment measured at fair value through OCI	**728**	893
Prepayments and other assets	**50,563**	80,236
Assets held for sale	**17,885**	18,189
Goodwill and other intangible assets	**128,898**	132,274
Property and equipment & right-of-use assets	**29,795**	31,748
Total assets held for distribution	**2,185,332**	2,197,146
Liabilities directly associated with assets classified held for distribution		
Accounts payable and accruals	**79,547**	43,177
Islamic bank financings and other liabilities	**475,899**	624,816
Provision for Zakat	**18,490**	18,021
Employees' end of service benefits	**14,034**	13,644
Total liabilities directly associated with assets classified held for distribution	**587,970**	699,658

Fair value of the disposal group at 31 December 2024 amounted to SR 1,855 million (2023: SR 1,778.4 million) against the carrying value of SR 1,597 million (2023: SR 1,497.5 million). As the carrying amount is lower than the fair value, therefore, currently measured at the carrying amount.

Summarized statement of profit and loss and other comprehensive income of Nayifat Financing Company is as below:

	31 December 2024	**31 December 2023**
Net Income:		
Net Income before zakat	**148,986**	106,614
Zakat	**(17,750)**	(17,900)
Income after zakat	**131,236**	88,714
Basic and diluted earnings per share – (SR)	**1.09**	**0.74**
Other comprehensive income:		
Re-measurement of employees' end of service benefits	**-**	(500)
Equity investments measured at fair value through OCI	**(165)**	-
Total comprehensive income	**131,071**	88,214

Summarized statement of cash flows of Nayifat Financing Company is as below:

	31 December 2024	**31 December 2023**
Net cash generated from / (used in) from operating activities	**176,378**	(41,098)
Net cash used in investing activities	**(2,565)**	(914)
Net cash (used in) / generated from financing activities	**(148,632)**	58,657

(All amounts in Saudi Riyals thousands unless otherwise stated)

28. HELD FOR DISTRIBUTION / DISCONTINUED OPERATIONS (CONTINUED)

28.2 Discontinued Operation:

The Capital Market Authority (CMA) has approved Falcom Holding Company's (parent) request to offer 3 million shares, representing 20% of the Yaqeen Capital share capital, in an initial public offering on Ramadan 08, 1445H (Corresponding to March 18, 2024). Further, Falcom Holding Company previously owned 100% of Falcom Yaqeen, which held a 40% stake in Yaqeen Capital. However, during the year ending December 31, 2024, Falcom Holding Company distributed 100% shares of Falcom Yaqeen's as a dividend in kind to its shareholders. As a result of these transactions, the Group has lost control over Yaqeen Capital. As at 31 December 2024, the Group has 6,000,000 shares in Yaqeen Capital (2023: 15,000,000).

Financial information relating to the discontinued operation from the beginning of the year to the date of disposal and gain on disposal is set out below.

The financial performance and information presented are for the period from 1 January 2024 to 28 May 2024 and for the year ended 31 December 2024.

	Amount
Consideration from IPO of Yaqeen Capital	**120,000**
Fair value of the investment in Yaqeen Capital retained	**240,000**
Fair value of the investment in Falcom Yaqeen distributed	**241,155**
Total	**601,155**
Less:	
Carrying Value of net assets of Yaqeen Capital	**(260,315)**
Carrying Value of net assets of Falcom Yaqeen	**(1,155)**
Transaction cost of IPO	**(20,000)**
Gain on sale of subsidiary shares	**319,685**

The following is the breakup of gain on sale and distribution of subsidiary shares:

	Amount
Gain on disposal of Yaqeen Capital	**47,936**
Re-valuation gain on investment in Yaqeen capital retained	**135,874**
Re-valuation gain on distribution of Falcom Yaqeen	**135,875**
	319,685

The following is the breakup of transaction cost:

	Amount
IPO cost incurred by financial advisor and lead manager	**2,610**
IPO cost incurred by Yaqeen capital on behalf of Falcom Holding Company	**2,390**
Bonus declared by Falcom Holdings to chairman and employees of Yaqeen Capital	**15,000**
	20,000

The following is the breakup of profit/(loss) from discontinued operation (attributable to shareholders of the Company):

	31 December 2024	31 December 2023
Net income of Nayifat Finance Company	**131,071**	88,714
Net income of Yaqeen Capital	**1,513**	41,426
Profit from discontinued operation	**132,584**	130,140

(All amounts in Saudi Riyals thousands unless otherwise stated)

29. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to maintain the ability to continue as a going concern, so that it could continue to provide adequate returns to its shareholders by pricing products and services commensurate with the level of risk. It is the policy of the Group to maintain adequate capital base so as to maintain investor, creditor and market confidence and to support future development of the business. The Group's capital base sufficiently covers all material risks and the Group intends to maintain a healthy capital ratio to cater future business growth. The capital management is monitored by the Group's Chief Financial Officer and reports to the Group's Board of Directors.

30. NON-CONTROLLING INTEREST:

The following table summarises the information relating to the Group's subsidiary that has material NCI, before any intra-group eliminations.

	2024	2023
Non-controlling interest %	**51.99%**	51.99%
Total Assets	**2,064,758**	2,076,572
Total Liabilities*	**616,773**	699,658
Net assets (100%)	**1,447,985**	1,376,914
Net assets attributable to non-controlling interest (51.99%)	**752,807**	715,858
Share of goodwill	**42,201**	42,201
Total non-controlling interest	**795,008**	758,058
Revenue for the year	**362,559**	395,256
Profit for the year	**131,236**	88,714
Other comprehensive income for the year	**(165)**	(500)
Total comprehensive income	**131,071**	88,214
Profit allocated to non-controlling interest	**68,230**	46,122
Other comprehensive income allocated to non-controlling interest	**(86)**	(260)
Net cash generated from / (used in) operating activities	**176,378**	(41,098)
Net cash used in investing activities	**(2,565)**	(914)
Net cash (used in) / generated from financing activities [dividends to non-controlling interest: 31.194 million (2023: Nil)]	**(148,632)**	58,657
Net increase in cash and cash equivalents	**25,181**	16,645

*It includes inter-company dividend payable, which has been eliminated for the purpose of the consolidated financial statements.

31. COMPARATIVE FIGURES

The comparative figures for the year ended 31 December 2023 have been reclassified to reflect the results of the Yaqeen Capital as discontinued operations. The reclassification affected the following line items in the consolidated statement of profit or loss and other comprehensive income:

Profit from discontinued operations: The comparative figures have been reclassified to show the profit from discontinued operations of Yaqeen Capital as a separate line item.

Net Profit of 31 December 2023: The net profit for the comparative period has been reclassified to reflect the discontinued operations as a single line item.

Please refer to Note 28.2 (Discontinued Operations) for more details.

32. SUBSEQUENT EVENTS

Other than disclosed in note 19, 22 and 23 of these consolidated financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these condensed consolidated interim financial statements.

33. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Group's Board of Directors on March 6, 2025.