

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

**AL JABR FINANCING COMPANY**  
**(CLOSED JOINT STOCK COMPANY)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**

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## KPMG Professional Services Company

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6189 Prince Turki Road, Al Corniche  
P.O. Box 4803  
Al Khobar, 34412 - 3146  
Kingdom of Saudi Arabia  
Commercial Registration No 2051062328

Headquarters in Riyadh

## شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

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

المركز الرئيسي في الرياض

# Independent Auditor's Report

To the Shareholders of Al Jabr Financing Company (Closed Joint Stock Company)

## Report on the Audit of the Financial Statements

### Opinion

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

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

### Basis for Opinion

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

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

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

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

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

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية، شركة مساهمة مهنية مقفلة مسجلة في المملكة العربية السعودية، رأس مالها (١٠٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية خاصة محدودة بالضمان. رقم السجل التجاري للمركز الرئيسي في الرياض هو ١٠١٠٤٢٥٤٩٤.



# Independent Auditor's Report

To the Shareholders of Al Jabr Financing Company (Closed Joint Stock Company) (continued)

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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



## Independent Auditor's Report

To the Shareholders of Al Jabr Financing Company (Closed Joint Stock Company) (continued)

### Report on Other Legal and Regulatory Requirements

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

#### For KPMG Professional Services

**Mohammad Najeeb Alkhelaiwi**

License No: 481

Al Khobar, 4 March 2025G

Corresponding to: 4 Ramadan 1446H



**AL JABR FINANCING COMPANY**  
**(CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
**(Expressed in Saudi Riyals)**

	Note	2024	2023
<b>ASSETS</b>			
Cash and cash equivalents	5	19,229,499	12,389,338
Net investment in Islamic financing contracts	6	1,298,245,777	1,053,935,752
Due from a related party	7.1	1,178,246	1,212,876
Prepayment and other receivables	8	31,281,482	20,950,536
Right-of-use assets	9	1,224,139	2,849,179
Investment in equity instruments carried at FVOCI	11	892,850	892,850
Property and equipment	12	5,249,837	7,300,799
Intangible assets	13	2,114,187	2,599,757
<b>TOTAL ASSETS</b>		<b>1,359,416,017</b>	<b>1,102,131,087</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Islamic financing	14	625,513,279	447,766,521
Due to related parties	7.2	-	87,172
Accounts payable and other liabilities	15	152,527,352	97,313,142
Lease liabilities	10	465,137	2,035,326
Zakat provision	16	7,119,168	7,795,609
Employees' defined benefit obligations	17	7,516,243	6,328,061
<b>TOTAL LIABILITIES</b>		<b>793,141,179</b>	<b>561,325,831</b>
<b>EQUITY</b>			
Share capital	18	345,000,000	345,000,000
Statutory reserve	19	29,977,569	26,475,682
Actuarial reserve on employees' defined benefit obligations		(448,784)	(189,500)
Retained earnings		191,746,053	169,519,074
<b>TOTAL EQUITY</b>		<b>566,274,838</b>	<b>540,805,256</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,359,416,017</b>	<b>1,102,131,087</b>

These financial statements were approved by the Board of Directors and have been signed on their behalf by:



Maher Abdullatif Al-Jabr  
Chairman



Mohammad Alshaya  
Chief Executive Officer



Mohammad Albawshal  
Chief Financial Officer (Acting)

The accompanying notes from 1 to 33 appearing on pages 5 to 47 form an integral part of these financial statements.

**AL JABR FINANCING COMPANY**  
**(CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
(Expressed in Saudi Riyals)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Revenue	21	181,321,458	124,599,565
<u>Expenses</u>			
Insurance cost	22	(9,016,519)	(12,812,273)
Finance cost	23	(39,413,463)	(25,386,131)
General and administrative expenses	24	(61,741,483)	(51,605,928)
Selling and marketing expenses	25	(5,592,239)	(3,433,937)
Allowance for expected credit losses	6.2	(56,797,799)	(14,413,676)
Government grant		4,039,271	6,326,264
Other income	26	29,308,817	15,504,528
<b>Profit before zakat</b>		<b>42,108,043</b>	<b>38,778,412</b>
Zakat expenses	16	(7,089,177)	(7,795,310)
<b>Profit for the period</b>		<b>35,018,866</b>	<b>30,983,102</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss) on employees' defined benefit obligations	17	(259,284)	(936,163)
Other comprehensive (loss) for the year		(259,284)	(936,163)
<b>Total comprehensive income for the year</b>		<b>34,759,582</b>	<b>30,046,939</b>
Earnings per share (Basic and diluted)	28	0.10	0.09

The accompanying notes from 1 to 33 appearing on pages 5 to 47 form an integral part of these financial statements.

**AL JABR FINANCING COMPANY**  
**(CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	Retained earnings	Actuarial reserve on employees' defined benefit obligations	Total
Balance as at 1 January 2023	345,000,000	23,377,372	142,501,825	746,663	511,625,860
Profit for the year	-	-	30,983,102	-	30,983,102
Transfer to statutory reserve	-	3,098,310	(3,098,310)	-	-
Other comprehensive loss	-	-	-	(936,163)	(936,163)
Total comprehensive income for the year	-	3,098,310	27,884,792	(936,163)	30,046,939
Adjustment (note 14.d)	-	-	(867,543)	-	(867,543)
Balance as at 31 December 2023	345,000,000	26,475,682	169,519,074	(189,500)	540,805,256
<b>Balance as at 1 January 2024</b>	<b>345,000,000</b>	<b>26,475,682</b>	<b>169,519,074</b>	<b>(189,500)</b>	<b>540,805,256</b>
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>35,018,866</b>	<b>-</b>	<b>35,018,866</b>
<b>Other comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(259,284)</b>	<b>(259,284)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>35,018,866</b>	<b>(259,284)</b>	<b>34,759,582</b>
<b>Dividend (note 31)</b>	<b>-</b>	<b>-</b>	<b>(9,290,000)</b>	<b>-</b>	<b>(9,290,000)</b>
<b>Transfer to statutory reserve</b>	<b>-</b>	<b>3,501,887</b>	<b>(3,501,887)</b>	<b>-</b>	<b>-</b>
<b>Balance as at 31 December 2024</b>	<b>345,000,000</b>	<b>29,977,569</b>	<b>191,746,053</b>	<b>(448,784)</b>	<b>566,274,838</b>

The accompanying notes from 1 to 33 appearing on pages 5 to 47 form an integral part of these financial statements.



**AL JABR FINANCING COMPANY**  
**(CLOSED JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
(Expressed in Saudi Riyals)

	Notes	2024	2023
<b>OPERATING ACTIVITIES</b>			
Income before zakat		42,108,043	38,778,412
<b>Adjustments for:</b>			
Depreciation on property and equipment	12	2,253,136	1,500,424
Provision for Employees' defined benefit obligations		1,493,908	1,169,882
Allowance for expected credit losses		56,797,799	14,413,676
Finance charges		39,413,463	25,386,131
Written-off intangible asset		555,570	-
Reversal of provision		(1,308,010)	-
Amortisation of right of use assets	9	2,012,658	2,114,708
Government grant		(4,039,271)	(6,326,264)
		<u>139,287,296</u>	<u>77,036,969</u>
<b>Changes in operating assets and liabilities:</b>			
Net investment in Islamic financing contracts		(301,107,824)	(134,755,956)
Due from related party		34,630	1,904,336
Prepayment and other receivables		(9,022,936)	17,784,268
Due to related party		(87,172)	(50,366)
Accounts payable and other liabilities		58,585,347	(6,464,328)
Zakat paid	16	(7,765,618)	(8,724,710)
Finance charges paid		(33,425,788)	(24,408,730)
Employees' benefit defined obligations paid	17	(565,010)	(273,549)
<b>Net cash used in operating activities</b>		<u>(154,067,075)</u>	<u>(77,952,066)</u>
<b>INVESTING ACTIVITIES</b>			
Addition to property and equipment	12	(272,174)	(2,345,207)
Purchase of intangible assets	13	-	(387,398)
<b>Net cash used in investing activities</b>		<u>(272,174)</u>	<u>(2,732,605)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of Islamic financing		(142,479,830)	(133,598,853)
Proceeds from Islamic financing		314,970,000	150,000,000
Dividend paid	31	(9,290,000)	-
Lease liabilities paid	10	(2,020,760)	(2,092,794)
<b>Net cash generated from financing activities</b>		<u>161,179,410</u>	<u>14,308,353</u>
<b>Net change in cash and cash equivalents</b>		<u>6,840,161</u>	<u>(66,376,318)</u>
Cash and cash equivalents at the beginning of the year		<u>12,389,338</u>	<u>78,765,656</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u>19,229,499</u>	<u>12,389,338</u>
<b>Non-cash transactions:</b>			
Actuarial (gain) on end-of-service indemnities		(259,284)	(936,163)
Additions under lease		387,618	282,969
Government grant recognised		(665,897)	(721,965)

The accompanying notes from 1 to 33 appearing on pages 5 to 47 form an integral part of these financial statements.

**AL JABR FINANCING COMPANY**  
**(CLOSED JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2024**  
(Expressed in Saudi Riyals)

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**1. LEGAL STATUS AND ACTIVITY**

Al Jabr Financing Company (“the Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 2050097254 issued in Dammam on Rabi Al Awwal 21, 1436H (corresponding to January 12, 2015).

The Saudi Central Bank – (SAMA) (Saudi Arabian Monetary Authority – previously) granted approval in its letter No. 351000150191 dated Dhul Hijjah 18, 1435H (corresponding to October 12, 2014) and through the issuance of Ministerial Decision No. 394/S dated Rabi Al-Awwal 21, 1436H (corresponding to January 12, 2015) approving the conversion of “Al Jabr Company for Installment” from a limited liability Company to a closed joint stock Company and to amend its name to become “Al Jabr Financing Company” while maintaining the same commercial registration number of the Company prior to the conversion.

The principal activity of the company is financing of production assets, financing the activity of small and medium enterprises, Islamic finance lease and consumer finance in the Kingdom of Saudi Arabia under the license number 42/Ash/201512 dated Rabi Al Awwal 03, 1437H (corresponding to December 14, 2015) granted by Saudi Central Bank (SAMA).

These financial statements include of the activities of the following branches:

<b><u>Branch</u></b>	<b><u>C.R. No.</u></b>
Al Jabr Financing Company - Jeddah	4030443065
Al Jabr Financing Company – Riyadh	1010861762
Al Jabr Financing Company – Abha	5850143859

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

Al Jabr Financing Company - Dammam, Kingdom of Saudi Arabia.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

These financial statements are prepared on a going concern basis under the historical cost convention on the accrual basis of accounting except for investment in equity instruments carried at fair value through other comprehensive income (FVOCI) which is measured at fair value and employees’ end of service benefits which is measured at projected unit credit method.

**2.3 Basis of presentation**

The Company’s statement of financial position is presented in order of their liquidity instead of the current / non-current classification. As per the current/ non -current classification the following balances would generally be classified as current: cash and cash equivalents, prepayments and other receivables, , due from a related party, due to related parties, accounts payables and other liabilities and Zakat provision. The following balances would generally be classified as non-current: Property and equipment, intangible assets and employees’ defined benefit obligation. The balances which are mixed in nature, i.e. include both current and non- current portions, include net investment in Islamic financing contracts, right of use assets, lease liabilities, and Islamic financing.

## **2. BASIS OF PREPARATION (continued)**

### **2.4 Current versus non- current classification**

Until 31 December 2017, the Company presented current and non-current assets and liabilities, as separate classifications in its statement of financial position. Management has reassessed this presentation during 2018 and believes that because of lack of a clearly identifiable operating cycle, presentation of assets and liabilities in order of liquidity provides information that is more relevant than a current/ non-current presentation. Accordingly, assets and liabilities have been presented in order of their liquidity as of 31 December 2024 along with the corresponding figures of 2023.

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

### **2.5 Significant accounting estimates, assumptions and judgments**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that effect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **a) Going concern**

The company's management has made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the company's ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

#### **b) Actuarial valuation of employee benefits liabilities**

The cost of the end-of-service ("employee benefits") under defined unfunded benefit plan is determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and rate of employee turnover. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

#### **c) Discounting of lease payments**

The lease payments are discounted using the company's incremental borrowing rate ('IBR'). Management has applied judgments and estimates to determine the IBR at the commencement of its lease contracts.

## **2. BASIS OF PREPARATION (continued)**

### **2.5 Significant accounting estimates, assumptions and judgments (continued)**

#### **d) Measurement of expected credit loss allowance**

The measurement of expected credit loss allowance for the financial assets measured at amortized cost and fair value through other comprehensive income (FVOCI) is the area that requires the use of models and significant assumptions about future economic conditions and credit behavior (such as the likelihood of customer defaulting and resulting losses). Explanation of inputs, assumptions, and estimation techniques used in measuring expected credit loss (ECL) is further detailed in notes, which also sets out the key sensitivities of the ECL to change these elements.

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

- Determining the criteria for a significant increase in credit risk.
- Choosing appropriate models and assumptions for measurement of ECL.
- Establishing the number and relative weighting of forward-looking scenarios for each type of industrial sector and associated ECL.
- Establishing a group of similar financial assets for the purpose of measuring ECL.

#### **e) Business model assessment**

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

#### **f) Significant increase in credit risk**

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

#### **g) Impairment of net investment in Islamic Financing contracts**

The expected credit loss ('ECL') model contains a three-stage approach that is based on the changes in the credit quality of financial assets since initial recognition. The ECL model is forward-looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increase in credit risk and measurement of ECL.

**Stage 1:** 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months and Loss Given Default (LGD) and profit is calculated on a gross basis;

**2. BASIS OF PREPARATION (continued)**

**2.5 Significant accounting estimates, assumptions and judgments (continued)**

**g) Impairment of net investment in Islamic Financing contracts (continued)**

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

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

**h) Determination of expected defaults and discounts**

In order to calculate the net deferred consideration receivable under the purchase and agency agreements, the company uses assumptions to calculate the allowance for delinquent receivables and discounts for premature terminations of contracts based on historical trends which are updated periodically (at least once in a year or more frequently when needed) based on a change in circumstances which indicate that the historical rates may not be appropriate.

**i) Determination of discount rate for present value calculations**

Discount rate, used for present value calculation for the company's financial assets and liabilities, represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the company and is derived from recent market transactions and a market yields overview.

**j) Provision for onerous arrangements**

At each statement of financial position date, the company's management determines the best estimate of the future inflows and the related expected outflows over the period of agency agreement. In case the contracts are onerous, the provision for the onerous contracts is recognized. The actual results may differ from management's estimates resulting in future changes in estimated provision.

**k) Determination of servicing liability**

Under the purchase and agency agreements, the company has been appointed by the purchaser to service the investment in financing contracts purchased. Assumptions used to calculate the servicing asset / liability are based on estimates of collection costs to be incurred by the company over the life of the purchase and agency agreement.

**l) Zakat**

Zakat has been computed based on the company's understanding and interpretation of the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia. The ZATCA continues to issue circulars to clarify certain zakat and tax regulations, which are usually enforced on all open years. The zakat liability as computed by the company could be different from zakat as assessed by the ZATCA for years for which assessments have not yet been raised by the ZATCA. At each statement of financial position date, the company's management determines the best estimate of the future inflows and the related expected outflows over the period of agency agreement. In case the contracts are onerous, the provision for the onerous contracts is recognized. The actual results may differ from management's estimates resulting in future changes in estimated provision.

**3. NEW STANDARDS OR AMENDMENTS AND FORTHCOMING REQUIREMENTS**

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

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

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases
- Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants – Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

**ii) Accounting standards issued but not yet effective**

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

- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures
- Annual Improvements to IFRS Accounting Standards – Amendments to:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards;
  - IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;
  - IFRS 9 Financial Instruments;
  - IFRS 10 Consolidated Financial Statements; and
  - IAS 7 Statement of Cash flows
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7
- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures
- Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

The above-mentioned IFRSs are not expected to have a significant impact on the financial statements of the Company.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICIES**

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of “material”, rather than “significant”, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in certain instances in line with the amendments.

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, if any, and at banks including investments with original maturity of less than three months from the contract date.

##### **4.2 Financial instruments:**

###### **4.2.1 Financial assets:**

###### **Classification of financial assets**

On initial recognition, a financial asset is classified and measured at: amortized cost (AC), FVOCI or FVTPL. However, the company as of the reporting date only holds financial assets carried at AC other than investment which is carried at FVOCI.

- a) Financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
  - The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
  - The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.
- b) Financial assets at FVOCI

###### Debt instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and it is not designated as at FVTPL.

- The assets is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principle and the profit on the principle amount outstanding.

###### Equity instruments

On the initial recognition, for an equity investment that is not held for trading, the company may irrecoverably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **4.2 Financial instruments (continued)**

##### **4.2.1 Financial assets (continued)**

##### **Classification of financial assets (continued)**

##### **c) Financial assets at FVTPL**

All other financial assets are classified as measured at FVTPL.

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

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

##### **Business model assessment:**

The company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes: -

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

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

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

##### *Assessments whether contractual cash follows are solely payments of principal and profit;*

For the purposes of this assessment, 'principal' is the fair value of the financial assets on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basis lending risks associated with the principal amount outstanding during a particular period and other basis lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the company considers the contractual terms of the instrument.

This Includes assessing whether the financial assets contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the company considers:



#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **4.2 Financial instruments (continued)**

##### **4.2.1 Financial assets (continued)**

###### **Business model assessment (continued)**

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse assets arrangements); and
- Features that modify consideration of the time value of money-e.g. periodical reset of profit rates.
- The Company's financial assets are classified and measured at amortized cost as such assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit ("SPPP")

###### **De-recognition of financial assets**

The company derecognizes a financial assets when the contractual right to the cash flows from the financial assets expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of

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

In transactions in which the company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. In certain transactions, the company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the de-recognition criteria.

An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing. In case the company securitizes various pools of financing contracts, which generally result in the sale of these assets to banks and in the company transferring substantially all of the risks and rewards of ownership, and the bank in turn issue facilities to the company, accordingly interests in the securitized financial assets are generally retained in the form of senior or subordinated tranches, profit-only strips or other residual interests (retained interests). Retained interests are recognized as profit-only strips receivables and carried at AC, subject to business model and SPPP test. Gain or losses on securitization are recorded in statement of profit or loss.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **4.2 Financial instruments (continued)**

##### **4.2.1 Financial assets (continued)**

###### **Impairment**

The company recognizes loss allowances for ECL on the net investment in financing contracts.

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

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

The company categorizes the financial assets in following 3 stages for the purpose of impairment:

**Stage 1:** Includes financial assets with no significant increase in credit risk since initial recognition, accordingly, important is recorded on the basis of 12-month expected credit losses and profit is calculated on gross basis;

**Stage 2:** Includes financial assets with significant increase in credit risk since initial recognition, therefore, important is recorded on life time expected credit losses and profit is calculated on gross basis; and

**Stage 3:** Includes financial assets which are credit impaired, therefore, important is recorded on life time expected credit losses and profit is calculated on net basis. ECL is a probability-weighted estimate of expected credit losses. They are measured as follows:

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

###### **Credit-impaired financial asset**

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

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

- Significant financial difficulty of the borrower or issuer;
- Breach of contract such as a default or past due event;
- The restructuring of a financial assets or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A financial asset that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a financial asset that is overdue for 90 days or more is considered impaired.

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

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **4.2 Financial instruments (continued)**

##### **4.2.1 Financial assets (continued)**

###### **Write-off**

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credit to statement of profit or loss and other comprehensive income.

Where financial assets are written-off, the Company continues enforcement activities and recoveries after write-off, are recognised as other income.

Financial assets are written off based on the best estimate measurement in accordance with SAMA guidelines.

###### **Regular way contracts**

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

##### **4.2.2 Financial liabilities**

###### **Classification of financial liabilities**

The company classifies its financial liabilities, other than financial guarantees and financing commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are integral part of the effective rate.

The company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

These amounts represent liabilities for goods and services provided to the company prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

###### **Initial measurement**

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

###### **Subsequent measurement**

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective rate method. Gain and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

###### **De-recognition of financial liabilities**

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

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

##### **4.2 Financial instruments (continued)**

##### **4.2.2 Financial liabilities (continued)**

###### **Modification**

For financial liabilities, if an exchange or change in the terms of a debt instrument does not qualify for de-recognition it is accounted for as a modification of the financial liability. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

###### **Offsetting financial assets and liabilities**

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

###### **Effective rate method**

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

The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the investment in Islamic financing contracts to their gross carrying amounts.

##### **4.3 Net investment in Islamic Financing Contracts**

###### **Ijara Finance:**

Ijara finance receivables represent assets transferred under Islamic lease agreement and the present value of the lease payments is recognised as a receivable and disclosed under "Ijara finance receivables". The difference between the gross receivables and the present value of the receivables is recognised as unearned Ijara income. Ijara income is recognised over the term of the Ijara using the effective rate method, which reflects a constant periodic rate of return.

###### **Murabaha Finance:**

Murabaha is an Islamic form of financing wherein the Company, purchases specific commodities based on a request from its customers and sells them to the customers at a price equal to the Company's cost-plus profit, payable on deferred basis in instalments. The difference between the "Murabaha finance receivables" and the cost of the sold asset, is recorded as unearned Murabaha profit and for presentation purposes, is deducted from the gross amounts due under the Murabaha finance contracts receivable. Income from Murabaha contracts is recognized on an accrual basis in accordance with the payment schedule agreed upon in the contract.

###### **Tawarruq Finance:**

Tawarruq is an Islamic form of Murabaha financing where the Company purchases a commodity and sells it to the customer at agreed upon deferred installment terms. The customer sells the underlying commodity at spot to a third party and uses the proceeds. The difference between the "Tawarruq finance receivables" and proceeds received by the customer, is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the Tawarruq finance contracts receivable. Income from Tawarruq contracts is recognized on an accrual basis in accordance with the payment schedule agreed upon in the contract.

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**4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)**

**4.4 Islamic financing**

Islamic financing is initially recognized at the fair value (being proceeds received), net of eligible transaction costs incurred, if any. Subsequent to initial recognition long-term Islamic financing are measured at amortized cost using the effective rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of profit or loss over the period of the Islamic financing using the effective rate method. Fees paid on the establishment of financing facilities are recognized as transaction costs of the financing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn, down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates. Islamic financing are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in statement of profit or loss.

General and specific financing that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale, appropriate. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are expensed in the year in which they are incurred in the statement of profit or loss.

**4.5 Revenue recognition**

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

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

Administration fee charged in respect of processing and other services are recognized as income over the period of the financing agreements.

**4.6 Government grant**

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

**4.7 Zakat**

The company is subject to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis and charged to the statement of profit or loss. Zakat is computed on the zakat base. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

**5. Cash and cash equivalents**

	<b>2024</b>	<b>2023</b>
Cash at banks	<b>19,229,499</b>	<b>12,389,338</b>

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**6. Net investment in Islamic financing contracts**

Investment in Islamic financing contracts comprised of investment in Ijara, Murabaha and Tawarruq contracts as mentioned below:

	<b>Ijara</b>		<b>Murabaha</b>		<b>Tawarruq</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Contracts receivables, gross	<b>923,403,435</b>	779,165,394	<b>163,436,538</b>	183,519,436	<b>752,337,476</b>	412,126,257	<b>1,839,177,449</b>	1,374,811,087
Unearned finance income	<b>(152,050,283)</b>	(106,198,221)	<b>(24,552,272)</b>	(21,100,359)	<b>(256,532,593)</b>	(137,802,012)	<b>(433,135,148)</b>	(265,100,592)
Deferred insurance	<b>(49,765,402)</b>	(22,406,253)	-	-	-	-	<b>(49,765,402)</b>	(22,406,253)
	<b>721,587,750</b>	650,560,920	<b>138,884,266</b>	162,419,077	<b>495,804,883</b>	274,324,245	<b>1,356,276,899</b>	1,087,304,242
Allowance for expected credit losses (6.2)	<b>(4,380,184)</b>	(16,899,954)	<b>(452,466)</b>	(3,779,805)	<b>(53,198,472)</b>	(12,688,731)	<b>(58,031,122)</b>	(33,368,490)
Contracts receivables, net	<b>717,207,566</b>	633,660,966	<b>138,431,800</b>	158,639,272	<b>442,606,411</b>	261,635,514	<b>1,298,245,777</b>	1,053,935,752
Current portion	<b>271,673,881</b>	305,503,887	<b>71,802,902</b>	103,872,253	<b>110,018,435</b>	54,317,291	<b>453,495,218</b>	463,693,431
Non-current portion	<b>449,913,869</b>	345,057,033	<b>67,081,364</b>	58,546,824	<b>385,786,448</b>	220,006,954	<b>902,781,681</b>	623,610,811
Allowance for expected credit losses (6.2)	<b>(4,380,184)</b>	(16,899,954)	<b>(452,466)</b>	(3,779,805)	<b>(53,198,472)</b>	(12,688,731)	<b>(58,031,122)</b>	(33,368,490)
	<b>717,207,566</b>	633,660,966	<b>138,431,800</b>	158,639,272	<b>442,606,411</b>	261,635,514	<b>1,298,245,777</b>	1,053,935,752

**6. Net investment in Islamic financing contracts (continued)**

**6.1** The maturity of investment in Islamic financing contracts are as follows:

	<u>2024</u>	<u>2023</u>
Year 1	<b>651,173,160</b>	603,413,130
Year 2	<b>458,044,750</b>	354,333,405
Year 3	<b>323,950,584</b>	203,158,582
Year 4	<b>218,546,671</b>	112,368,086
Year 5 onwards	<b>187,462,284</b>	101,537,884
Gross investment in Islamic financing contracts	<b>1,839,177,449</b>	1,374,811,087
<b>Less:</b> unearned revenues	<b>(482,900,550)</b>	(287,506,845)
Net investment in Islamic financing contracts	<b><u>1,356,276,899</u></b>	<b><u>1,087,304,242</u></b>

**6.2** Movement in allowance for credit losses during the year is as follows:

	<u>2024</u>	<u>2023</u>
Opening balance	<b>33,368,490</b>	63,851,624
Provision written off	<b>(32,135,167)</b>	(44,896,810)
Allowance for the year	<b>56,797,799</b>	14,413,676
	<b><u>58,031,122</u></b>	<b><u>33,368,490</u></b>

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

**6.4** Investment in Islamic financing contracts include net non-financing receivable balance amounting to SR 1.6 million (31 December 2023: SR 2.2 million) which related to direct charges to customers' accounts for other additional services.

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**7. Related party balances and transactions**

Related parties represent shareholders, directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. In the normal course of business, the Company buys and pays for the cars purchased from a related Company on a commercial basis. Details of significant transactions with related parties during the year and related balances are as follows:

<b>Name of the related party</b>	<b>Relationship</b>
Al Jabr Holding Company	Ultimate parent (Shareholder)
Al Jabr Investment Company	Common control entity
Al Jabr Trading Company	Common control entity
Al Jabr Rent a Car	Common control entity
Haier and Al Jabr Saudi Electronics Trading Company	Common control entity
Wa'ad Al Shamal Hotel Services Company	Common control entity
Karan Hotel Suites Operation and Management Company	Common control entity

Common control entities include entities with common Directors (Key Management Personnel) or those under the control of Al Jabr Holding Company.

<b>Name of the related party</b>	<b>Nature of transactions</b>	<b>2024</b>	<b>2023</b>
Al Jabr Trading Company	Purchase of vehicles for financing	<b>214,511,656</b>	103,519,777
	Services received	<b>1,846,161</b>	2,117,283
	Commission, Rebates and offers	<b>1,884,623</b>	-
	Collections on behalf of the affiliate Co.	<b>(5,115,248)</b>	(5,614,203)
Al Jabr Holding Company	VAT paid/payable on behalf of Co.	<b>28,956,297</b>	13,699,998
Al Jabr Rent a Car	Purchase of vehicles	<b>280,610</b>	1,177,875
	Expenses paid on behalf of Co.	<b>117,156</b>	165,468
	Repossessed vehicles sold	<b>3,821,752</b>	5,908,088
Al Jabr Investment Company	Expenses paid on behalf of related party	<b>26,326</b>	5,023
	Collection on behalf of the related party	<b>(2,168,157)</b>	(3,204,493)
Haier & Al Jabr Saudi Electronics Trading Company	Purchase of office supplies	-	14,354

**Key management personnel compensation comprised of the following transactions:**

Board of Directors	Remuneration and meeting attendance allowance	<b>853,304</b>	923,000
Key management personnel	Salaries and benefits	<b>4,050,227</b>	2,976,561
	End of service indemnities	<b>983,174</b>	594,861



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**7. Related party balances and transactions (continued)**

7.1 Balance dues from a related party are as follows:

	<b>2024</b>	2023
Al Jabr Rent a Car	<b>1,178,246</b>	1,212,876
Wa'ad Al Shamal Hotel Services Company*	<b>9,140,444</b>	15,475,004
Karan Hotel Suites Operation and Management Company *	<b>3,254,621</b>	5,492,213
Fahad Abdul Rehman Hamad Al Jabr*	<b>84,748</b>	98,945

\*Balance due from above related parties has been classified under "net investment in Islamic financing contracts" in Note 6.

7.2 Balance dues to related parties are as follows:

	<b>2024</b>	2023
Al Jabr Trading Company*	<b>105,432,233</b>	38,847,716
Al Jabr Investment Company	<b>-</b>	87,172
	<b>105,432,233</b>	<b>38,934,888</b>

\* The balance has been classified to 'Vehicle suppliers' in note 15.

**8. Prepayment and other receivables**

	<b>Note</b>	<b>2024</b>	2023
Insurance claim receivable, gross*		<b>3,750,170</b>	4,720,574
Less: provision		<b>(3,365,204)</b>	(4,673,214)
Insurance claim receivable		<b>384,966</b>	47,360
Insurance cost due from customers	<b>22</b>	<b>12,105,783</b>	7,699,291
Deferred transaction cost		<b>10,458,247</b>	5,601,075
Advance to suppliers		<b>6,252,671</b>	4,203,816
Prepaid expenses		<b>1,918,684</b>	2,767,747
Employees receivable		<b>85,299</b>	359,042
Present value of service asset	<b>27.6</b>	<b>-</b>	196,373
Security deposits		<b>75,832</b>	75,832
		<b>31,281,482</b>	<b>20,950,536</b>

\*The insurance claim receivable includes the amount receivable from insurance companies that have been outstanding for more than three years. During the year, a provision amounting to SR 1.3 million has been reversed (refer note 26)

**9. Right-of-use assets**

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	<b>2024</b>	2023
Balance at the beginning of the year	<b>2,849,179</b>	4,781,851
Addition	<b>387,618</b>	282,969
Derecognition	<b>-</b>	(100,933)
Amortization (note: 24)	<b>(2,012,658)</b>	(2,114,708)
Balance at the end of the year	<b>1,224,139</b>	2,849,179

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**10. Lease liabilities**

The Company has lease contracts for office buildings and generally have lease terms between 2 and 3 years.

	<b>2024</b>	2023
Balance at the beginning of the year	<b>2,035,326</b>	3,788,089
Addition	<b>387,618</b>	282,969
Derecognition	-	(94,966)
Less: payment	<b>(2,020,760)</b>	(2,092,794)
Add: finance cost	<b>62,953</b>	152,028
Balance at the end of the year	<b>465,137</b>	2,035,326

Lease liabilities are classified as follows:

	<b>2024</b>	2023
Non-current	<b>111,600</b>	-
Current	<b>353,537</b>	2,035,326
	<b>465,137</b>	2,035,326

Amount recognised in profit or loss:

	<b>2024</b>	2023
Finance cost on lease liabilities	<b>62,953</b>	152,028
Amortisation of right-of-use assets	<b>(2,012,658)</b>	(2,114,708)

Amount recognised in statement of cash flow for the year:

Total cash outflow for leases	<b>(2,020,760)</b>	(2,092,794)
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**11. Investment in equity instruments carried at FVOCI**

In 2017, in accordance with instructions issued by SAMA, the company invested in Saudi Financial Lease Contract Registry Company by the amount of SR 892,850. The company holds 89,285 number of shares (2023: 89,285). The management believes that the carrying value of the investment approximates to the fair value at 31 December 2024 and 2023.

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**12. Property and equipment**

	<b>Vehicle tracking devices</b>	<b>Vehicles</b>	<b>Furniture, fixture, and office equipment</b>	<b>Computers</b>	<b>Leased hold buildings developments</b>	<b>Capital work in progress</b>	<b>Total</b>
<u>Cost</u>							
As at January 01, 2024	<b>1,641,148</b>	<b>238,000</b>	<b>2,656,185</b>	<b>5,475,589</b>	<b>4,865,651</b>	<b>313,923</b>	<b>15,190,496</b>
Additions during the year	-	-	<b>30,259</b>	<b>123,987</b>	<b>102,969</b>	<b>14,959</b>	<b>272,174</b>
Transfer to intangible asset	-	-	-	-	-	<b>(70,000)</b>	<b>(70,000)</b>
Transfer from capital work in progress	-	-	<b>40,455</b>	<b>37,760</b>	<b>180,667</b>	<b>(258,882)</b>	
As at 31 December 2024	<b>1,641,148</b>	<b>238,000</b>	<b>2,726,899</b>	<b>5,637,336</b>	<b>5,149,287</b>	-	<b>15,392,670</b>
<u>Accumulated depreciation</u>							
As at January 01, 2024	<b>1,641,148</b>	<b>238,000</b>	<b>1,542,729</b>	<b>3,321,167</b>	<b>1,146,653</b>	-	<b>7,889,697</b>
Charge for the year (note: 24)		-	<b>267,080</b>	<b>1,104,455</b>	<b>881,601</b>		<b>2,253,136</b>
As at 31 December 2024	<b>1,641,148</b>	<b>238,000</b>	<b>1,809,809</b>	<b>4,425,622</b>	<b>2,028,254</b>	-	<b>10,142,833</b>
<u>Net book value</u>							
As at 31 December 2024	-	-	<b>917,090</b>	<b>1,211,714</b>	<b>3,121,033</b>	-	<b>5,249,837</b>
As at 31 December 2023	-	-	<b>1,113,456</b>	<b>2,154,422</b>	<b>3,718,998</b>	<b>313,923</b>	<b>7,300,799</b>

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**12. Property and equipment (Continued)**

	Vehicle tracking devices	Vehicles	Furniture, fixture, and office equipment	Computers	Leased hold buildings developments	Capital work in progress*	Total
<u>Cost</u>							
As at January 01, 2023	1,641,148	238,000	1,833,368	4,678,714	2,808,863	1,645,196	12,845,289
Additions during the year	-	-	231,472	627,640	506,853	979,242	2,345,207
Transfer from capital work in progress	-	-	591,345	169,235	1,549,935	(2,310,515)	-
As at 31 December 2023	<u>1,641,148</u>	<u>238,000</u>	<u>2,656,185</u>	<u>5,475,589</u>	<u>4,865,651</u>	<u>313,923</u>	<u>15,190,496</u>
<u>Accumulated depreciation</u>							
As at January 01, 2023	1,590,076	238,000	1,436,434	2,511,572	613,191	-	6,389,273
Charge for the year (note: 24)	51,072	-	106,295	809,595	533,462	-	1,500,424
As at 31 December 2023	<u>1,641,148</u>	<u>238,000</u>	<u>1,542,729</u>	<u>3,321,167</u>	<u>1,146,653</u>	<u>-</u>	<u>7,889,697</u>
<u>Net book value</u>							
As at 31 December 2023	<u>-</u>	<u>-</u>	<u>1,113,456</u>	<u>2,154,422</u>	<u>3,718,998</u>	<u>313,923</u>	<u>7,300,799</u>
As at 31 December 2022	<u>51,072</u>	<u>-</u>	<u>396,934</u>	<u>2,167,142</u>	<u>2,195,672</u>	<u>1,645,196</u>	<u>6,456,016</u>

\*The capital work-in-progress mainly represent the establishment expenses of Riyadh and Abha branches.

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**13. Intangible assets**

13.1 Intangible assets comprise of the development cost of accounting and loan management software. The movement in intangible assets are as follows:

<b>Cost</b>	<b>Work in progress</b>	
	<b>2024</b>	<b>2023</b>
Balance at the beginning of the year	<b>2,599,757</b>	2,212,360
Transfers / Additions	<b>70,000</b>	387,397
Write-off	<b>(555,570)</b>	-
Balance at the end of the year	<b>2,114,187</b>	2,599,757
<b>Amortization</b>	-	-
Net book value	<b>2,114,187</b>	2,599,757

The software's remains in the development stage as of 31 December 2024. Accordingly, amortization has not been charged.

**14. Islamic financing**

	<b>2024</b>	<b>2023</b>
Islamic financing from banks	<b>553,585,698</b>	337,631,649
Islamic financing from public institutions	<b>71,927,581</b>	110,134,872
	<b>625,513,279</b>	447,766,521
Classification of Islamic financing are presented below:		
Current portion	<b>435,954,800</b>	310,832,111
Non-current portion	<b>189,558,479</b>	136,934,410
	<b>625,513,279</b>	447,766,521
Secured	<b>553,585,698</b>	337,631,649
Unsecured	<b>71,927,581</b>	110,134,872
	<b>625,513,279</b>	447,766,521

14.1 The Islamic financing movement is as follows:

	<b>2024</b>	<b>2023</b>
Balance at the beginning of the year	<b>447,766,521</b>	430,044,788
Additions	<b>314,970,000</b>	150,000,000
Finance cost	<b>39,348,272</b>	25,007,350
Repayments	<b>(175,905,618)</b>	(158,007,583)
Government grant (net)	<b>(665,896)</b>	721,966
Balance at the end of the year	<b>625,513,279</b>	447,766,521

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**14. Islamic financing (Continued)**

**Islamic bank financing**

- a) In 2017, the company obtained a Islamic bank facility of SR 200 million in the form of Islamic term financing from a local bank for financing leased assets. During 2024, the company increased the facility by SR 100 million, bringing the total facility limit to SR 300 million. During the year, the company utilized SR 69.9 million. The outstanding balance as of 31 December 2024, amounted to SR 259.9 million (31 December 2023: SR 190 million).

This facility bears profit on prevailing market rates. This facility is secured against a corporate guarantee from Al Jabr Investment Company and promissory note. According to the financing facility letter, the company is required to comply with certain financial covenants and Company is complying with the financing covenants.

- b) In 2022, the company secured a medium-term financing of SR 100 million from a local bank to finance leased assets. During the year, a principal repayment of SR 40 million was made. As of 31 December 2024, the outstanding financing balance stands at SR 26.6 million, compared to SR 66.6 million as of 31 December 2023.
- c) In 2023, the company obtained a medium-term financing from a local bank amounting to SR 80 million for financing the leased assets with a six-month grace period. In 2024, the company added another SR 20 million to the financing, bringing the total facility to SR 100 million. During the year, a principal repayment of SR 17.8 million was made. The outstanding balance as of 31 December 2024, amounted to SR 82.1 million (31 December 2023: SR 80 million).
- d) In 2024, the company obtained a medium-term financing from a local bank amounting to SR 100 million for financing the leased assets with a six-month grace period. During the year, a principal repayment of SR 8.3 million was made. The outstanding balance as of 31 December 2024, amounted to SR 91.7 million.
- e) In 2024, the company obtained a medium-term financing from a local bank amounting to SR 100 million for financing the lease asset. During the year, a principal repayment of SR 8.9 million was made. The outstanding balance as of 31 December 2024, amounted to SR 91.1 million.

**Islamic financing from public institutions**

- a) In prior years, The Company obtained five government financing amounting to SR 95 million from the social development bank at an implicit below market rate of profit to finance the leased assets. This financing is sharia-complaint, and secured by promissory note, this financing is repayable in 36 monthly installments and the first installment due after a grace period of 3 months from the date of the contract, which are discounted on the basis of the average profit rates prevailing in the market for financing of similar nature. The difference in the present value for these financing resulted from difference in profit rates have been recorded as a government grant in the statement of profit or loss and other comprehensive income.

During the year, the Company repaid SR 6 million, fully settling the loan. Additionally, a finance cost on unwinding amounting to SR 0.05 million was recorded (31 December 2023: SR 6 million).

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**14. Islamic bank financing (Continued)**

**Islamic financing from public institutions (continued)**

In 2022, The Company obtained two new financing facilities amounting to SR 50 million from the social development bank at an implicit below market rate of commission to finance the lease assets. These financing facilities are secured by promissory note, these financing facilities are repayable in 36 monthly installments and the first installment due after a grace period of 3 months from the date of the contract. which is discounted on the basis of the average profit rates prevailing in the market for financing of similar nature. The difference in the present value for these financing facilities resulted from difference in profit rates have been recorded as a government grant amounting to SR 1.4 million in the statement of profit or loss and other comprehensive income

During the year, the Company has repaid an amount of SR 16.6 million and recorded finance cost on unwinding amounted to SR 0.83 million The outstanding balances for these financing facilities are SR 9.5 million. (31 December 2023: SR 25 million)

- b) In 2022, the Company has participated in loan guarantee program (Kafalah) with Saudi Central Bank and received an profit free loan of SR 122 million. As per loan guarantee program, the Company has issued financing to customers at below market rate. The loan is repaid in 30 monthly installments, and the first installment is due after a grace period of 6 months from the date of the contract. This loan will be paid in full on October 14, 2025, which was discounted on the basis of the average profit rates prevailing in the market for financing facilities of a similar nature. The difference with the present value is recorded as government grant in the amount of SR 11.8 million. The Government grant will be amortized over the term of loan on systematic basis. During the year 2023, the amount of SR 26.2 million was returned to the Saudi central bank due to the non – utilization of the total amount of the loan and government grant amounting SR 2.1 million adjusted accordingly.

During the year, the Company has repaid an amount of SR 38.5 million and recorded finance cost on unwinding amounted to SR 3.1 million. The outstanding balances for these financing facilities are SR 31.3 million. (31 December 2023: SR 66.5 million)

During the year 2023, The Company obtained government loan amounting to SR 15 million from loan guarantee program (Kafalah) with Saudi Central Bank at an implicit below market rate of profit to finance the leased assets. These financing facilities are repayable in 30 monthly installments and the first installment due after a grace period of 6 months from the date of the contract. which is discounted on the basis of the average profit rates prevailing in the market for financing facilities of similar nature. The company recognized government grant amounting to SR 1.4 million.

During the year, the company has repaid an amount of SR 6 million and recorded finance cost on unwinding amounted to SR 0.6 million. The outstanding balances for these financing facilities are SR 6.7 million. (31 December 2023: SR 12.1 million)

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**14. Islamic bank financing (Continued)**

**Islamic financing from public institutions (continued)**

- c) In 2024, The Company obtained from the Tourism Development Fund a financing facility of SR 50 million and utilized SR 25 million at an implicit below market rate of profit to finance the leased assets for qualified business as mentioned in loan agreements. This facility is secured against a corporate guarantee from Al Jabr Holding Company. This loan are repayable in 48 monthly installments and the first installment due after a grace period of 6 months from the date of the contract. which is discounted on the basis of the average profit rates prevailing in the market for financing facilities of similar nature. The difference in the present value for this loan resulted from difference in profit rates have been recorded as a government grant amounting to SR 0.65 million in the statement of profit or loss and other comprehensive income.

During the year, the company has repaid an amount of SR 0.6 million and recorded finance cost on unwinding amounted to SR 0.14 million. The outstanding balance of this loan is SR 24.3 million.

- d) In 2023, The management recognized deferred Government grant of SR 0.87 million being unamortized impact of Government grant as at September 30, 2023 which was recognized in profit and loss account in prior periods. The corresponding impact is charged to retained earnings. The adjustment is made to be consistent with policy for recognition of Government grant. (refer note 15)

**15. Accounts payable and other liabilities**

	<b>2024</b>	<b>2023</b>
Vehicles supplies balance from a related party (note 7.2)	<b>105,432,233</b>	38,847,716
Vehicles suppliers	<b>11,698,977</b>	3,275,025
Insurance payable	<b>4,908,838</b>	8,305,332
Insurance claims payable	<b>4,828,939</b>	4,274,536
VAT payable	<b>3,872,083</b>	925,580
Deferred government grants	<b>1,715,144</b>	5,088,518
Advances from financing contracts	<b>2,876,107</b>	1,918,424
Accrued expenses	<b>4,815,635</b>	3,230,103
Deferred sales rebate income	<b>1,137,229</b>	-
Employees' vacations	<b>1,332,607</b>	1,457,989
Liabilities and unearned income under purchase and agency agreements (note 15.1)	-	21,377,974
Other payable	<b>9,909,560</b>	8,611,945
	<b><u>152,527,352</u></b>	<b><u>97,313,142</u></b>

- 15.1 The following are the details of outstanding balances of the liabilities and unearned income under purchase and agency agreement at the end of the year (note 27):

	<b>2024</b>	<b>2023</b>
Provision for expected default under purchase agency agreement	-	10,585,613
Insurance provision	-	2,589,071
Servicing liability	-	926,077
Unearned service income	-	79,781
Guarantee commission	-	426,674
Payable under purchase and agency agreement	-	6,770,758
	-	<b><u>21,377,974</u></b>



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**16. Zakat provision**

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

	<b>2024</b>	<b>2023</b>
Balance at the beginning of the year	<u>7,795,609</u>	8,725,009
Provided during the year	<u>7,089,177</u>	7,795,310
Payments during the year	<u>(7,765,618)</u>	(8,724,710)
Balance at the end of the year	<u><b>7,119,168</b></u>	<u><b>7,795,609</b></u>

Component of zakat expenses for the year is as follows:

	<b>2024</b>	<b>2023</b>
Current year	<u>7,119,168</u>	7,795,310
Reversal) for prior year	<u>(29,991)</u>	-
	<u><b>7,089,177</b></u>	<u><b>7,795,310</b></u>

16.2. Zakat is calculated based on the higher of zakat base or the adjusted profit for the year.

	<b>2024</b>	<b>2023</b>
Total assets	<u><b>1,358,278,788</b></u>	<u>1,102,131,087</u>
Less: non-zakat able assets		
Net investment in Islamic financing activities	<b>858,431,130</b>	603,108,279
Prepayment, accrued income and other receivables		-
Right of use assets	<b>1,224,139</b>	2,849,179
Property and equipment	<b>5,319,837</b>	7,300,799
Intangible asset	<b>2,044,187</b>	2,599,757
Investment in equity instruments carried at fair value through OCI	<u><b>892,850</b></u>	<u>892,850</u>
<b>Total assets not subject to zakat</b>	<u><b>867,912,143</b></u>	<u>616,750,864</u>
Assets subject to zakat	<u><b>490,366,645</b></u>	<u>485,380,223</u>
<b>Long term financing sources</b>		
Equity	<b>566,274,838</b>	543,418,386
Financing from financial institutions	<b>189,558,479</b>	136,934,410
Lease liabilities	<b>111,600</b>	-
Employee's defined benefit obligations – non-current portion	<u><b>7,516,243</b></u>	<u>6,328,061</u>
<b>Total source of funds</b>	<u><b>763,461,160</b></u>	<u>686,680,857</u>
<b>Zakat base (financing sources * zakat able assets / total assets)</b>	<u><b>275,625,218</b></u>	<u>302,415,304</u>
Profit before tax	<b>42,108,043</b>	38,778,412
Minimum zakat base (Net income *4)	<b>168,432,172</b>	155,113,648
Maximum zakat base (Net income *8)	<b>336,864,344</b>	310,227,296
Actual zakat base within range, therefore, consider actual zakat base	<u><b>275,430,112</b></u>	<u>302,415,304</u>
<b>Zakat due 2.5% * 365/354</b>	<u><b>7,119,168</b></u>	<u>7,795,310</u>

Zakat and income tax returns for the company have been filed for the year 2023 and the zakat certificate has been received. The company has received and clear final assessment until 2018. The ZATCA has not issued any assessment for years 2019 to 2024.

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**16. Zakat provision (continued)**

**16.3 Transfer pricing**

On 20 March 2023, the Board of Directors of the Zakat, Tax, and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia (KSA) approved amendments to the Transfer Pricing (TP) Bylaws extending the applicability of TP provisions to Zakat-paying entities. These amendments were subsequently endorsed by Ummul Qura on 14 April 2023 and are applicable to Financial Years (FYs) starting on or after 1 January 2024. Under the revised requirements, Zakat-paying entities must ensure their transactions with related parties comply with the arm's length principle. These zakat-paying entities are required to submit a TP Disclosure Form and a TP Affidavit with their Zakat returns. There are certain other compliance obligations applicable to these entities as outlined in the TP Bylaws i.e. local file, master file, and country-by-country reporting depending on the monetary threshold as defined under the TP bylaws. Currently, the management is in process of submitting the applicable requirements.

**17. Employees defined benefit obligations**

	<b>2024</b>	2023
Net liability at the beginning of the year	<b>6,328,061</b>	4,495,565
Finance cost	<b>299,276</b>	219,973
Current service cost	<b>1,194,632</b>	949,909
Actuarial loss recognized in other comprehensive income	<b>259,284</b>	936,163
Amount paid during the year	<b>(565,010)</b>	(273,549)
Net liability at the end of the year	<b>7,516,243</b>	6,328,061

**17.1** The amounts recognized in the statement of profit or loss in respect of end of service indemnities are as follows:

	<b>2024</b>	2023
Finance cost	<b>299,276</b>	219,973
Current service and finance costs	<b>1,194,632</b>	949,909
	<b>1,493,908</b>	1,169,882

**17.2** The significant financial assumptions used to calculate the end of service indemnities are as follows:

	<b>2024</b>	2023
Long term salary increase rate	<b>5.25%</b>	5.00%
Discount rate	<b>5.25%</b>	4.60%
Mortality rate	<b>WHO SA19</b>	WHO SA19
Rate of employee turnover	<b>Heavy</b>	High

**17.3** Sensitivity analysis for actuarial assumptions

	<b>Discount rate</b>	
	<b>0.5% Increase</b>	<b>0.5% Decrease</b>
Employees' benefits as at 31 December 2024	<b>7,308,278</b>	<b>7,736,948</b>
Employees' benefits as at 31 December 2023	6,144,773	6,522,844
	<b>Salary rate</b>	
	<b>0.5% Increase</b>	<b>0.5% Decrease</b>
Employees' benefits as at 31 December 2024	<b>7,751,165</b>	<b>7,292,830</b>
Employees' benefits as at 31 December 2023	6,531,465	6,134,834

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**18. Share capital**

The share capital is fully paid, each share is equal to SAR 10 and owned as at 31 December 2024 and 31 December 2023 by the following (Refer note 28)

	<b>Number of shares</b>	<b>Percentage of ownership %</b>	<b>Amount</b>
Al Jabr Holding Company	<b>34,500,000</b>	<b>100</b>	<b>345,000,000</b>
	<b>34,500,000</b>	<b>100</b>	<b>345,000,000</b>

**19. Statutory reserve**

In accordance with company's by-laws, the company establishes a statutory reserve by appropriation of 10% of net profit until the reserve equaled 30% of the share capital. This statutory reserve is not available for dividend distribution.

**20. Contingencies and commitments**

The company has the following contingencies and commitments as at 31 December 2024 and 31 December 2023

	<b>2024</b>	<b>2023</b>
Letters of guarantee	-	76,201,141
Capital Commitments	-	555,570

**21. Revenue**

	<b>2024</b>	<b>2023</b>
Ijara contracts	<b>75,811,810</b>	78,720,773
Murabaha contracts	<b>19,866,687</b>	19,437,612
Tawarruq contracts	<b>81,373,793</b>	23,480,738
Administration fee	<b>4,189,387</b>	2,437,455
Agency fee (note: 27.6)	<b>79,781</b>	522,987
	<b>181,321,458</b>	124,599,565

**22. Insurance cost**

During the year 2020, SAMA has issued the rules for comprehensive insurance of motor vehicles financially leased to individuals to regulate the relationships between the financing entities and their individual customers with regard to the insurance coverage on the financially leased vehicles. As per rules, at the end of financing contract, the lessor shall pay back or recover any excess / deficit amount of premium paid by the lessor to the insurance company. Accordingly, the company has recorded any premium paid as receivable (note: 8) which is adjusted against insurance premium received from the customer through monthly installment.

The expenses for the year represent insurance expense on financing contracts entered prior to new regulations.

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**23. Finance cost**

	<b>2024</b>	<b>2023</b>
Finance cost on Islamic financing from banks	<b>34,167,592</b>	17,521,453
Unwinding of finance cost on Islamic financing from public institutions	<b>5,180,680</b>	7,485,897
Unwinding of finance cost on services assets and liabilities, net	<b>2,238</b>	226,753
Finance cost on lease liabilities (note: 10)	<b>62,953</b>	152,028
	<b>39,413,463</b>	25,386,131

**24. General and administrative expenses**

	<b>Note</b>	<b>2024</b>	<b>2023</b>
Employee related cost		<b>31,950,134</b>	28,656,017
SIMAH fees		<b>2,858,782</b>	1,189,027
Fees and other subscriptions		<b>2,683,483</b>	2,183,364
IT and computer expenses		<b>2,676,502</b>	1,901,596
Bank charges		<b>2,529,099</b>	1,602,833
Depreciation of property and equipment	<b>12</b>	<b>2,253,136</b>	1,500,424
Amortisation for right-of-use	<b>9</b>	<b>2,012,658</b>	2,114,708
Repossessed vehicles charges		<b>1,986,681</b>	2,910,608
Utility expense		<b>1,423,271</b>	1,202,791
Advisory and professional fees		<b>1,140,980</b>	769,472
Medical expenses		<b>1,164,078</b>	1,037,197
Death or permanently disability waivers		<b>1,102,366</b>	901,176
Remuneration and allowances	<b>7</b>	<b>853,304</b>	923,000
Written-off intangible assets	<b>13</b>	<b>555,570</b>	-
Travelling expenses		<b>429,484</b>	561,342
Fines, penalties and violations		<b>355,709</b>	255,233
Other expenses		<b>5,766,246</b>	3,897,140
		<b>61,741,483</b>	51,605,928

**25. Selling and marketing expenses**

	<b>2024</b>	<b>2023</b>
Incentives and sales commissions*	<b>2,748,785</b>	666,333
Advertising expenses	<b>2,843,454</b>	2,767,604
	<b>5,592,239</b>	3,433,937

\* During the year, the company deferred expenses for incentives and sales commissions, amounting to 5.5 million. (31 December 2023: 3.8 million)

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**26. Other income**

	<b>2024</b>	2023
Gain and recovery from securitization	<b>10,227,774</b>	1,449,885
Recovery from written-off contracts	<b>9,020,231</b>	1,972,215
Additional insurance charge	<b>3,014,367</b>	7,239,914
Legal charge recovered	<b>2,683,651</b>	1,599,215
Permit fees and others	<b>2,327,169</b>	2,483,770
Reversal of provision for insurance receivable	<b>1,308,010</b>	-
Promotion incentives	<b>558,407</b>	628,803
Charge for early settlement of contracts	<b>169,208</b>	130,726
	<b><u>29,308,817</u></b>	<b><u>15,504,528</u></b>

**27. Purchase and agency agreements**

The company has entered into purchase and agency agreements (the “agreements”) with a local bank in respect of certain lease receivables. Upon the sale, the receivables have been transferred to the bank with all rights and obligation and the company is only liable for the guaranteed amount of the total installments value.

Upon the terms of the purchase and agency agreements, the company first sells the eligible investment in Islamic financing contracts to the bank and then manages them on behalf of the bank as an agent for fee per collection.

During prior years, the company sold SR 370.36 million of its net investment in Islamic financing contracts and the total amount received from the bank in respect of such sale was SR 456.15 million. Upon sale, the company derecognizes the investment in Islamic financing contracts from its books and recognizes several assets and liabilities related to the purchase and agency agreements transaction as stated in (notes 8 and 15), where the difference has been recognized as net gain on de-recognition of investment in Islamic financing contracts.

The following are the significant terms of the agreement and its related impact on the financial statements:

- 27.1** In the current and previous year, the company managed the investment in Islamic financing contracts on behalf of the bank for a fee (agency fee). As of 31 December 2024, the arrangement was closed, and all dues to the bank under the purchase and agency agreements were fully settled in accordance with the agreed cash flow payments (31 December 2023: SR 33.2 million). The analysis is as follows:

	<b>2024</b>	2023
Portfolio (1)	-	-
Portfolio (2)	-	4,653,287
Portfolio (3)	-	28,553,044
	<b><u>-</u></b>	<b><u>33,206,331</u></b>

The maturity analysis was as follows:

	<b>2024</b>	2023
Up to 1 year	-	33,206,331
More than 1 year and up to 3 years	-	-
	<b><u>-</u></b>	<b><u>33,206,331</u></b>

- 27.2** The agreement is supported by a “cash flow statement” which stipulates the principal amount and the monthly receivables falling due. Under the terms of the agreements, the company, in the capacity of an agent, settles to the banks monthly amount based on the cash flow statement. Any excess collections over and above the stipulated amounts is recognized as a liability and included in payable under purchase and agency agreements (note 15).

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**27. Purchase and agency agreements (continued)**

- 27.3** The fair value of net servicing asset / liability is determined based on the present value of estimated future cash flows related to contractually specified servicing fees less servicing costs. The primary determinants of the fair value of net servicing asset / liability are discount rates, estimates of servicing costs and the fixed servicing fees. The management assesses the cost of servicing at the end of each reporting period. Variations in one or a combination of these assumptions could affect the estimated values of a net servicing liability.
- 27.4** Under the purchase and agency agreement, the Company has been appointed by a financial institution to service the receivables sold to such financial institution against a servicing fee. The Company initially recognizes either a net servicing asset or a net servicing liability for that servicing contract at its fair value.
- 27.5** The company has guaranteed a certain amount of the total gross value of sold installments, to be settled at the end of the term of the agreement. Any shortfall in the gross collection over and above guaranteed amount is to be borne by the bank.
- 27.6** The company's service assets and related liabilities is calculated separately by calculating the present value of service assets, as per the terms of the agreement, and by estimating the present value of service liability and related provisions. The movement on these service assets and related service liabilities is as follows:

<b>Service asset</b>	<b>2024</b>	<b>2023</b>
Present value of service asset	<b>196,373</b>	1,326,199
profit earned during the year	<b>2,490</b>	23,562
Collection	<b>(198,863)</b>	(1,153,388)
	<b>-</b>	<b>196,373</b>
	<b>2024</b>	<b>2023</b>
<b>Purchase and agency agreement liability / unearned income</b>		
Present value of purchase and service agreement liability	<b>21,337,974</b>	26,806,735
Movement in payable to bank	<b>(6,770,758)</b>	5,677,896
Payment	<b>(14,510,159)</b>	(10,833,985)
Amortization of unearned income	<b>(79,781)</b>	(522,987)
Profit on unwinding of liabilities	<b>22,724</b>	250,315
	<b>-</b>	<b>21,377,974</b>

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**27. Purchase and agency agreements (continued)**

27.7 Servicing assets, related liabilities and unearned income are classified as follows:

	<b>2024</b>	2023
<b>Service asset</b>		
Closing balance of the present value of net service assets (note: 27.6)	-	196,373
Less: current portion	-	(196,373)
Non-current portion	-	-

**Purchase and agency agreement liability and unearned income**

Closing balance of the present value of purchase and agency agreement		
	<b>2024</b>	2023
Liabilities (note: 15)	-	21,377,974
Less: current portion	-	(21,377,974)
<b>Non-current portion</b>	-	-

The present value of service assets and the present value of liabilities under purchase and agency agreement is calculated by using an average discount rate.

27.8 As per the purchase and agency agreement for servicing the sold portfolio, the right of insurance related inflows, being collection from the customers, is transferred to the bank against overall consideration received. However, the company remains responsible for the insurance of sold portfolio, bearing the premium paid to insurer annually. The company is also responsible to pay tracking devices monthly charges. Accordingly, the company has made provision for onerous insurance and tracking devices which has been discounted to its present value using appropriate discount rates.

**28. Earnings per share - basic and diluted**

Basic earnings per share for profit attributable to ordinary shares holders for the years ended 31 December 2024 and 31 December 2023 are computed based on the weighted average number of shares outstanding during the year. The diluted earnings per share are the same as the basic earnings per share because the Company does not have any dilutive instruments in issue.

On November 26, 2023, the Company held an extraordinary general assembly meeting where the shareholders agreed to divide the Company's shares. The split ratio was 10 to 1, it was agreed that each share of SR 10 will be split into 10 shares of SR 1. As a result, the total number of shares increased from 34,500,000 to 345,000,000. Accordingly, the basic and diluted EPS has been calculated based on the revised number of shares. The legal formalities for share split are completed in June 2024.

	<b>2024</b>	2023
Net profit for the year attributed to shareholders	<b>35,018,866</b>	30,983,102
Weighted average number of shares	<b>345,000,000</b>	345,000,000
Basic and diluted earnings per share	<b>0.10</b>	0.09

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**29. Risk management**

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

**29.1 Financial assets at amortized cost:**

	<u>2024</u>	<u>2023</u>
<b>Financial assets at amortized cost:</b>		
Net investment in financing contracts	<b>1,298,245,777</b>	1,053,935,752
Cash and cash equivalents	<b>19,229,499</b>	12,389,338
Other receivables	<b>12,651,880</b>	8,377,898
Due from a related party	<b>1,178,246</b>	1,212,876
	<b><u>1,331,305,402</u></b>	<b><u>1,075,915,864</u></b>
	<u>2024</u>	<u>2023</u>

**Financial assets at fair value through OCI:**

Investment in equity instruments carried at fair value through OCI	<b><u>892,850</u></b>	<b><u>892,850</u></b>
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	<u>2024</u>	<u>2023</u>
<b>Financial liabilities at amortized cost:</b>		
Islamic financing	<b>625,513,279</b>	447,766,521
Accounts payable and other liabilities	<b>142,926,789</b>	89,380,620
Due to related parties	-	87,172
Lease liabilities	<b>465,137</b>	2,035,326
	<b><u>768,905,205</u></b>	<b><u>539,269,639</u></b>

**29.2 Risk management structure**

**Board of Directors**

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

**Credit and risk management committee**

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

**Audit committee**

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

**Internal audit**

All key operational, financial risk management processes are audited by the internal audit. Internal audit examines the adequacy of the relevant policies and procedures. Internal audit discusses the results of all assessments with management and reports its findings and recommendations to the audit committee.



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**29. Risk management (continued)**

**29.3 Market risk**

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

**a) Currency risk**

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

**b) Profit rate risk**

Profit rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market profit rates. The company's exposure to the risk of changes in market profit rates relates primarily to the company's long-term debt obligations with floating profit rates.

The company manages the profit rate risk by increasing the net profit rates on its investment in financing contracts in order to be mitigating the fluctuations in profit rates.

**c) Other price risk**

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

**29.4 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management analyze the credit risk in the following assets:

	<b>2024</b>	<b>2023</b>
Net investment in Islamic financing contracts	<b>1,298,245,777</b>	1,053,935,752
Cash and cash equivalent	<b>19,229,499</b>	12,389,338
Other receivables	<b>12,651,880</b>	8,377,898
Due from a related party	<b>1,178,246</b>	1,212,876
Investment in equity instruments	<b>892,850</b>	892,850
	<b><u>1,332,198,252</u></b>	<b><u>1,076,808,714</u></b>

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**29. Risk management (continued)**

**29.4 Credit risk (continued)**

**a) Net investment in Islamic financing contracts**

The investment in Islamic financing contracts generally expose to significant credit risk. Therefore, the company has established a number of procedures to manage credit exposure including evaluation of lessees' credit worthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees.

The company also follows a credit classification mechanism, primarily driven by day's delinquency as a tool to manage the quality of credit risk of the financing contracts portfolio. The ageing analysis of net investment in Islamic financing contracts is as under:

	<b>2024</b>	<b>2023</b>
Not past due	<b>1,055,655,027</b>	829,975,356
Past due 1 - 30 days	<b>121,361,536</b>	123,665,766
Past due 31 - 90 days	<b>74,105,162</b>	63,275,479
Past due 91 - 180 days	<b>46,769,725</b>	28,038,060
Past due 180 - 365 days	<b>49,837,046</b>	17,347,313
Past due over 1 year	<b>8,548,403</b>	25,002,268
	<b>1,356,276,899</b>	1,087,304,242
Less: impairment for expected credit loss	<b>(58,031,122)</b>	(33,368,490)
<b>Net of impairment</b>	<b>1,298,245,777</b>	1,053,935,752
Total portfolio coverage ratio	<b>4.3%</b>	3.1%

The installment that is not past due are related to customers whose history of repayment has been considered in the calculation of impairment for their financing contracts. As at the statement of financial position date, the company has adequate collaterals to cover the overall credit risk exposure after the impairment provision.

The movement in Allowance for expected credit loss for investment in Islamic financing contracts is as follows:

	<b>2024</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
1 January, 2024	<b>1,739,781</b>	<b>2,186,799</b>	<b>29,441,912</b>	<b>33,368,492</b>
Transfer from stage 1	<b>(181,473)</b>	<b>56,238</b>	<b>125,235</b>	-
Transfer from stage 2	<b>852,229</b>	<b>(1,426,298)</b>	<b>574,069</b>	-
Transfer from stage 3	<b>2,302,153</b>	<b>342,263</b>	<b>(2,644,416)</b>	-
Financial assets – settled during the year	<b>(282,535)</b>	<b>(619,622)</b>	<b>(22,001,268)</b>	<b>(22,903,425)</b>
Financial assets – originated during the year	<b>1,221,441</b>	<b>1,807,804</b>	<b>26,142,607</b>	<b>29,171,852</b>
Net re-measurement of loss allowance	<b>(3,541,859)</b>	<b>213,225</b>	<b>53,858,004</b>	<b>50,529,370</b>
	<b>369,956</b>	<b>373,610</b>	<b>56,054,231</b>	<b>56,797,797</b>
Write-off during the year	-	-	<b>(32,135,167)</b>	<b>(32,135,167)</b>
31 December 2024	<b>2,109,737</b>	<b>2,560,409</b>	<b>53,360,976</b>	<b>58,031,122</b>

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**29. Risk management (continued)**

**29.4 Credit risk (continued)**

**a) Net investment in Islamic financing contracts (continued)**

	2023			
	Stage 1	Stage 2	Stage 3	Total
1 January, 2023	10,137,411	1,678,057	52,036,156	63,851,624
Transfer from stage 1	(867,381)	451,698	415,683	-
Transfer from stage 2	595,493	(991,897)	396,404	-
Transfer from stage 3	2,710,749	1,625,228	(4,335,977)	-
Financial assets – settled during the year	(1,276,829)	(334,196)	(31,004,726)	(32,615,751)
Financial assets – originated during the year	892,032	745,968	6,489,287	8,127,287
Net re-measurement of loss allowance	(10,451,694)	(988,060)	50,341,894	38,902,140
	(8,397,630)	508,741	22,302,565	14,413,676
Write-off during the year	-	-	(44,896,810)	(44,896,810)
31 December 2023	1,739,781	2,186,798	29,441,911	33,368,490

During the year ended December 31, 2024, gross receivable of SR 26.8 million were transferred from stage 1 to Stage 2 (2023: SR 60.8 million) and SR 44.5 million (2023: SR 25.1 million) were transferred from stage 1 to stage 3. Balances of SR 26.9 million (2023: SR 23.9 million) were transferred from stage 2 to stage 1 and SR 11.2 million (2023: SR 8.9 million) were transferred from stage 2 to stage 3. Balances of SR 9.0 million (2023: SR 8.0 million) were transferred from stage 3 to stage 1 and SR 1.0 million (2023: SR 5.3 million) were transferred from stage 3 to stage 2.

During the year, the Company originated new financial assets amounting to SR 851.8 million (2023: SR 743.8 million) and settled financial assets amounting to SR 550.7 million (2023: SR 466.4 million).

**b) Credit quality analysis**

The following table sets out information about the credit quality of financing contracts measured at amortized cost as at 31 December 2024. Investment in Islamic financing contracts and the corresponding ECL allowance as at 31 December 2024 and 31 December 2023 classified as follows:

	2024			
	Stage 1	Stage 2	Stage 3	Total
	Neither pass due nor impaired	Past due but no credit impaired	Credit impaired	
Net carrying amount before ECL	1,177,016,563	74,105,162	105,155,174	1,356,276,899
ECL	2,109,738	2,560,410	53,360,974	58,031,122
	2023			
	Stage 1	Stage 2	Stage 3	Total
	Neither pass due nor impaired	Past due but no credit impaired	Credit impaired	
Net carrying amount before ECL	953,641,122	63,275,479	70,387,641	1,087,304,242
ECL	1,739,781	2,186,799	29,441,910	33,368,490

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**29. RISK MANAGEMENT (continued)**

**29.4 Credit risk (continued)**

**c) Concentration of credit risk**

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

The company manages its credit risk exposure through diversification of investment in financing contracts to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or businesses. The mainstream of concentration risk analysis by individual and corporate class of business which is given below:

	<b>2024</b>		<b>2023</b>	
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>
<b>Individuals</b>	<b>835,954,138</b>	<b>64</b>	592,850,872	57
<b>Corporate</b>	<b>462,291,639</b>	<b>36</b>	461,084,880	43
	<b><u>1,298,245,777</u></b>	<b><u>100</u></b>	<u>1,053,935,752</u>	<u>100</u>

**d) Bank balances and other receivables**

Funds are placed with banks having good credit ratings and therefore are not subject to significant credit risk. Other receivables are neither significant nor exposed to significant credit risk.

**e) ECL Model**

**Amounts arising from ECL – Significant increase in credit risk**

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

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

- \* The remaining lifetime probability of default (PD) as at the reporting date; with

The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

**Generating the term structure of PD**

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

This analysis includes the identification and calibration of relationships between changes in default rates and macro- economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include GDP growth.

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**29. RISK MANAGEMENT (continued)**

**29.4 Credit risk (continued)**

**e) ECL Model (continued)**

**Determining whether credit risk has increased significantly**

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

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

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

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

**Modified financial assets**

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

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria. The company renegotiates finance lease receivables to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the company's policy finance lease receivables forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of leasing and instalments covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

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**29. RISK MANAGEMENT (continued)**

**29.4 Credit risk (continued)**

**e) ECL Model (continued)**

**Definition of ‘Default’**

The company considers a financial asset or the receivables of investment in Islamic financing contracts to be in default when:

- \* The borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realizing security (if any is held); or
- \* The borrower is past due more than 90 – 180 days as applicable to related segment on any material credit obligation to the company. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default. The company 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 company; and
  - \* Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the company for regulatory capital purposes.

**Incorporation of forward-looking information**

The company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2023 included mainly GDP growth and inflation.

**Measurement of ECL**

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

- i. Probability of default (PD);
- ii. Loss given default (LGD);
- iii. Exposure at default (EAD)

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

PD estimates are estimates at a certain date, which are calculated, based on statistical rating models. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

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**29. RISK MANAGEMENT (continued)**

**29.4 Credit risk (continued)**

**e) ECL Model (continued)**

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

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

**29.5 Liquidity risk**

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

The table below summarizes the company's financial liabilities only into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity date. The amounts in the table includes the contractual undiscounted cash flows.

	2024				
	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months and up to one year	More than one year
Due to related parties, Accounts payable and other liabilities	142,926,789	142,926,789	141,927,334	999,455	-
Islamic financing and lease liabilities	625,978,416	627,847,102	312,411,058	125,391,459	190,044,585
	<u>768,905,205</u>	<u>770,773,891</u>	<u>454,338,392</u>	<u>126,390,914</u>	<u>190,044,585</u>
	2023				
	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months and up to one year	More than one year
Due to related parties, Accounts payable and other liabilities	89,467,792	89,480,214	73,422,140	16,058,074	-
Islamic financing and lease liabilities	449,801,847	455,486,531	222,220,911	95,030,648	138,234,972
	<u>539,269,639</u>	<u>544,966,745</u>	<u>295,643,051</u>	<u>111,088,722</u>	<u>138,234,972</u>

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**29. RISK MANAGEMET (continued)**

**29.5 Liquidity risk (continued)**

**Analysis of financial assets and liabilities based on maturities**

The table below show analysis of financial assets and financial liabilities according to when they are expected to be recovered or settled:

	2024				
	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months and up to one year	More than one year
Cash and cash equivalents	19,229,499	19,229,499	19,229,499		
Other receivables	12,651,880	12,651,880	1,554,912	3,026,446	8,070,522
Due from related parties	1,178,246	1,178,246	1,178,246		
Investment in equity instrument at FVOCI	892,850	892,850	-	-	892,850
Net investment in Islamic financing contracts*	<u>1,356,276,899</u>	<u>1,839,177,449</u>	<u>162,793,290</u>	<u>488,379,870</u>	<u>1,188,004,289</u>
Financial assets	1,390,229,374	1,873,129,924	184,755,947	491,406,316	1,196,967,661
Due to related parties, Accounts payable and other liabilities	142,926,789	142,926,789	141,927,334	999,455	-
Islamic financing and lease liabilities	<u>625,978,416</u>	<u>627,847,102</u>	<u>312,411,058</u>	<u>125,391,459</u>	<u>190,044,585</u>
Financial liabilities	768,905,205	770,773,891	454,338,392	126,390,914	190,044,585
Maturity Gap		<u>1,102,356,033</u>	<u>(269,582,445)</u>	<u>365,015,402</u>	<u>1,006,923,076</u>
Cumulative Maturity Gap			<u>(269,582,445)</u>	<u>95,432,957</u>	<u>1,102,356,033</u>
	2023				
	Carrying amount	Contractual cash flows	Up to 3 months	More than 3 months and up to one year	More than one year
Cash and cash equivalents	12,389,338	12,389,338	12,389,338	-	-
Other receivables	8,377,898	8,406,925	1,198,975	2,075,090	5,132,860
Due from related parties	1,212,876	1,212,876	1,212,876	-	-
Investment in equity instrument at FVOCI	892,850	892,850	-	-	892,850
Net investment in Islamic financing contracts*	<u>1,087,304,242</u>	<u>1,374,811,087</u>	<u>150,853,283</u>	<u>452,559,848</u>	<u>771,397,957</u>
Financial assets	1,110,177,204	1,397,713,076	165,654,472	454,634,938	777,423,667
Due to related parties, Accounts payable and other liabilities	89,467,792	89,480,214	73,422,140	16,058,074	-
Islamic financing and lease liabilities	<u>449,801,847</u>	<u>455,486,531</u>	<u>222,220,911</u>	<u>95,030,648</u>	<u>138,234,972</u>
Financial liabilities	539,269,639	544,966,745	295,643,051	111,088,722	138,234,972
Maturity Gap		<u>852,746,331</u>	<u>(129,988,579)</u>	<u>343,546,216</u>	<u>639,188,695</u>
Cumulative Maturity Gap			<u>(129,988,579)</u>	<u>213,557,637</u>	<u>982,734,911</u>

\* Net investment in financing contracts are exclusive of allowance for credit losses and it considers all due balance but not paid as due in the period up to three months. This may be materially impacting the maturity gap.



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**29. RISK MANAGEMENT (continued)**

**29.6 Fair values of financial assets and liabilities**

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

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

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

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

The company's financial assets consist of cash and bank balances, investment in equity investment at FVOCI, net investment in Islamic financing contracts, due from related parties and other receivables, its financial liabilities consist of trade payables, financial facilities, due to related parties and lease liabilities.

The company's management determines the policies and procedures for both recurring fair value measurement and nonrecurring measurement.

All financial assets and liabilities are measured at amortized cost except investment in equity instruments carried at FVOCI. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

**Rationale for financial asset at amortized cost closely approximating the fair value:**

Since the financial instruments are short term in nature, carry profit rates which are based on prevailing market profit rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position. The fair values of the non-current financial instruments are estimated to approximate their carrying values as these carry profit rates which are based on prevailing market profit rates.

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**29. RISK MANAGEMENT (continued)**

**29.6 Fair values of financial assets and financial liabilities (Continued)**

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements as at 31 December 2024

	Carrying Amount					Fair Value			
	Financial assets at amortised cost	FVTPL	FVOCI – equity investments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>31 December 2024</b>									
<i><b>Financial assets</b></i>									
Islamic financing contracts	1,298,245,777	-	-	-	1,298,245,777	-	-	-	-
Other current assets	12,651,880	-	-	-	12,651,880	-	-	-	-
Cash and bank balances	19,229,499	-	-	-	19,229,499	-	-	-	-
Due from a related party	1,178,246	-	-	-	1,178,246	-	-	-	-
Investment	-	-	892,850	-	892,850	-	-	892,850	892,850
<b>Total financial assets</b>	<b>1,331,305,402</b>	<b>-</b>	<b>892,850</b>	<b>-</b>	<b>1,332,198,252</b>	<b>-</b>	<b>-</b>	<b>892,850</b>	<b>892,850</b>
<i><b>Financial liabilities</b></i>									
Trade payables and other liabilities	-	-	-	151,390,123	151,390,123	-	-	-	-
Due to related parties	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	465,137	465,137	-	-	-	-
Long term Islamic financing	-	-	-	625,513,279	625,513,279	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>777,368,539</b>	<b>777,368,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**29. RISK MANAGEMENT (continued)**

**29.6 Fair values of financial assets and financial liabilities (Continued)**

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements as at 31 December 2023

	Carrying Amount					Fair Value			
	Financial assets at amortised cost	FVTPL	FVOCI – equity investments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2023									
<i>Financial assets</i>									
Islamic financing contracts	1,053,935,752	-	-	-	1,053,935,752	-	-	-	-
Other current assets	8,377,898	-	-	-	8,377,898	-	-	-	-
Cash and bank balances	12,389,338	-	-	-	12,389,338	-	-	-	-
Due from a related party	1,212,876	-	-	-	1,212,876	-	-	-	-
Investment		-	892,850	-	892,850		-	892,850	892,850
Total financial assets	1,075,915,864	-	892,850		1,076,808,714	-	-	892,850	892,850
<i>Financial liabilities</i>									
Trade payables and other liabilities	-	-	-	97,313,142	97,313,142	-	-	-	-
Due to a related party	-	-	-	87,172	87,172	-	-	-	-
Lease liabilities	-	-	-	2,035,326	2,035,326	-	-	-	-
Islamic financing	-	-	-	446,801,539	446,801,539	-	-	-	-
Total financial liabilities	-	-	-	546,237,179	546,237,179	-	-	-	-

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**29. RISK MANAGEMENT (continued)**

**29.7 Capital risk management**

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

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

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

	<b>2024</b>	<b>2023</b>
Net investment in Islamic financing contracts	<b>1,298,245,777</b>	1,053,935,752
Total Equity	<b>566,274,838</b>	540,805,256
Aggregate financing to capital ratio	<b><u>2.29 times</u></b>	<u>1.95 times</u>

**30. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to comply with the current year presentation of the financial statements.

**31. SUBSEQUENT EVENTS**

Except for subsequent events mentioned elsewhere in these financial statements, there are no other significant subsequent event occurred between 31 December 2024 and the date of approval of these financial statements, which may have material impact on these financial statements.

**32. DIVIDEND**

In their meeting on November 5, 2024, the Board of Directors proposed a cash dividend of SR 9,290,000 for the year ended December 31, 2024. The proposal was approved by the shareholders at the Annual General Meeting on December 4, 2024, and the dividend was paid on December 25, 2024.

**33. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on 4 March 2025G (corresponding to 4 Ramadan 1446H) by the Board of Directors of the company.