

**AL YUSR LEASING AND FINANCING COMPANY**  
**(A SAUDI CLOSED JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS**

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

**AL YUSR LEASING AND FINANCING COMPANY**  
(A Saudi Closed Joint Stock Company)  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**

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## *Independent auditor's report to the shareholders of Al Yusr Leasing and Financing Company*

### *Report on the audit of the financial statements*

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#### *Our opinion*

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

#### **What we have audited**

The Group's consolidated financial statements comprise:

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

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#### *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 Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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#### *Responsibilities of the Board of Directors for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



## *Independent auditor's report to the shareholders of Al Yusr Leasing and Financing Company (continued)*

### *Auditor's responsibilities for the audit of the consolidated financial statements*

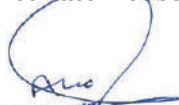
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not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

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

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

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

**PricewaterhouseCoopers**

  
Ali H. Al Basri  
License Number 409



Date: March 5, 2025

AL YUSR LEASING AND FINANCING COMPANY  
(A Saudi Closed Joint Stock Company)  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	As at December 31, 2024	As at December 31, 2023
<b>ASSETS</b>			
Cash at banks			
Prepayments, advances and other receivables	5	48,161,424	3,691,105
Investment in Islamic financing held for sale	7	111,829,976	76,676,612
Repossessed vehicles held for sale	10.1	-	120,362,243
Due from related parties	10.9	90,000	2,469,761
Margin deposits – restricted	8.1.1	568,100,138	500,697,022
Investment in Islamic financing, net	6	7,240,756	7,240,756
Investment in equity instruments carried at fair value through other comprehensive income ("FVOCI")	9	1,844,282,391	2,192,161,875
Intangible assets	11	34,975,643	7,401,563
Right-of-use assets	14	18,837,061	17,664,316
Investment properties	13.1	15,136,528	17,884,093
Property and equipment	12	-	6,000,000
<b>Total assets</b>	15	<u>4,154,373</u>	<u>3,585,683</u>
		<b>2,652,808,290</b>	<b>2,955,835,029</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Trade payables			
Accruals, provisions and other liabilities	16	16,869,179	21,351,374
Due to related parties	8.1.2	44,925,366	52,712,834
Zakat payable	17.3	1,689,183	3,034,255
Lease liabilities	13.2	15,301,665	23,693,039
Employees' end of service benefits ("EOSB") obligation	18.1	14,676,510	17,530,905
Borrowings	19	9,712,000	10,955,000
<b>Total liabilities</b>		<u>1,726,807,958</u>	<u>1,979,277,639</u>
		<b>1,829,981,861</b>	<b>2,108,555,046</b>
<b>Equity</b>			
Share capital	20	500,000,000	500,000,000
Statutory reserve	21	123,715,275	123,715,275
Retained earnings		186,747,699	217,214,638
Fair value reserve on investments		5,957,730	-
End of service benefits reserve		6,405,725	6,350,070
<b>Total equity</b>		<u>822,826,429</u>	<u>847,279,983</u>
<b>Total liabilities and equity</b>		<b>2,652,808,290</b>	<b>2,955,835,029</b>

The accompanying notes from 1 to 35 are an integral part of these consolidated financial statements.

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman

**AL YUSR LEASING AND FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
 (All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31,	
		2024	2023
<b>Revenue</b>			
Income from investment in Islamic financing	22	368,376,303	322,387,857
Other income	23	50,259,007	30,355,169
<b>Total revenue</b>		<b>418,635,310</b>	<b>352,743,026</b>
<b>Operating expenses</b>			
Salaries, wages and other employee related costs	24	(113,423,567)	(108,999,844)
Depreciation and amortisation	25	(9,572,016)	(10,312,493)
Other operating expenses	26	(68,770,731)	(109,421,296)
(Charge for) / reversal of expected credit losses ("ECL") on financial assets, net	27	(100,524,885)	7,460,886
<b>Total operating expenses</b>		<b>(292,291,199)</b>	<b>(221,272,747)</b>
<b>Operating profit</b>		<b>126,344,111</b>	<b>131,470,279</b>
Realised loss on the sale of investment properties	12	(2,000,000)	-
Finance costs, net	28	(154,811,050)	(122,542,545)
<b>(Loss) / profit before zakat</b>		<b>(30,466,939)</b>	<b>8,927,734</b>
Zakat expense	17.3	-	(843,941)
<b>Net (loss) / profit for the year</b>		<b>(30,466,939)</b>	<b>8,083,793</b>
<b>Other comprehensive income</b>			
<i>Items of other comprehensive income that will not be reclassified subsequently to profit or loss</i>			
Gain on the re-measurements of employees' end of service benefits obligation	18.2	55,655	561,828
Fair value gain on investments in equity instruments carried at FVOCI, net	11.4	5,957,730	-
<b>Other comprehensive income for the year</b>		<b>6,013,385</b>	<b>561,828</b>
<b>Total comprehensive (loss) / income for the year</b>		<b>(24,453,554)</b>	<b>8,645,621</b>

The accompanying notes from 1 to 35 are an integral part of these consolidated financial statements.

  
 Chief Financial Officer

  
 Chief Executive Officer

  
 Chairman

**AL YUSR LEASING AND FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 (All amounts in Saudi Riyals unless otherwise stated)

	Notes	Share capital	Statutory reserve	Retained earnings	Fair value reserve on investments	End of service benefits reserve	Total equity
<b>Balance at January 1, 2023</b>		500,000,000	122,906,896	209,939,224	-	5,788,242	838,634,362
Net profit for the year		-	-	8,083,793	-	-	8,083,793
Other comprehensive income for the year		-	-	-	-	561,828	561,828
Total comprehensive income for the year		-	-	8,083,793	-	561,828	8,645,621
Transfer to a statutory reserve	21	-	808,379	(808,379)	-	-	-
<b>Balance as at December 31, 2023</b>		500,000,000	123,715,275	217,214,638	-	6,350,070	847,279,983
Net loss for the year		-	-	-	-	-	(30,466,939)
Other comprehensive income for the year		-	-	(30,466,939)	-	55,655	6,013,385
Total comprehensive (loss) / income for the year		-	-	(30,466,939)	-	55,655	(24,453,554)
<b>Balance as at December 31, 2024</b>		500,000,000	123,715,275	186,747,699	5,957,730	6,405,725	822,826,429

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.



Chief Financial Officer



Chief Executive Officer



Chairman

**AL YUSR LEASING AND FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the year ended December 31,	
		2024	2023
<b>Cash flows from operating activities</b>			
(Loss) / profit before zakat		<b>(30,466,939)</b>	8,927,734
Adjustments to reconcile (loss) / profit before zakat to net cash flows provided by operating activities:			
Depreciation and amortisation	25	<b>9,572,016</b>	10,312,493
ECL charge on financial assets	9.7	<b>143,150,304</b>	33,852,073
Income from margin deposits	23	-	(21,009)
Finance income on receivable against portfolio sold to Parent Company	22	<b>(15,844,602)</b>	(9,135,103)
Loss on the sale of investment properties	12	<b>2,000,000</b>	2,550,087
Finance costs, net	28	<b>154,811,050</b>	122,542,545
Long outstanding unidentified deposits	23	<b>1,300,000</b>	(7,810,174)
Gain on modification of investment in Islamic financing, net		-	(8,721,550)
Provision for employees' end of service benefits	18.1	<b>1,547,000</b>	1,848,000
Changes in working capital:		<b>266,068,829</b>	154,345,096
<i>Change in operating assets and liabilities</i>			
Prepayments, advances and other receivables		<b>(35,153,364)</b>	11,073,773
Repossessed assets held for sale		<b>2,379,761</b>	88,889
Due from related parties		<b>68,803,729</b>	24,367,781
Margin deposit – restricted		-	8,050,649
Investment in Islamic financing, net		<b>204,729,180</b>	(635,102,583)
Proceeds from the sale of investment properties	12	<b>4,000,000</b>	-
Trade payables		<b>(4,482,195)</b>	(10,969,105)
Accruals, provisions and other liabilities		<b>(9,087,468)</b>	11,394,504
Due to related parties		<b>(1,345,072)</b>	(7,461,130)
<b>Cash generated from / (used in) operating activities before zakat and EOSB paid</b>		<b>495,913,400</b>	(444,212,126)
EOSB paid	18.1	<b>(3,256,345)</b>	(3,013,172)
Zakat paid	17.3	<b>(8,391,374)</b>	(4,108,567)
<b>Net cash generated from / (used in) operating activities</b>		<b>484,265,681</b>	(451,333,865)
<b>Cash flows from investing activities</b>			
Investment in equity instruments carried at FVOCI	11.4	<b>(21,616,350)</b>	(6,508,688)
Payments for purchase of property and equipment	15	<b>(2,165,289)</b>	(1,048,971)
Payments for purchase of intangible assets	14	<b>(6,031,585)</b>	(7,678,157)
<b>Net cash used in investing activities</b>		<b>(29,813,224)</b>	(15,235,816)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		<b>543,543,940</b>	994,560,032
Repayment of borrowings		<b>(802,677,810)</b>	(596,460,429)
Repayment of lease liabilities		<b>(3,829,999)</b>	(5,371,073)
Finance cost paid		<b>(146,948,010)</b>	(127,528,208)
<b>Net cash (used in) / generated from financing activities</b>		<b>(409,911,879)</b>	265,200,322
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>44,540,578</b>	(201,369,359)
Cash and cash equivalents at beginning of the year		<b>(24,431,383)</b>	176,937,976
<b>Cash and cash equivalents at end of the year</b>	5	<b>20,109,195</b>	(24,431,383)
<b>Non-cash transactions</b>			
Fair value gain on investment in equity instruments carried at FVOCI, net	11.4	<b>(5,957,730)</b>	-
Fair value reserve on investments	11.4	<b>5,957,730</b>	-
Right-of-use assets	13.1	<b>(369,012)</b>	612,621
Lease liabilities	13.2	<b>369,012</b>	(612,621)
Due from related parties	29	<b>(120,362,243)</b>	629,747
Due to related parties	8.4	-	2,563,591
Accounts payable	8.4	-	(3,193,338)
Investment in Islamic financing held for sale	29	<b>120,362,243</b>	(120,362,243)
Investment in Islamic financing, net		-	120,362,243
Gain on the re-measurements of EOSB obligation	18.2	<b>(55,655)</b>	(561,828)
End of service benefits reserve		<b>55,655</b>	561,828

The accompanying notes on page 1 to 35 form an integral part of these consolidated financial statements.



**AL YUSR LEASING AND FINANCING COMPANY**  
**(A Saudi Closed Joint Stock Company)**

**Notes to the consolidated financial statements for the year ended December 31, 2024**

(All amounts in Saudi Riyals unless otherwise stated)

**1. Legal status and operations**

Al-Yusr Leasing and Financing Company (the “Company”) is a Saudi Closed Joint Stock Company registered in Riyadh in the Kingdom of Saudi Arabia under commercial registration (“CR”) number 1010192058 issued on 20 Shawal 1424H corresponding to December 14, 2003.

The main activities of the Company are to engage in Islamic finance lease, financing of small and medium-sized enterprises, financing of productive assets and consumer finance under the Saudi Central Bank (“SAMA”) license No. (10/AO/201403) issued on Rabi’ al-Thani 27, 1435H corresponding to February 28, 2014.

The Company engages in these activities through the following branches:

Branch name	CR number	Date of issuance of CR	Status of branch as at December 31,	
			2024	2023
Head Office Branch	7014828904	Shawwal 20, 1424H	Active	Active
Al Shifa Branch	7014428432	Jumada al-Ula 9, 1443H	Closed	Active
Exit -10 Branch- Riyadh	7007215747	Rajab 13, 1443 H	Active	Active
Al Jouf Branch	7012361163	Jumada al-Ula 9, 1443H	Active	Active
Hail Branch	7012824483	Safar 19, 1443H	Active	Active
Hafer Al Batin Branch	7013913566	Safar 22, 1443H	Active	Active
Tabuk Branch	7014185297	Jumada al-Ula 9, 1443H	Active	Active
Dammam Branch	7012370198	Jumada al-Ula 9, 1443H	Active	Active
Jeddah Branch	7011801359	Thul-Qi`dah 7, 1443H	Active	Active
Makkah Branch	7006513977	Safar 22, 1443H	Closed	Active
Madinah Branch	7011313850	Jumada al-Ula 9, 1443H	Active	Active
Abaha Branch	7014490317	Jumada al-Ula 9, 1443H	Active	Active
Jezan Branch	7012395286	Jumada al-Ula 9, 1443H	Active	Active
Al Hassa Branch	7012243411	Muharram 6, 1445H	Active	Active

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

Salah Uddin Ayubi Street, Al Malaz  
P.O. Box 25773  
Riyadh 11476  
Kingdom of Saudi Arabia

On Shawwal 26, 1444H (corresponding to May 16, 2023) the Company incorporated its subsidiary Manast Alraqamiah for Information Technology Company (“the Subsidiary”), a limited liability company in Riyadh with CR number 1010881199. The Subsidiary is owned 100% by the Company. The Subsidiary has not started its operations yet.

The Subsidiary is licensed to involve in

- wholesale and retail trade and repair of motor vehicles and motorcycles and
- information and communications.

These consolidated financial statements comprise the financial statements of the Company along with its branches and its Subsidiary (collectively referred to as “the Group”).

**2 Basis of preparation**

**2.1 Statement of compliance**

These consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (“IFRS”), 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 as endorsed in KSA”).

**2.2 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and the financial statements of the Subsidiary, as stated in note 1. The financial statements of the Subsidiary are prepared for the same reporting period as that of the Group, using consistent accounting policies. Adjustments have been made to the consolidated financial statements of the Subsidiary, where necessary, to align with the Group’s consolidated financial statements.

## **2 Basis of preparation (continued)**

### **2.2 Basis of consolidation (continued)**

Subsidiary is the investee that is controlled by the Group. The Group controls an investee only when it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect amount of its returns.

Intra-group balances and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### **2.3 Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets, investment properties – measured at fair value;
- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell; and
- End of service benefits – measured using Projected Unit Credit Method under IAS-19.

### **2.4 Functional and presentation currency**

These consolidated financial statements are presented in Saudi Riyals (“SR”) which is the Group’s functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Saudi Riyal, unless otherwise mentioned.

## **3 Critical accounting judgments, estimates and assumptions**

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

The material estimates impacted by these forecasts and associated uncertainties are predominantly related to the following judgments, estimates and assumptions.

### **3.1 Derecognition of financial assets**

For transactions that qualify for derecognition of financial assets, management assesses the contractual terms of the agreement to determine whether the transaction meets derecognition criteria under IFRS 9. The Group derecognise the financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The management exerts judgment in assessing the above derecognition criteria.

### **3.2 Determination of discount rate for present value calculations**

Discount rate represents the current market assessment of the risks specific to the Group, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Group. The discount rate is an estimate of the weighted average cost of capital of the Group based on market rates adjusted to reflect management’s estimate of the specific risks relating to its operations.

**3 Critical accounting judgments, estimates and assumptions (continued)****3.3 Actuarial valuation of employees' end of service benefits obligation**

The cost of the employees' end of service benefits ("EOSB") under defined benefits plan is determined annually based on actuarial valuation by independent actuaries using the Projected Unit Credit Method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, employee turnover rates and mortality rates. Due to the complexity of the valuation and its long-term nature, the employees' end of service benefits obligation is highly sensitive to changes in these assumptions. All these assumptions are reviewed on an annual basis or more frequently, if required, as part of overall assessment of employees' end-of-service benefits obligations.

**3.4 Economic useful lives of property, equipment and intangible assets**

The Group's management determines the estimated useful lives of its property, equipment and intangible assets which are depreciated / amortised on a straight-line basis over their economic useful lives. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation / amortisation charges would be adjusted where the management believes the economic useful lives differ from previous estimates.

**3.5 Right-of-use assets and lease liabilities**

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

**3.6 Measurement of expected credit loss allowance**

The measurement of expected credit loss allowance for the financial assets measured at amortised cost 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 the notes which also sets out the key sensitivities of the ECL to changes in these elements.

**Three-stage approach**

The ECL model contains a three-stage approach that is based on the change 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 increases 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") while the income on these financial assets is calculated on gross basis.

*Stage 2:* Stage 2 applies to all the financial assets wherein 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") while the income on these financial assets is calculated on gross basis. The provisions for ECL allowance 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 ECL in Stage 1.

*Stage 3:* Stage 3 applies to all those financial assets wherein there is objective evidence of impairment at the reporting date. These financial assets will be classified as credit-impaired and an amount equal to the lifetime ECL will be recorded for the financial assets. The income on these financial assets is henceforth calculated on net basis (i.e., net of ECL).

### **3 Critical accounting judgments, estimates and assumptions (continued)**

#### **3.6 Measurement of expected credit loss allowance (continued)**

Three-stage approach (continued)

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; and
- Establishing a group of similar financial assets for the purpose of measuring ECL. Etc.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group 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 Group 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 Group's debtors operate, obtained from economic expert reports, financial analysis, 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 Group's core business operations.

Macroeconomic variables

The output of the PD model is through the cycle PD. These PDs are converted into Point-in-time PD by applying forward looking scenarios. This is done through deriving a Composite Index ("CI"). Correlation Analysis is used to create CI for input into models.

Portfolio Segmentation

The portfolio has been sliced into retail and non-retail segment. The retail portfolio is segmented on the basis of product type, nationality, and employment type. The non-retail portfolio is segmented on the basis of customer type (i.e., SMEs) and type of facility (i.e., construction and non-construction). The segmentation has been done considering shared risk characteristics of exposures.

The Group has segregated the investment in Islamic financing portfolio into two segments i.e. "new" and "legacy" portfolios considering the following:

- a) New retail portfolio consists of loans disbursed starting from July 2020.
- b) New corporate portfolio consists of loans disbursed starting from October 2020.

The dates been determined based on the effective dates of the new credit policies.

#### **3.7 Fair value measurement and valuation process**

Some of the Group's assets are measured at fair value for the purpose of financial reporting. The Group's Chief Financial Officer is responsible to determine the appropriateness of the valuation techniques and inputs for the fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where the market-observable data is not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs for the fair value model.

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**3 Critical accounting judgments, estimates and assumptions (continued)****Critical accounting judgement****3.8 Going concern**

Based on its analysis, the Group's management is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management of Group is not aware of any material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

**3.9 Assessment of IFRS 5: Investment in Islamic financing held for sale**

Principles of IFRS 5 are applied in determining whether the criterion for held for sale classification are met. These include determining if the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. The Group reclassifies assets and liabilities as "held for sale" which meet the above criterion as part of the Group's consolidated financial statements.

**4 Material accounting policy information**

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

**4.1 Change in accounting policies**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2023 except new accounting policies introduced as part of adoption of the following amendments to IFRS explained below which became applicable for annual reporting periods commencing on or after January 1, 2024 replacing, amending or adding to the corresponding accounting policies set out in 2023 annual audited consolidated financial statements.

**New standards, interpretations and amendments adopted by the Group**

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2024:

<b>Standards, interpretations or amendments</b>	<b>Description</b>	<b>Effective date</b>
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 1, 2024
Amendment to IAS 1 – Non-current liabilities with covenants and Classification of liabilities as current or non-current	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	January 1, 2024

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**4 Material accounting policy information (continued)****4.1 Change in accounting policies (continued)****New standards, interpretations and amendments issued but not yet effective**

The following standards and interpretations had been issued but were not mandatory for annual reporting periods commencing on or after January 1, 2023. The Group has opted not to early adopt these pronouncements and currently in process of assessing the impact of these pronouncements on the consolidated financial statements.

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

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**4 Material accounting policy information (continued)****4.2 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, at banks and other short-term highly liquid investments, with original maturities of three months or less from the purchase date, if any, which are available to the Group without any restrictions. Restricted cash and cash equivalents are not available for immediate use by the Group at its disposal and henceforth, are excluded from cash and cash equivalents for the purposes of the statement of cash flows. Restricted cash and cash equivalents are related to cash margin deposits with banks (note 4.3).

**4.3 Margin deposits**

Margin deposits are held with banks against borrowing facilities obtained and the tenor of such deposits is as per the maturity of the facility ranging up.

**4.4 Leases****4.4.1 Lease arrangements where the Group is a lessor**

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

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

**4.4.2 Lease arrangements where the Group is a lessee**

The Group leases certain buildings for its leasing and financing operations throughout the Kingdom of Saudi Arabia. Rental agreements are typically entered for fixed terms ranging from 1 upto 5 years but may have extension options.

Lease terms are negotiated on an individual lease agreement basis which contain a wide range of different terms and conditions. The lease agreements do not impose any financial covenants but the underlying leased assets cannot be pledged or used as collateral or security for the issuance of financing transactions.

At the lease commencement date, the Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets, for which the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. In general, the Group uses its incremental borrowing rate as the discount rate which has been used to measure all the lease liabilities recognised.

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

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

The lease liability is presented as a separate line in the statement of financial position, classified as current and non-current within the notes.

#### **4 Material accounting policy information (continued)**

##### **4.4 Leases (continued)**

##### **4.4.2 Lease arrangements where the Group is a lessee (continued)**

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset.

If a lessor transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the economic useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset, and the related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

##### *Extension and termination options*

Extension and termination options are included in a number of lease contracts for buildings in which the Group is lessee. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

#### **4.5 Revenue recognition**

##### **4.5.1 Income from Islamic financing**

Income from Islamic financing receivables is recognised in statement of profit or loss and other comprehensive income using effective profit rate ("EPR"), on the outstanding balance over the term of the contract.

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

Income from Islamic financing is calculated by applying the EPR to the carrying amount of financial assets, except for:

- Purchased or originated credit-impaired ("POCI") financial assets, for which the original credit-adjusted EPR is applied to the amortised cost of the financial asset;
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which income is calculated by applying the EPR to their amortised cost (i.e. net of the expected credit loss provision) starting from the subsequent reporting period.



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**4 Material accounting policy information (continued)****4.5 Revenue recognition (continued)****4.5.2 Processing fee**

Processing fees and other operating income represent administration fees which include Islamic financing initiation and customer risk assessment. Processing fee income is recognised over the period of Islamic financing using the effective profit rate method, which results in a constant periodic rate of return over the net investment outstanding over the term of the contract.

**4.5.3 Other operating income**

Other operating income is recorded as when incurred.

**4.6 Investment in Islamic financing**

The investment in Islamic financing includes receivables against the following categories of the financial assets:

**4.6.1 Ijara receivables**

Ijara finance is an agreement where the gross amounts due under originated Ijara include the total of future payments on Ijara finance, plus estimated residual amounts receivable (against an option to purchase the asset by the lessee from the Group at the end of the respective lease term through an independent sale contract).

The difference between the Ijara contracts receivable and the cost of the Ijara assets is recorded as unearned Ijara finance income and, for presentation purposes, is deducted from the gross amounts due under Ijara finance.

**4.6.2 Murabaha receivables**

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

**4.6.3 Tawarruq receivables**

Tawarruq is an agreement whereby the Group sells to a customer an asset, on deferred payment basis, after purchasing it. After such sale, the Group arranges to sell the underlying asset on behalf of the customer and disburses the sale proceeds to the customer. The selling price comprises the cost plus an agreed profit margin. Deferred payments i.e. gross amounts due under the Tawarruq sale contract include the total sale payments on the Tawarruq agreement (Tawarruq sale contract receivable). The difference between the Tawarruq sale contract receivable and the cost of the sold asset is recorded as unearned Tawarruq profit and for presentation purposes, is deducted from the gross amounts due under the Tawarruq sale contract receivable.

**4.7 Financial instruments**

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

**4.7.1 Financial assets****4.7.1.1 Initial measurement**

At initial recognition, the Group recognises all the financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

#### **4 Material accounting policy information (continued)**

##### **4.7 Financial instruments (continued)**

##### **4.7.1 Financial assets (continued)**

##### **4.7.1.2 Classification**

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

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value either fair value through other comprehensive income ("FVOCI"); or
- those to be measured subsequently at fair value either fair value through profit or loss ("FVTPL")

##### *Debt instruments*

Classification and subsequent measurement of debt instruments depend on:

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

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets.

If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

SPPP test: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' contractual cash flows represent solely payment of principal and profit (the "SPPP" test).

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit (or special commission income) includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Based on these factors, the Group classifies its debt instruments into either amortized cost, FVTPL or FVOCI model for subsequent measurement.

##### *Equity instruments*

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

##### **4.7.1.3 Business model assessment**

The Group 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 profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group'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;

#### **4 Material accounting policy information (continued)**

##### **4.7 Financial instruments (continued)**

##### **4.7.1 Financial assets (continued)**

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

- 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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.
- the business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group 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.

##### **4.7.1.4 Assessments whether contractual cash flows are solely payments of principal and profit**

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

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

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

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to the cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

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

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

#### **4 Material accounting policy information (continued)**

##### **4.7 Financial instruments (continued)**

##### **4.7.1 Financial assets (continued)**

##### **4.7.1.5 Subsequent measurement (continued)**

###### *Subsequent measurement of debt instrument*

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Profit from these financial assets is calculated based on the effective yield method. Accordingly, net investment in leases and investment in Islamic financing has been classified as financial assets under amortised cost.
- **Fair value through other comprehensive income ("FVOCI"):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at fair value through other comprehensive income ("FVOCI"). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, profit on financial instruments (finance income) and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.
- **Fair value through profit or loss ("FVTPL"):** Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment, that is subsequently measured at FVTPL and is not part of a hedging relationship, is recognised in profit or loss.

###### *Subsequent measurement of equity instruments*

The Group subsequently measures all equity investments at FVTPL, except where the Group has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to trade.

When this election is opted for at the time of initial recognition, fair value gains or losses against such financial assets are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss when the Group's right to receive payments is established. Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Group changes its business model for managing financial assets.

##### **4.7.1.6 Derecognition of financial assets**

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

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition); and
- the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

##### **4.7.1.7 Modification of financial assets**

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original EPR (or credit adjusted effective EPR for purchased or originated credit-impaired financial assets) or, when applicable, the revised EPR. Any costs or fees incurred adjust the carrying amount of the modified financial asset are amortised over the remaining term of the modified financial asset.

#### **4 Material accounting policy information (continued)**

##### **4.7 Financial instruments (continued)**

##### **4.7.1 Financial assets (continued)**

##### **4.7.1.8 Reclassification**

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset over a short term or long term basis.

##### **4.7.1.9 Impairment of financial assets**

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

For net investment in Islamic financing, the Group applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

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

**Underperforming (Stage 2)** includes financial instruments that have had a significant increase in credit risk since initial recognition unless they have low credit risk at the reporting date, but that does not have objective evidence of impairment. For these assets, lifetime ECL is recognised, but income is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that result from all possible default events over the maximum contractual period during which the Group is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

**Non-performing (Stage 3)** includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognised and income is calculated on the net carrying amount (that is, net of credit allowance) starting from the subsequent reporting period.

The Group, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available, to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

##### **Measurement of ECL**

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

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

##### **Credit-impaired financial assets**

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

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

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

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

**4 Material accounting policy information (continued)**

**4.7 Financial instruments (continued)**

**4.7.1 Financial assets (continued)**

**4.7.1.10 Presentation of allowance for ECL in the statement of financial position**

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

Financial assets are written off only when:

- (i) the debt is at least one year past due;
- (ii) the Group has attempted to recover and engaged in all relevant legal enforcement activities;
- (iii) it is concluded that there is no reasonable expectation of recovery, and
- (iv) the write-off is approved by the Board of Directors, or management to the extent delegated by the Board of Directors, at the recommendation of collections department based on conclusion above.

Where financial assets are written off, the Group continues to engage in enforcement activities to attempt to recover the amount due from customers. The recoveries made from the written off financial assets are netted off against the ECL.

**4.7.1.11 Regular way contracts**

All regular way purchase and sales of financial assets are recognised and derecognised on the trade date i.e. the date on which the Group 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.

**4.7.2 Financial liabilities**

**4.7.2.1 Classification of financial liabilities**

The Group 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 Group before 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.

**4.7.2.2 Initial measurement**

At initial recognition, the Group recognises the financial liability at its fair value net of transaction costs that are directly attributable to that financial liability.

**4.7.2.3 Subsequent measurement**

After initial recognition, financial liabilities are subsequently measured at amortised cost using the EPR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

**4.7.2.4 Derecognition of financial liabilities**

Financial liabilities are derecognised when the obligations specified in the contract is discharged, canceled or expired. 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 recognised as part of the gain or loss on the extinguishment.

**4.7.2.5 Off-setting of financial assets and financial liabilities**

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise 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 Group or the counterparty.

#### **4 Material accounting policy information (continued)**

##### **4.7 Financial instruments (continued)**

##### **4.7.3 Effective profit rate ("EPR")**

The effective profit rate method is a method of calculating the amortised cost of financial asset and liability and of allocating income and expense over the relevant period. The effective profit 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 profit 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.

##### **4.8 Investment properties**

The investment properties are initially recognised at the fair value. Subsequent to the initial recognition, the Group continues to account for its investment properties at fair value. Any fair value gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.

The fair value of investment properties (as measured in the consolidated financial statements) is based on a valuation by an independent valuer, as engaged by the Group. The valuer holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. If an investment property becomes owner-occupied, it is reclassified as property and equipment. The gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss in the period of the retirement or disposal.

##### **4.9 Intangible assets**

Intangible assets having definite lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged as disclosed in note 14 applying the straight-line method over the useful life or 5 years. Amortisation is charged from the month in which the asset is available for use, while no amortisation is charged for the month in which the asset is disposed-off.

The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

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

##### **4.10 Property and equipment**

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

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

Depreciation is charged using the straight-line method over its estimated useful life as mentioned below, after taking into account residual value.

Furniture & fixtures	5 years
Office equipment	5 years
Leasehold improvements	3 to 5 years
Office equipment – IT	4 years
Vehicles	3 years

Depreciation on additions is charged from the month the assets are available for the intended use. No depreciation is charged in the month of disposal.

#### **4 Material accounting policy information (continued)**

##### **4.10 Property and equipment (continued)**

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

Gains / losses on disposal of fixed assets, if any, are taken to profit or loss account in the period in which they arise.

Assets having an indefinite useful life are stated at acquisition cost less accumulated impairment losses, if any.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each reporting date.

##### **4.11 Impairment of non-financial assets**

At each statement of financial position date, the carrying amounts of non-financial assets are reviewed regularly to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

##### **4.12 Trade payables**

Trade payable includes the amounts against liabilities for goods and services provided to the Group before the end of the financial year which are unpaid at the period end. The amounts are unsecured and non-profit-bearing against the purchase of assets and associated services received thereof in the ordinary course of business. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

##### **4.13 Provisions**

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

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

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

##### **4.14 Zakat and value added tax "VAT"**

Zakat is provided in accordance with the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and on an accruals basis. Zakat charge for the year is charged directly to profit or loss with a corresponding liability recognised in the financial position.

##### *Value added tax*

The Group is subject to VAT in accordance with the regulations in the Kingdom of Saudi Arabia. Output VAT related to revenue is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of assets / services to customers or (c) the invoice date. Input VAT is recoverable to the extent of taxable supplies and upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT receivable or VAT payable is recognised in the statement of financial position on a net basis and disclosed as an asset or a liability. Input VAT that is not recoverable is charged to profit or loss.



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**4 Material accounting policy information (continued)****4.15 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss of the period of the financial facilities using the EPR. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan 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 drawdown 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 capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, canceled 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 recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

**4.16 Employees' end of service benefits**

This represents the end of service benefits plan. Employees' post-employment benefits, as required by Saudi Arabian Labor Law, are required to be provided based on the employees' length of service with the Group.

The Group's net obligations in respect of defined benefit plans (post-employment benefits obligations) are calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The liability recognised in the statement of financial position, in respect of the defined post-employment benefits obligation, is the present value of the employees' post-employment benefits obligation at the end of the reporting period. The discount rate used to determine present value is the market yield on government bonds at the reporting date that have maturity dates approximating the terms of the Group's obligations. The cost of providing benefits under the defined benefit plans is calculated annually by independent actuaries using the projected unit credit method.

The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognised and any unrecognised actuarial gains/losses. The finance cost is calculated by applying the discount rate to the net balance of the employees' post-employment benefits obligations. This cost is included in employee benefit expense in profit or loss. Changes in the present value of the employees' end-of-service termination benefits obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income within equity under end of service benefits reserve.

**4.17 Other operating expenses**

Other operating expenses includes all the expenses incurred during the period which are directly or indirectly associated with business and operational activities other than employees' related cost as well as periodic cost recognised either based on depreciation, amortisation or on the basis of EPR method.

**4.18 Proposed dividend and transfer between reserves**

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the statement of financial position date are considered as non-adjusting events and are recorded in the consolidated financial statements in accordance with the requirements of International Accounting Standard ("IAS") 10, 'Events after the Reporting Period' in the year in which they are approved / transfers are made.

#### **4 Material accounting policy information (continued)**

##### **4.19 Government grants**

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

##### **4.20 Fair value measurement**

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

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

The fair value of an asset/liability is measured using the assumptions that market participants would use when pricing those assets, with the assumption that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets for which fair value is disclosed in the annual consolidated financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

To measure the fair value of the equity instruments and investment properties, the Group engages an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the asset being valued. Management reviews valuer's report and assesses appropriateness of assumptions and valuation techniques and the overall reasonableness of valuation. For the purpose of fair value disclosures, the Group has determined classes of assets based on the nature, characteristics and risks of the asset and the level of the fair value hierarchy, as explained above.

##### **4.21 Current vs. non-current classification**

The presentation of assets and liabilities in the statement of financial position is driven by liquidity. As per the management assessment, the Group does not supply goods or services within a clearly identifiable operating cycle and such presentation provides the information that is reliable and is more relevant in the circumstances of the Group. Therefore, all the assets and liabilities are presented broadly in order of liquidity.

However, the Group discloses the amounts that are expected to be recovered or settled within 12 months of the reporting period (current portion) and the amounts expected to be recovered or settled after more than 12 months (non-current portion) within the respective disclosures of respective consolidated financial statements line items.

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.

#### **4 Material accounting policies (continued)**

##### **4.21 Current vs. non-current classification (continued)**

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.

##### **4.22 Repossessed assets held for sale**

The Group, in the ordinary course of business, acquires certain vehicles in settlement of due financing. Such vehicles are considered as assets held for sale and are initially stated at the lower of carrying amount of due financing and the current fair value of the related properties, less any costs to sell. No depreciation is charged on such vehicles.

Subsequent to initial recognition, any write down to fair value, less costs to sell, is charged to profit or loss. Any subsequent revaluation gains in the fair value less costs to sell of these assets to the extent this does not exceed the cumulative write down is recognised in profit or loss. Gains or losses on disposal are recognised in profit or loss.

##### **4.23 Collateral valuation**

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as real estate, vehicles. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate and vehicles are valued based on data provided by third parties such as professional valuers or based on housing price indices.

##### **4.24 Collateral repossessed**

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in line with the Group's policy.

##### **4.25 Net servicing asset or liability**

Servicing asset or liabilities are initially recognised as either a net servicing asset or a net servicing liability for that servicing contract at its fair value.

The fair value of net servicing asset/liability is determined based on the present value of estimated future cash flows related to contractually specify 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.

##### *Discount rates*

Discount rate represents the current market assessment of the risks specific to the Group, taking into consideration the expectation of an investor's return and the individual risks of the underlying assets.

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**4 Material accounting policies** (continued)

**4.25 Net servicing asset or liability** (continued)

*Servicing costs*

The management assesses the cost of servicing including salaries and other direct costs. The annual change in the servicing cost represents the increment to the servicing cost as a result of inflation. Also, the calculation of discount rate and servicing cost is sensitive to the expected default rate and prepayment risk, which are expected to be minimal.

Variations in one or a combination of these assumptions could materially affect the estimated values of net servicing assets. Evaluation of impairment is performed on periodic basis taking into consideration historical trends, past experience and forecasts of defaults and prepayments.

**5 Cash at banks**

*Cash at banks:*

	<b>As at December 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash at banks	<b>48,161,424</b>	3,691,105

The Group does not earn profits on current accounts with banks in accordance with Sharia rules and principles.

*Cash and cash equivalents - For the purpose of statement of cash flows:*

	<b>As at December 31,</b>	
	<b>2024</b>	<b>2023</b>
Cash at banks	<b>48,161,424</b>	3,691,105
Less: bank overdrafts (note 19)	<b>(28,052,229)</b>	(28,122,488)
	<b>20,109,195</b>	(24,431,383)

**6 Margin deposits – restricted**

		<b>As at December 31,</b>	
	<b>Notes</b>	<b>2024</b>	<b>2023</b>
Margin deposits with banks	6.1	<b>7,271,634</b>	7,271,634
Less: Effect of discounting	6.2	<b>(30,878)</b>	(30,878)
		<b>7,240,756</b>	7,240,756

**6.1** This amount represents the margin deposits placed by the Group according to certain securitization and agency agreements entered into with banks as borrowings (note 19) amounting SR 7.2 million as at December 31, 2024 (2023: SR 7.2 million).

**6.2** The movement in the effect of discounting in respect of present value margin deposits is as follow:

		<b>As at December 31,</b>	
	<b>Note</b>	<b>2024</b>	<b>2023</b>
Opening balance		<b>30,878</b>	51,887
Income during the year	23	-	(21,009)
		<b>30,878</b>	30,878

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**7 Prepayments, advances and other receivables**

	Note	As at December 31,	
		2024	2023
Other receivables from customers	7.1	<b>88,279,900</b>	86,710,677
Court award receivable	7.2	<b>40,920,517</b>	-
Insurance receivables		<b>3,615,381</b>	3,582,245
Service assets		-	3,497,826
VAT receivable		<b>8,192,981</b>	8,783,509
Advance to suppliers – unsecured		-	1,876,547
Advances to employees		<b>183,612</b>	587,957
Prepaid rentals		<b>524,982</b>	513,178
Prepaid insurance		<b>2,554,785</b>	5,728,110
Other prepayments and receivables		<b>14,802,540</b>	12,641,285
		<b>159,074,698</b>	123,921,334
Less: ECL allowance on other receivables from customers	7.1	<b>(47,244,722)</b>	(47,244,722)
<b>Total</b>		<b>111,829,976</b>	76,676,612

**7.1** Receivables from customers represent receivables against additional services provided by the Group to its customers such as payment of legal charges, traffic violations, extra mileage, insurance on expired financing etc. on their behalf. Based on the aging of the other receivables from customers and their respective ECL staging classification, the Group provides for ECL allowance on these balances. The ECL against the receivables from customer is SR 47.24 million as at December 31, 2024 (2023: SR 47.24 million).

**7.2** On October 28, 2024, the first circuit of the Appeal Committee for Adjudicating Violations and Financial Disputes ruled in favor of the Group, ordering the liquidation of a property, valued at SR 40.92 million, mortgaged by Bassim Al Qassim in favour of the Group following his default on an Islamic financing facility. The proceeds from the liquidation of property are currently held by the court and the Group is awaiting payment.

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**8 Related parties' balances and transactions**

Related parties represent associated companies, major shareholders, directors, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

**8.1 Related parties' balances**

In the ordinary course of the Group's activities, the Group enters into business transactions with related parties. The following balances are outstanding at the years ended December 31, 2024 and 2023 in relation to transactions with related parties:

	Notes	Nature of relationship	As at December 31,	
			2024	2023
<b>8.1.1 Due from related parties</b>				
Abdullatif Alissa Group Holding Company	29	Parent Company	<b>492,801,631</b>	412,341,577
National Automotive Trading Company		Affiliate	<b>264,651</b>	264,651
Alissa Universal Motor Company	8.3	Affiliate	<b>75,898,507</b>	86,599,762
General Automotive Company (GACO)		Affiliate	<b>1,491,032</b>	1,491,032
			<b>570,455,821</b>	500,697,022
Expected credit losses on due from related parties			<b>(2,355,683)</b>	-
			<b>568,100,138</b>	500,697,022
<b>8.1.2 Due to related parties</b>				
Abdullatif Alissa Group Holding Company	29	Parent Company	<b>1,218,519</b>	-
Best Trading Company	8.4	Affiliate	-	2,563,591
Aqar and Memar Real Estate Company		Affiliate	<b>470,664</b>	470,664
			<b>1,689,183</b>	3,034,255
<b>8.1.3 Key management personnel (KMP)*</b>				
<i>(No. of KMP in 2024: 12 (2023: 15))</i>				
Accruals and other liabilities		Accrued directors' meeting attendance fee	-	453,040
EOSB Obligation		EOSB Obligation	<b>1,929,232</b>	1,698,071

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**8 Related parties' balances and transactions** (continued)

**8.2 Related parties' transactions made during the year**

Name of related party	Nature of relationship	Nature of transaction	For the year ended December 31,	
			2024	2023
Abdullatif Alissa Group Holding Company	Parent Company	Portfolio sold to Parent Company	<b>120,362,243</b>	-
		Net collections against the portfolio sold to Parent Company	<b>56,037,656</b>	43,461,580
		IT cost recharged by Parent Company	<b>11,393,104</b>	6,193,692
		Installment repaid by Parent Company	<b>45,919,591</b>	-
		Finance income on sold portfolio (note 29)	<b>15,844,602</b>	9,135,103
		Expense recharged to Parent Company	<b>9,860,098</b>	4,897,816
		Rent recharged to Parent Company	<b>1,209,589</b>	-
		Expenses settled by Parent Company	<b>10,722,302</b>	-
Alissa Universal Motor Company	Affiliate	Principal received	<b>12,466,782</b>	6,059,718
		Finance income earned	<b>1,765,527</b>	2,001,863
General Automotive Company	Affiliate	Expenses recharge to the affiliate	-	1,500
Best Trading Company	Affiliate	Settlement with respect to the affiliate payable	<b>2,563,591</b>	3,193,338
Key management personnel*		Salaries and other short-term employee benefits	<b>7,794,206</b>	8,979,352
		End of service benefits charged to profit or loss	<b>474,613</b>	616,996
		Directors' meeting attendance fee (note 24)	<b>5,389,030</b>	3,936,504

**8.3** During 2022, the Group entered into three parties agreement whereas the parties agreed to transfer the receivable amounting to SR 99.73 million from Abdullatif Alissa Automotive Company to Alissa Universal Motor Company with no profit payable semi-annually over 8 years with first installment due on July 31, 2023. The Group used the discount rate of 2.2% which is preferable profit rate to arrive at the present value of the transaction.

**8.4** During the year ended December 31, 2023, the Group offset an amount of SR 3.2 million payable to the Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (the "insurance company") against a receivable amount of SR 0.6 million from Best Trading Company through a tri-party agreement which resulted in a payable amount of SR 2.6 million payable to Best Trading Company. This payable has been settled by the Group in current year.

\* Key management personnel of the Group include all members of the board of directors, chief executive officer and senior management. Short-term employee benefits of the Group's key management personnel include salaries, allowances, cash and non-cash benefits, bonuses and contributions to General Organization for Social Insurance.

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**9 Investment in Islamic financing, net**

	Note	<b>As at December 31,</b>	
		<b>2024</b>	<b>2023</b>
Gross investment in Islamic financing		<b>2,631,345,162</b>	3,165,472,113
Unearned Islamic financing income		<b>(679,350,728)</b>	(798,971,284)
Deferred origination expenses net of unearned origination fee		<b>19,758,403</b>	5,477,612
	9.1	<b>1,971,752,837</b>	2,371,978,441
Less: Provision for ECL allowance		<b>(127,470,446)</b>	(179,816,566)
		<b>1,844,282,391</b>	2,192,161,875

**9.1 Product-wise classification of investment in Islamic financing**

	<b>As at December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Financial assets carried at amortized cost</b>		
Murabaha	<b>111,062,151</b>	255,723,720
Tawarruq	<b>1,770,436,444</b>	1,890,064,762
Ijara	<b>90,254,242</b>	226,189,959
	<b>1,971,752,837</b>	2,371,978,441

**9.2 Details of investment in Islamic financing, net**

	<b>Murabaha</b>		<b>Tawarruq</b>		<b>Ijara</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>
Gross investment in Islamic financing	<b>112,989,867</b>	262,484,753	<b>2,424,150,167</b>	2,660,423,567	<b>94,205,128</b>	242,563,793	<b>2,631,345,162</b>	3,165,472,113
Unearned Islamic financing income	<b>(1,927,716)</b>	(6,761,033)	<b>(673,039,835)</b>	(775,836,417)	<b>(4,383,177)</b>	(16,373,834)	<b>(679,350,728)</b>	(798,971,284)
	<b>111,062,151</b>	255,723,720	<b>1,751,110,332</b>	1,884,587,150	<b>89,821,951</b>	226,189,959	<b>1,951,994,434</b>	2,366,500,829
Deferred origination expenses net of unearned origination fee	-	-	<b>19,326,112</b>	5,477,612	<b>432,291</b>	-	<b>19,758,403</b>	5,477,612
Total	<b>111,062,151</b>	255,723,720	<b>1,770,436,444</b>	1,890,064,762	<b>90,254,242</b>	226,189,959	<b>1,971,752,837</b>	2,371,978,441
							<b>(127,470,446)</b>	(179,816,566)
							<b>1,844,282,391</b>	2,192,161,875
							<b>642,112,818</b>	854,943,131
							<b>1,202,169,573</b>	1,337,218,744
							<b>1,844,282,391</b>	2,192,161,875



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**9 Investment in Islamic financing, net (continued)**
**9.3 The maturity of the investment classified as an Ijara (lease receivable) is as follows:**

	<b>As at December 31,</b>	
	<b>2024</b>	<b>2023</b>
Year 1	<b>78,189,538</b>	208,940,602
Year 2	<b>7,699,773</b>	23,638,064
Year 3	<b>3,266,204</b>	6,518,732
Year 4	<b>1,536,417</b>	2,450,090
Year 5 onwards	<b>3,513,196</b>	1,016,305
<b>Gross investment in Ijara</b>	<b>94,205,128</b>	242,563,793
Less: unearned income	<b>(4,383,177)</b>	(16,373,834)
Less: Deferred origination expenses net of unearned origination fee	<b>432,291</b>	-
<b>Net investment in Ijara</b>	<b>90,254,242</b>	226,189,959

**9.4 Portfolio provision analysis for gross investment in Islamic financing:**

<b>December 31, 2024</b>	<b>Investment in Islamic financing</b>	<b>Expected credit losses</b>	<b>Expected loss rates</b>
Not yet due	<b>1,578,442,831</b>	<b>15,419,018</b>	<b>1%</b>
1-90 days	<b>153,148,127</b>	<b>18,109,868</b>	<b>12%</b>
91-180 days	<b>37,013,246</b>	<b>13,471,677</b>	<b>36%</b>
181-365 days	<b>67,229,264</b>	<b>25,752,358</b>	<b>38%</b>
Above 365 days	<b>135,919,369</b>	<b>54,717,525</b>	<b>40%</b>
	<b>1,971,752,837</b>	<b>127,470,446</b>	<b>6%</b>

<b>December 31, 2023</b>	<b>Investment in Islamic financing</b>	<b>Expected credit losses</b>	<b>Expected loss rates</b>
Not yet due	1,636,069,852	19,254,439	1%
1-90 days	347,708,081	38,446,665	11%
91-180 days	44,558,493	19,340,644	43%
181-365 days	55,738,739	26,524,620	48%
Above 365 days	287,903,276	76,250,198	26%
	<b>2,371,978,441</b>	<b>179,816,566</b>	<b>8%</b>

**9.5 Stage wise analysis of Islamic financing receivables for each product is as follows:**
**9.5.1 Murabaha:**

<b>December 31, 2024</b>	<b>Performing (Stage 1)</b>	<b>Under-performing (Stage 2)</b>	<b>Non-performing (Stage 3)</b>	<b>Total</b>
Investment in Islamic financing receivables	<b>59,007,765</b>	<b>41</b>	<b>52,054,345</b>	<b>111,062,151</b>
Less: Provision for ECL allowance	<b>(1,413,289)</b>	<b>(4)</b>	<b>(24,094,185)</b>	<b>(25,507,478)</b>
Investment in Islamic financing receivables, net	<b>57,594,476</b>	<b>37</b>	<b>27,960,160</b>	<b>85,554,673</b>

<b>December 31, 2023</b>	<b>Performing (Stage 1)</b>	<b>Under-performing (Stage 2)</b>	<b>Non-performing (Stage 3)</b>	<b>Total</b>
Investment in Islamic financing receivables	75,676,161	711,539	179,336,020	255,723,720
Less: Provision for ECL allowance	(8,876,354)	(124,751)	(39,309,406)	(48,310,511)
Investment in Islamic financing receivables, net	<b>66,799,807</b>	<b>586,788</b>	<b>140,026,614</b>	<b>207,413,209</b>

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**9 Investment in Islamic financing, net (continued)****9.5 Stage wise analysis of Islamic financing receivables for each product is as follows: (continued)****9.5.2 Tawarruq:**

<b>December 31, 2024</b>	<b>Performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
Investment in Islamic financing receivables	1,578,674,218	55,295,587	136,466,639	1,770,436,444
Less: Provision for ECL allowance	(17,228,389)	(14,434,877)	(53,026,223)	(84,689,489)
Investment in Islamic financing receivables, net	<b>1,561,445,829</b>	<b>40,860,710</b>	<b>83,440,416</b>	<b>1,685,746,955</b>
<b>December 31, 2023</b>	<b>Performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
Investment in Islamic financing receivables	1,699,616,245	83,337,959	107,110,558	1,890,064,762
Less: Provision for ECL allowance	(19,076,534)	(27,702,600)	(50,615,562)	(97,394,696)
Investment in Islamic financing receivables, net	<b>1,680,539,711</b>	<b>55,635,359</b>	<b>56,494,996</b>	<b>1,792,670,066</b>

**9.5.3 Ijara finance lease:**

<b>December 31, 2024</b>	<b>Performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
Investment in Islamic financing receivables	36,469,472	2,143,875	51,640,895	90,254,242
Less: Provision for ECL allowance	(350,161)	(102,166)	(16,821,153)	(17,273,480)
Investment in Islamic financing receivables, net	<b>36,119,311</b>	<b>2,041,709</b>	<b>34,819,742</b>	<b>72,980,762</b>
<b>December 31, 2023</b>	<b>Performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
Investment in Islamic financing receivables	116,411,025	8,025,004	101,753,930	226,189,959
Less: Provision for ECL allowance	(1,338,346)	(582,519)	(32,190,494)	(34,111,359)
Investment in Islamic financing receivables	<b>115,072,679</b>	<b>7,442,485</b>	<b>69,563,436</b>	<b>192,078,600</b>

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**9 Investment in Islamic financing, net (continued)**
**9.6.1 The movement in Investment in Islamic financing receivables is as follows:**

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
<b>As at January 1, 2024</b>	<b>1,891,703,431</b>	<b>92,074,502</b>	<b>388,200,508</b>	<b>2,371,978,441</b>
Transfers from performing	(99,414,805)	23,004,345	76,410,460	-
Transfers from under- performing	15,242,193	(37,254,553)	22,012,360	-
Transfer from non-performing	4,346,424	512,956	(4,859,380)	-
Financial assets settled	(925,124,505)	(59,788,718)	(68,334,811)	(1,053,248,034)
Financial assets originated	850,674,883	-	-	850,674,883
Transfers from financial assets originated	(63,276,166)	38,890,971	24,385,195	-
Financial assets - written off	-	-	(197,652,453)	(197,652,453)
<b>As at December 31, 2024</b>	<b>1,674,151,455</b>	<b>57,439,503</b>	<b>240,161,879</b>	<b>1,971,752,837</b>
	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
<b>As at January 1, 2023</b>	<b>1,236,572,355</b>	<b>138,829,843</b>	<b>617,552,823</b>	<b>1,992,955,021</b>
Transfers from performing	(59,865,370)	23,241,618	36,623,752	-
Transfers from under- performing	61,409,833	(84,287,823)	22,877,990	-
Transfer from non-performing	26,549,323	4,467,064	(31,016,387)	-
Financial assets settled	(519,778,308)	(54,099,800)	(31,551,183)	(605,429,291)
Financial assets originated	1,255,784,021	-	-	1,255,784,021
Transfers from financial assets originated	(108,968,423)	63,923,600	45,044,823	-
Financial assets - written off	-	-	(71,299,553)	(71,299,553)
Financial assets held for sale	-	-	(200,031,757)	(200,031,757)
<b>As at December 31, 2023</b>	<b>1,891,703,431</b>	<b>92,074,502</b>	<b>388,200,508</b>	<b>2,371,978,441</b>

**9.6.2 The movement in allowance for ECL for Islamic financing receivables is as follows:**

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
<b>As at January 1, 2024</b>	<b>29,291,234</b>	<b>28,409,870</b>	<b>122,115,462</b>	<b>179,816,566</b>
Transfer from performing	(1,779,298)	298,349	1,480,949	-
Transfer from under-performing	3,520,716	(12,166,431)	8,645,715	-
Transfer from non-performing	1,895,503	202,440	(2,097,943)	-
Financial assets - settled	(8,229,354)	(16,073,443)	(10,894,240)	(35,197,037)
Financial assets originated	29,607,838	-	-	29,607,838
Transfers from financial assets originated	(20,222,913)	10,877,978	9,344,935	-
Changes in PDs/LGDs/EADs	(15,091,887)	2,988,284	39,194,260	27,090,657
Financial assets – written off	-	-	(197,652,453)	(197,652,453)
Additional ECL on financial assets written-off	-	-	123,755,385	123,755,385
ECL on income in suspense	-	-	49,491	49,491
<b>As at December 31, 2024</b>	<b>18,991,839</b>	<b>14,537,047</b>	<b>93,941,560</b>	<b>127,470,446</b>

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**9 Investment in Islamic financing, net (continued)**
**9.6.2 The movement in allowance for ECL for Islamic financing receivables is as follows: (continued)**

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
<b>As at January 1, 2023</b>	39,358,598	32,517,680	218,526,685	290,402,963
Transfer from performing	(2,906,399)	1,451,909	1,454,490	-
Transfer from under-performing	14,216,920	(19,897,624)	5,680,704	-
Transfer from non-performing	9,981,706	1,302,422	(11,284,128)	-
Financial assets - settled	(7,548,848)	(11,044,441)	(21,313,857)	(39,907,146)
Financial assets originated	56,928,492	-	-	56,928,492
Transfers from financial assets originated	(43,440,280)	22,384,170	21,056,110	-
Changes in PDs/LGDs/EADs	(37,298,955)	1,695,754	22,139,563	(13,463,638)
Financial assets – written off	-	-	(71,299,553)	(71,299,553)
Financial assets held for sale	-	-	(79,669,514)	(79,669,514)
Additional ECL on financial assets written-off	-	-	29,645,894	29,645,894
Management overlay	-	-	2,500,000	2,500,000
ECL on income in suspense	-	-	4,679,068	4,679,068
<b>As at December 31, 2023</b>	<b>29,291,234</b>	<b>28,409,870</b>	<b>122,115,462</b>	<b>179,816,566</b>

**9.7 (Charge for) / reversal of ECL allowance on financial assets during the year, net**

	Notes	For the year ended December 31, 2024	For the year ended December 31, 2023
Charge for ECL allowance - investment in Islamic financing		(19,394,919)	(1,706,179)
Additional ECL on financial assets written-off		(123,755,385)	(32,145,894)
<b>Charge for the year</b>		<b>(143,150,304)</b>	<b>(33,852,073)</b>
Recoveries from written off loans	9.7.1	42,625,419	41,312,959
<b>Net (charge) / reversal</b>		<b>(100,524,885)</b>	<b>7,460,886</b>

**9.7.1** This includes recoveries from written-off balances in the previous years. The effect of 'recoveries after write-off', on calculating the LGD and consequently on the loss factor, has been considered consistently in the expected credit loss model.

**9.8 Assignment of Islamic financing receivables**

The Group assigned Islamic financing receivables amounting to SR 1,840 million (December 31, 2023: SR 1,958 million) to local commercial banks for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to SR 1,497 million (December 31, 2023: SR 1,615 million). These Islamic financing receivables have not been derecognised from the statement of financial position as the Group retains substantially all the risks and rewards, primarily credit risk. The Group is liable to the repayments of its assigned receivables to local commercial banks in case of customers' default. The amount received on assignment of Islamic financing receivables has been recognised as borrowing in the statement of financial position.

Pursuant to the terms of the transfer agreement, the Group is not allowed to repledge those receivable and the financial institution has recourse only to the receivables in the event the Group defaults its obligation. The carrying value of these receivables and its liability ("the related liability") approximate their fair value.

**9.9 Amounts written off still subject to enforcement activity**

During the year ended December 31, 2024, the receivables amounting to SR 197.65 million (2023: SR 71.29 million) have been written off which are still subject to enforcement activity. These written off were approved by the Board of Directors.

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**9 Investment in Islamic financing, net** (continued)

**9.10 Reconciliation of gross receivables:**

The movement in gross receivables for Islamic financing receivables is as follows:

	<b>2024</b>	<b>2023</b>
<b>Gross carrying amount as at January 1</b>	<b>3,165,472,113</b>	2,449,124,038
Financial assets originated during the year (all stage 1)	<b>817,038,944</b>	1,895,282,985
Financial assets collections	<b>(1,132,372,642)</b>	(896,583,195)
Investment in Islamic financing held for sale	-	(209,436,344)
Written off during the year	<b>(218,793,253)</b>	(72,915,371)
<b>Gross carrying amount as at December 31</b>	<b>2,631,345,162</b>	3,165,472,113

**9.11 Changes in assumptions including incorporation of forward-looking information**

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has used Government revenue and crude oil as key economic factors with weightages as follows:

<b>Key macroeconomic factors</b>	<b>Weightage</b>	
	<b>2024</b>	<b>2023</b>
<b>Old retail portfolio</b>		
Government revenue	<b>58%</b>	58%
Crude oil	<b>42%</b>	42%
<b>New retail portfolio</b>		
Government revenue	<b>45%</b>	45%
Crude oil	<b>55%</b>	55%
<b>Old non-retail portfolio</b>		
Government revenue	<b>40%</b>	40%
Crude oil	<b>60%</b>	60%
<b>New non-retail portfolio</b>		
Government revenue	<b>56%</b>	56%
Crude oil	<b>44%</b>	44%

The macroeconomic factors have been updated based on the latest available information (as issued by IMF October 2024 forecasts).

The Group has incorporated the forecasts from IMF which are representatives of the current and projected macro-economic outlook.

Further, the Group has also considered different scenarios with the different weightage for macroeconomic scenarios as adopted by SAMA for IFRS9 ECL computation, where scenario weightages of 40% to Baseline scenario, 30% to upturn scenario and 30% to downturn scenario were considered.

Sensitivity analysis:

The increase or decrease of 10% change in macroeconomic factors will result in SR 0.67 million (2023: SR 4.25 million) decrease or SR 7.23 million (2023: SR 5.10 million) increase in the ECL provision.

The increase or decrease of 10% change in loss rates (PDs and LGDs) assuming macroeconomic factors remain the same will result in SR 9.57 million (2023: 17.90 million) increase or SR 9.37 million (2023: SR 17.10 million) decrease in the ECL provision.

The sensitivity analysis has been conducted by changing macroeconomic factors/PD's/LGD's and analysing the impact on the baseline ECL of SR 99.93 million (2023: SR 155.06 million).

**9.12 Collateral**

The Group in the ordinary course of its business holds collateral in respect of the Islamic financing (being the title of assets leased out) 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. As at December 31, 2024, the Group held vehicles as collateral amounting to SR 56.7 million (2023: SR 143.1 million) and real estate collateral of SR 163.6 million (2023: SR 262.9 million).

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**9 Investment in Islamic financing, net (continued)****9.13 Finance leases agreements**

The title of the assets sold under finance leases agreements is held in the name of the Group. Further, all investments in finance leases are secured through personal guarantees.

**10 Assets held for sale****10.1 Investment in Islamic financing held for sale, net**

	<b>As at December 31,</b>	
	<b>2024</b>	<b>2023</b>
Investment in Islamic financing held for sale, net	-	120,362,243

On December 27, 2023, the Board of Directors approved the sale of investment in Islamic financing with no recourse to Parent Company amounting to the net of SR 120.3 million (gross Islamic financing receivables amounting to SR 239.4 less portfolio written off SR 39.4 million less ECL provision amounting to SR 79.6 million).

Subsequent to year ended December 31, 2023, the Group obtained no objection certificate from SAMA on February 1, 2024 to sell the portfolio to the Parent Company. On February 4, 2024, the Group entered into agreement with Parent Company to sell the above portfolio against a consideration of SR 120.3 million. As per the agreement, the Parent Company is required to settle SR 120.3 million over 16 semi-annually instalments starting from July 2024 over a period of nine years at preferable rate of 0.75% per annum which was finally agreed at 7% per annum following negotiations between the Group and its Parent Company. The Parent Company is settling the repayments as per repayment schedule.

**10.2 Product-wise classification of investment in Islamic financing held for sale**

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
<b>Gross financial assets carried at amortised cost</b>		
Murabaha	-	42,786,134
Tawarruq	-	42,305,621
Ijara	-	114,940,002
	-	200,031,757

**10.3 Details of investment in Islamic financing held for sale, net**

	<b>Murabaha</b>	<b>Tawarruq</b>	<b>Ijara</b>	<b>Total</b>
December 31, 2023				
Gross investment in Islamic financing	42,786,255	51,670,573	114,979,516	209,436,344
Unearned Islamic financing income	(121)	(9,364,952)	(39,514)	(9,404,587)
	42,786,134	42,305,621	114,940,002	200,031,757
Provision for ECL				(79,669,514)
Investment in Islamic financing held for sale, net				120,362,243

**10.4 The maturity of the investment classified as an Ijara (lease receivable) held for sale is as follows:**

	<b>As at December 31, 2024</b>	<b>As at December 31, 2023</b>
Year 1	-	114,979,516
<b>Gross investment in Ijara</b>	-	114,979,516
Less: unearned income	-	(39,514)
<b>Net investment in Ijara held for sale</b>	-	114,940,002

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**10 Assets held for sale (continued)****10.5 Portfolio provision analysis for gross investment in Islamic financing held for sale:**

<b>December 31, 2023</b>	<b>Investment in Islamic financing</b>	<b>Expected credit losses</b>	<b>Expected credit loss rates</b>
<b>Aging</b>			
91-180 days	98,196	35,528	36%
181-365 days	16,155,697	7,613,004	47%
Above 365 days	183,777,864	72,020,982	39%
	<u>200,031,757</u>	<u>79,669,514</u>	<u>40%</u>

**10.6 Stage wise analysis of Islamic financing receivables held for sale for each product is as follows:****10.6.1 Murabaha:**

<b>December 31, 2023</b>	<b>Performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
Investment in Islamic financing receivables	-	-	42,786,134	42,786,134
Less: Provision for ECL allowance	-	-	(21,320,333)	(21,320,333)
Investment in Islamic financing receivables, net	-	-	21,465,801	21,465,801

**10.6.2 Tawarruq:**

<b>December 31, 2023</b>	<b>Performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
Investment in Islamic financing receivables	-	-	42,305,621	42,305,621
Less: Provision for ECL allowance	-	-	(18,449,851)	(18,449,851)
Investment in Islamic financing receivables, net	-	-	23,855,770	23,855,770

**10.6.3 Ijara finance lease:**

<b>December 31, 2023</b>	<b>Performing (Stage 1)</b>	<b>Under- performing (Stage 2)</b>	<b>Non- performing (Stage 3)</b>	<b>Total</b>
Investment in Islamic financing receivables	-	-	114,940,002	114,940,002
Less: Provision for ECL allowance	-	-	(39,899,330)	(39,899,330)
Investment in Islamic financing receivables, net	-	-	75,040,672	75,040,672

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**10 Assets held for sale (continued)**
**10.7 Movement in Investment in Islamic financing held for sale receivables:**
**10.7.1 The movement in Investment in Islamic financing receivables held for sale is as follows:**

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
As at January 1, 2023	-	101,658	229,969,724	230,071,382
Transfers from under- performing	-	(101,658)	101,658	-
Financial assets written-off	-	-	(30,039,625)	(30,039,625)
As at December 31, 2023	-	-	200,031,757	200,031,757

**10.7.2 The movement in allowance for ECL for Islamic financing receivables held for sale is as follows:**

	Performing (Stage 1)	Under- performing (Stage 2)	Non- performing (Stage 3)	Total
As at January 1, 2023	-	29,498	105,466,907	105,496,405
Transfer from under-performing	-	(29,498)	29,498	-
Changes in PDs/LGDs/EADs	-	-	(10,469,862)	(10,469,862)
Additional ECL on financial assets written-off	-	-	14,682,596	14,682,596
Financial assets – written off	-	-	(30,039,625)	(30,039,625)
As at December 31, 2023	-	-	79,669,514	79,669,514

**10.8 Reconciliation of gross receivables held for sale**

The movement in gross receivables for Islamic financing receivables is as follows:

	2023
Gross carrying amount as at January 1	239,475,969
Financial assets written off	(30,039,625)
Gross carrying amount as at December 31	209,436,344

**10.9 Repossessed vehicles held for sale**

	Notes	As at December 31, 2024	As at December 31, 2023
<b>Vehicles repossessed against investment in Islamic financing (Ijarah)</b>			
Fair value of vehicles repossessed against Islamic financing	10.9.1	-	525,261
Fair value of vehicles repossessed against written off Islamic financing		90,000	1,944,500
<b>Repossessed vehicles held for sale</b>	10.9.4	90,000	2,469,761

**10.9.1 Details of provision against Islamic financing**

	Notes	As at December 31, 2024	As at December 31, 2023
Gross investment in Islamic financing	10.9.2	-	1,171,511
Less: Provision for impairment on financial assets	10.9.3	-	(274,842)
Net carrying amount		-	896,669
Fair value of vehicles repossessed	10.9.4	-	(525,261)
Additional provision for impairment on repossessed vehicles	10.9.5	-	371,408



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**10 Assets held for sale (continued)**

**10.9 Repossessed assets held for sale (continued)**

**10.9.2** This represents gross investment in Islamic financing receivables pertaining to customers whose past due balances (principal plus profit) exceed 150 days without any payments. These gross amounts include the unpaid principal amount due under the contract plus unpaid income.

**10.9.3** These represent provisions for expected credit loss allowance determined and accounted in the consolidated financial statements till the date of repossession of the vehicles and classification as held-for-sale.

**10.9.4** These amounts represent the fair value of repossessed vehicles which are based on the independent valuations by an independent valuer, as engaged by the Group, who hold a recognised and relevant professional qualification and have recent experience in the category of the vehicles being valued. These fair values of these vehicles will be recovered principally through a sale transaction rather than through continuing use by the Group.

**10.9.5** These amounts represent the additional provision for impairment allowance against the remaining exposures under the contracts with those customers from whom these vehicles, which are classified as held-for-sale, are repossessed as a consequence of foreclosures.

**11 Investment in equity instruments carried at FVOCI**

Name of the equity investments	Notes	As at December 31,	
		2024	2023
Saudi Financial Lease Contract Registry Company	11.1	892,875	892,875
HyperPay Inc.	11.2	33,883,695	6,508,688
Car Switch Ltd.	11.3	199,073	-
		<b>34,975,643</b>	<b>7,401,563</b>

**11.1** In 2017, in accordance with instructions issued by Saudi Central Bank ("SAMA"), the Group has made an investment of SR 892,875 in 89,288 shares of Saudi Financial Lease Contract Registry Group (SIJIL) at the rate of SR 10 per share. This investment is not held for trading. Instead, it is held for the medium to long-term purposes. Accordingly, the Group has elected to designate this investment in equity instruments as at FVOCI.

**11.2** On August 8, 2023, the Subsidiary of the Group entered into an agreement with HyperPay Inc. to subscribe 10,294 preferred A shares against consideration of USD 3,500,000 (primary transaction). On same date, the Subsidiary of the Group entered into shares sale and purchase agreement with the parties as follows:

Name of seller	No of Shares		Purchase Consideration in USD
	Preferred A	Common	
HyperPay Inc.	1,167	-	338,430
Abdulrahman Abdulaziz Alali	1,056	-	306,240
ACP Investments 1 LP	3,542	319	1,119,690
Integrated Networks Company	4,804	1,181	1,735,650
	<b>10,569</b>	<b>1,500</b>	<b>3,500,010</b>

On December 31, 2023, the Subsidiary purchased 5,675 preferred A shares amounting to USD 1.67 million (SR equivalent: 6.5 million) from HyperPay Inc., Abdulrahman Abdulaziz Alali and made a partial purchase from ACP Investment 1 LP. During current period, the Subsidiary has acquired the remaining preferred A and common shares from all the parties at agreed price.

This investment is not held for trading, instead, it is held for the medium to long-term purposes. Accordingly, the Group has elected to designate this investment in equity instruments as at FVOCI. During the year, the Group recognised the unrealised gain of SR 7.6 million in other comprehensive income on this equity investment.

**11.3** The Subsidiary of the Group entered into an agreement with Car Switch Ltd. to subscribe 165 Series B preferred shares against consideration of USD 500,000 (equivalent to SR 1,875,000), the shares were purchased in February 13, 2024. This investment is not held for trading, instead, it is held for the medium to long-term purposes. Accordingly, the Group has elected to designate this investment in equity instruments as at FVOCI. During the year, the Group recognised the unrealised loss of SR 1.67 million in other comprehensive income on this equity investment.

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**11 Investment in equity instruments carried at FVOCI (continued)**

11.4 The movement of investment in equity instruments carried at FVOCI is as follows:

	<b>Investments</b>			
	<b>Saudi Financial Lease Contract Registry Company</b>	<b>HyperPay Inc.</b>	<b>Car Switch Ltd.</b>	<b>Total</b>
<b>Balance as of January 1, 2023</b>	892,875	-	-	892,875
Investments made during the year	-	6,508,688	-	6,508,688
Fair value gain / (loss) during the year	-	-	-	-
<b>Balance as of December 31, 2023</b>	892,875	6,508,688	-	7,401,563
Investments made during the year	-	<b>19,741,350</b>	<b>1,875,000</b>	<b>21,616,350</b>
Fair value gain / (loss) during the year	-	<b>7,633,657</b>	<b>(1,675,927)</b>	<b>5,957,730</b>
<b>Balance as of December 31, 2024</b>	<b>892,875</b>	<b>33,883,695</b>	<b>199,073</b>	<b>34,975,643</b>

**12 Investment properties**

	<b>Real estate</b>
<b>Balance as of January 1, 2023</b>	8,550,087
Fair value loss during the year	(2,550,087)
<b>Balance as of December 31, 2023</b>	6,000,000
Loss on the sale of investment properties	<b>(2,000,000)</b>
Proceeds from the sale of investment properties	<b>(4,000,000)</b>
<b>Balance as of December 31, 2024</b>	<b>-</b>

**12.1** During June 2024, the Group sold its investment property for SR 4 million. The Group recognised a loss of SR 2 million on the sale.

**13 Right-of-use assets and lease liabilities**
**13.1 Right-of-use assets**

	<b>Note</b>	<b>Buildings</b>
<b>Cost</b>		
Balance as at January 1, 2023		42,781,843
Right-of-use assets derecognised		612,621
<b>Balance as at December 31, 2023</b>		43,394,464
Addition to right-of-use assets		<b>369,012</b>
<b>Balance as at December 31, 2024</b>		<b>43,763,476</b>
<b>Accumulated Depreciation</b>		
Balance as at January 1, 2023		(22,248,742)
Depreciation charge for the year	25	(3,261,629)
<b>Balance as at December 31, 2023</b>		(25,510,371)
Depreciation charge for the year	25	<b>(3,116,577)</b>
<b>Balance as at December 31, 2024</b>		<b>(28,626,948)</b>
<b>Net book value as at December 31, 2023</b>		17,884,093
<b>Net book value as at December 31, 2024</b>		<b>15,136,528</b>

**13.2 Lease liabilities**

The following table set outs the carrying amounts of lease liabilities and the movements during the year including changes arising from financing activities:

	<b>2024</b>	<b>2023</b>
<b>Balance as at January 1</b>	<b>17,530,905</b>	22,289,358
Additions	<b>369,012</b>	612,621
Interest on lease liabilities	<b>606,592</b>	700,928
Payments against lease liabilities (principal)	<b>(3,223,407)</b>	(5,371,073)
Payments against lease liabilities (interest)	<b>(606,592)</b>	(700,929)
<b>Balance as at December 31</b>	<b>14,676,510</b>	17,530,905

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**13 Right-of-use assets and lease liabilities (continued)****13.2 Lease liabilities (continued)**

The liabilities and deferred financing cost resulting from these contracts is as follows:

	<b>As at December 31, 2024</b>		<b>Total</b>
	<b>Current</b>	<b>Non-current</b>	
Lease contracts obligations	<b>3,504,000</b>	<b>12,630,000</b>	<b>16,134,000</b>
Deferred finance cost	<b>(485,257)</b>	<b>(972,233)</b>	<b>(1,457,490)</b>
	<b>3,018,743</b>	<b>11,657,767</b>	<b>14,676,510</b>

	<b>As at December 31, 2023</b>		<b>Total</b>
	<b>Current</b>	<b>Non-current</b>	
Lease contracts obligations	3,732,000	15,842,000	19,574,000
Deferred finance cost	(587,545)	(1,455,550)	(2,043,095)
	3,144,455	14,386,450	17,530,905

The minimum future lease payments as at the date of the statement of financial position as a whole are as follows:

	<b>2024</b>	<b>2023</b>
Minimum lease payments		
<b>Year</b>		
Year 1	<b>3,504,000</b>	3,732,000
Year 2	<b>2,630,000</b>	3,342,000
Year 3	<b>2,500,000</b>	2,500,000
Year 4	<b>2,500,000</b>	2,500,000
Year 5 and onwards	<b>5,000,000</b>	7,500,000
Finance cost	<b>(1,457,490)</b>	(2,043,095)
	<b>14,676,510</b>	17,530,905

**13.3** The Group has charged short-term and low values leases amounted to SR 2 million as lease expenses directly to the statement of profit or loss and other comprehensive income during the year ended December 31, 2024 (2023: SR 2 million).

**14 Intangible assets**

	<b>Note</b>	<b>Computer Softwares</b>
<b>Cost</b>		
Balance as at January 1, 2023		27,794,097
Additions		7,678,157
<b>Balance as of December 31, 2023</b>		35,472,254
Additions		6,031,585
<b>Balance as of December 31, 2024</b>		<b>41,503,839</b>
<b>Accumulated amortisation</b>		
Balance as at January 1, 2023		(13,861,166)
Charge for the year	25	(3,946,772)
<b>Balance as of December 31, 2023</b>		(17,807,938)
Charge for the year	25	(4,858,840)
<b>Balance as of December 31, 2024</b>		<b>(22,666,778)</b>
<b>Net book value as at December 31, 2023</b>		17,664,316
<b>Net book value as at December 31, 2024</b>		<b>18,837,061</b>

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**15 Property and equipment**

	Note	Furniture & fixture	Office equipment	Leasehold improvements	Office equipment – IT	Vehicles	Total
<b>Cost</b>							
Balance as at January 1, 2023		8,171,496	8,098,884	10,685,239	14,937,212	198,690	42,091,521
Additions during the year		18,089	342,185	536,662	152,035	-	1,048,971
<b>Balance as of December 31, 2023</b>		8,189,585	8,441,069	11,221,901	15,089,247	198,690	43,140,492
Additions during the year		<b>101,756</b>	<b>231,399</b>	<b>1,390,816</b>	<b>441,318</b>	-	<b>2,165,289</b>
<b>Balance as of December 31, 2024</b>		<b>8,291,341</b>	<b>8,672,468</b>	<b>12,612,717</b>	<b>15,530,565</b>	<b>198,690</b>	<b>45,305,781</b>
<b>Accumulated depreciation</b>							
Balance as at January 1, 2023		(7,912,853)	(7,200,504)	(10,035,550)	(11,103,120)	(198,690)	(36,450,717)
Charge for the year	25	(97,388)	(285,027)	(251,773)	(2,469,904)	-	(3,104,092)
<b>Balance as of December 31, 2023</b>		(8,010,241)	(7,485,531)	(10,287,323)	(13,573,024)	(198,690)	(39,554,809)
Charge for the year	25	<b>(77,613)</b>	<b>(283,765)</b>	<b>(318,997)</b>	<b>(916,224)</b>	-	<b>(1,596,599)</b>
<b>Balance as of December 31, 2024</b>		<b>(8,087,854)</b>	<b>(7,769,296)</b>	<b>(10,606,320)</b>	<b>(14,489,248)</b>	<b>(198,690)</b>	<b>(41,151,408)</b>
<b>Net book value:</b>							
<b>As at December 31, 2023</b>		179,344	955,538	934,578	1,516,223	-	3,585,683
<b>As at December 31, 2024</b>		<b>203,487</b>	<b>903,172</b>	<b>2,006,397</b>	<b>1,041,317</b>	-	<b>4,154,373</b>

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**16 Accruals, provisions and other liabilities**

	Notes	As at December 31,	
		2024	2023
Liabilities related to customers	16.1	<b>23,507,664</b>	22,207,664
Accrued salaries, wages and other benefits		<b>2,940,384</b>	3,572,748
VAT accrual		<b>765,080</b>	1,412,333
Accrued key management bonus and board remuneration	8.1.3	-	453,040
Other accruals, provisions and liabilities	16.2	<b>17,712,238</b>	25,067,049
		<b>44,925,366</b>	52,712,834

**16.1** 'Liabilities related to customers' include unclaimed recoveries against insurance, advances from customers as well as unidentified deposits from customers. The Group recognized balances outstanding for a long period of time as other income with an amount of nil as at December 31, 2024 (2023: SR 7.8 million). In the year, an excess recognition of SR 1.3 million was identified, which has been reversed in the current year.

**16.2** These include legal provision of SR 0.98 million as at December 31, 2024 (2023: SR 9.5 million) made against the legal cases filed against the Group.

**17 Zakat payable**

Zakat is calculated at 2.5% on the higher of approximate zakat base or adjusted net income. Zakat is calculated based on the consolidated financial statements of the Group.

**17.1 Component of zakat base**

The components of the zakat base of the Group under zakat regulations are as follows:

	As at December 31,	
	2024	2023
<b>Balance at beginning of the year:</b>		
Share capital	<b>500,000,000</b>	500,000,000
Equity and its equivalent and internal fund sources	<b>341,434,366</b>	380,086,764
Long-term loans and its equivalent	<b>1,027,586,788</b>	1,254,843,752
<b>Sources of funds</b>	<b>1,869,021,154</b>	2,134,930,516
<b>Deductions- balances at the end of the year</b>		
Property and equipment	<b>4,154,373</b>	3,585,683
Intangible assets	<b>18,837,061</b>	17,664,316
Investments properties	-	6,000,000
Right-of-use assets	<b>15,136,528</b>	17,884,091
Long-term debts and its equivalent	<b>1,687,492,347</b>	1,919,385,594
Non-zakatable assets	<b>1,725,620,309</b>	1,964,519,684
Total assets	<b>2,652,808,290</b>	2,955,835,029
Zakatable assets ("total assets" less "non-zakatable assets")	<b>927,187,981</b>	991,315,345
Zakat base (sources of funds * zakatable assets / total assets)	<b>653,245,075</b>	716,003,891
Zakat due at 2.578% "Provision for zakat during the year"	-	1,841,256

In accordance with zakat regulations applicable to zakat years starting from January 1, 2019, zakat base, excluding the adjusted net income element, is subject to zakat at 2.5% adjusted by ratio of Gregorian to Hijri year number of days (e.g., 2.5% \* 365/354). Zakat is calculated at 2.5% on the adjusted net income element.

**17.2 The movement in the zakat provision for the year is as follows:**

	As at December 31,	
	2024	2023
Balance at the beginning of the year	<b>23,693,039</b>	26,957,665
Charge for the year	-	1,841,256
Reversal for prior years	-	(997,315)
Zakat expense for the year	-	843,941
Payment during the year	<b>(8,391,374)</b>	(4,108,567)
Balance at the end of the year	<b>15,301,665</b>	23,693,039

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The Zakat, Tax and Customs Authority ("ZATCA") has finalized the assessments for the years till 2013, and there are no outstanding zakat dues. In 2018, the Group received zakat assessments from ZATCA for the years 2014 to 2017 where ZATCA raised demand of SR 170.45 million as compared to zakat paid for those years.

The Group objected to those assessments and filed an appeal letter in due time. Early 2019, the Group has entered into a settlement agreement with ZATCA whereby ZATCA has reduced the assessed zakat liability for 2013 until 2017 (as mentioned above) to SR 41.6 million. This amount, as per settlement agreement, is agreed to be paid in installments with 1st installment, being 20% of the above agreed amount due within 5 days of the settlement agreement while rest of the amount is payable in 5 equals annually installments falling due from December 1, 2019 until December 1, 2023. Until the year ended December 31, 2024, the Group has made total agreed payments of SR 41.6 million (2023: SR 35.05 million) against the above-mentioned liability.

The Company has filed the Zakat return with ZATCA for the year ended December 31, 2023, on April 30, 2024, and has received zakat certificate for the year 2023 on November 3, 2024.

**18 End of service benefits obligation**

The Group operates a termination benefit plan in line with the Labor Law requirement in the Kingdom of Saudi Arabia for each of the respective subsidiary entities. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the Labor Laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligations are met when they are due.

**18.1 Amounts recognized in the statement of financial position**

The amounts recognized in the statement of financial position and the movements in the employees' end of service benefits obligation over the year are as follows:

	<b>2024</b>	<b>2023</b>
<b>As at January 1</b>	<b>10,955,000</b>	12,133,000
Current service cost	<b>1,547,000</b>	1,848,000
Finance cost	<b>522,000</b>	549,000
<b>Total amount recognized in profit or loss</b>	<b>2,069,000</b>	2,397,000
Gain from change in financial assumptions	<b>(497,000)</b>	(319,000)
Loss / gain resulting from experience adjustments	<b>441,345</b>	(242,828)
Gain attributable to the re-measurements of employees' end of service termination benefits obligation	<b>(55,655)</b>	(561,828)
Settlements during the year	<b>(3,256,345)</b>	(3,013,172)
<b>As at December 31</b>	<b>9,712,000</b>	10,955,000

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**18 End of service benefits obligation (continued)****18.2 Amount recognized in the statement of other comprehensive income**

	Year ended December 31, 2024	Year ended December 31, 2023
Gain attributable to the re-measurements of employees' end of service benefits obligation	<b>(55,655)</b>	(561,828)

**18.3 Significant actuarial assumptions**

The significant actuarial assumptions used in determining employees' end of service benefits obligation were as follows:

	December 31, 2024	December 31, 2023
Discount rate	<b>5.50%</b>	4.80%
Salary increase rate	<b>2.00%</b>	2.00%
Mortality table	<b>Saudi life table</b>	Saudi life table
Mortality rate	<b>0.36%</b>	0.28%
Average employee turnover rate	<b>19.70%</b>	19.30%

**18.4 Sensitivity analysis**

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Sensitivity level % increase	Impact on EOSB obligation	Sensitivity level % decrease	Impact on EOSB obligation
<b>December 31, 2024</b>				
Discount rate	1%	<b>(638,000)</b>	1%	<b>732,000</b>
Salary increase rate	1%	<b>751,000</b>	1%	<b>(664,000)</b>
Mortality rate	<b>+ 1 year</b>	<b>3,000</b>	<b>- 1 year</b>	<b>3,000</b>
Employee turnover rate	1%	<b>118,000</b>	1%	<b>(136,000)</b>
<b>December 31, 2023</b>				
Discount rate	1%	(726,000)	1%	840,000
Salary increase rate	1%	856,000	1%	(752,000)
Mortality rate	<b>+ 1 year</b>	3,000	<b>- 1 year</b>	3,000
Employee turnover rate	1%	92,000	1%	(110,000)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employees' end of service termination benefit obligation to significant actuarial assumptions the same method (present value of the employees' end of service benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the employees' end of service benefit obligation recognised in the statement of financial position.

**18.5 Effect of employees' end of service benefits obligation on entity's future cash flows**

The weighted average duration of the employees' end of service termination benefits obligation is 7 years. The expected maturity analysis of undiscounted employees' end of service termination benefits obligation is as follows:

	December 31, 2024	2023
Year 1	<b>1,400,000</b>	1,924,351
Year 2	<b>1,268,000</b>	1,378,688
Year 3	<b>1,294,000</b>	1,445,324
Year 4	<b>1,510,000</b>	1,359,368
Year 5	<b>1,374,000</b>	1,579,263
Year 6 and thereafter	<b>28,277,000</b>	43,071,949
<b>Total</b>	<b>35,123,000</b>	50,758,943

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**19 Borrowings**

	Note	As at December 31,	
		2024	2023
Bank borrowings		<b>1,694,045,019</b>	1,953,178,889
Bank overdrafts		<b>28,052,229</b>	28,122,488
Accrued finance cost		<b>8,016,291</b>	8,934,625
Present value gain on profit free borrowings	19.4	<b>(3,305,581)</b>	(10,958,363)
		<b>1,726,807,958</b>	1,979,277,639
Current portion		<b>710,878,937</b>	741,854,593
Non-current portion		<b>1,015,929,021</b>	1,237,423,046
Total borrowings		<b>1,726,807,958</b>	1,979,277,639

The Group has long-term financing facilities with banks to finance current and long-term funding needs, primarily to finance Islamic finance receivables, amounting to SR 2,699 million (2023 SR 2,555 million) of which SR 1,694 million was utilized as of December 31, 2024 (December 31, 2023: SR 1,953 million). These financing facilities, the majority of these financing facilities are repayable in three to four years in monthly, quarterly or six-monthly installments. The Group is required to maintain margin deposits (as disclosed in note 6). The cash cannot be withdrawn or used by the Group for liquidity purposes whilst the borrowing is still outstanding.

**19.1 The movement schedule of borrowings is as follows:**

	2024	2023
<b>Borrowings balance as at January 1</b>	<b>1,979,277,639</b>	1,568,539,988
Additions to bank borrowings during the year	<b>543,543,940</b>	1,012,732,743
Payments made during the year	<b>(802,748,069)</b>	(596,460,429)
Additional accrued finance costs during the year	<b>146,029,676</b>	122,428,849
Finance costs paid during the year	<b>(146,948,010)</b>	(126,544,818)
Finance costs / (income) on profit free borrowings	<b>7,652,781</b>	(1,418,694)
<b>Borrowings balance as at December 31</b>	<b>1,726,807,958</b>	1,979,277,639

**19.2 Maturity profile**

	As at December 31,	
	2024	2023
Year 1	<b>710,878,937</b>	741,854,593
Year 2	<b>504,462,798</b>	552,185,556
Year 3	<b>380,437,659</b>	357,314,796
Year 4	<b>130,195,231</b>	259,180,285
Year 5 and onwards	<b>833,333</b>	68,742,409
	<b>1,726,807,958</b>	1,979,277,639

**19.3 Profit free borrowings – Unsecured**

	Notes	As at December 31,	
		2024	2023
<b>Opening balance</b>		<b>164,668,024</b>	170,515,057
Add: Loans obtained during the year	19.3.1	-	102,000,000
Less: Principal repayments during the year		<b>(89,579,132)</b>	(107,847,033)
Closing balance		<b>75,088,892</b>	164,668,024
Effect of net present value on profit free borrowings	19.4	<b>(3,305,581)</b>	(10,958,363)
<b>Net amount</b>		<b>71,783,311</b>	153,709,661

These represent the borrowings from SAMA and Social Development Bank as profit free to provide necessary support to Micro Small and Medium Enterprises ("MSME").



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**19 Borrowings (continued)****19.3 Profit free borrowings – Unsecured (continued)**

**19.3.1** In order to provide the necessary support to the MSME by SAMA, the Group has received profit free loan from SAMA amounting to SR 102 million during the year ended December 31, 2023 which qualifies as government grant. This profit free loan will be settled over 30 monthly installments started from August 21, 2023.

**19.4 Present value of profit free borrowings**

	<b>2024</b>	<b>2023</b>
<b>As at January 1</b>	<b>10,958,363</b>	9,539,669
Additional – Government grant income	-	12,816,812
Finance cost incurred during the period	<b>(7,652,782)</b>	(11,398,118)
<b>As at December 31</b>	<b>3,305,581</b>	10,958,363

**19.5 Working capital financing**

The Group has obtained bank financial facilities from Islamic banks for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates ranging from 3.4% to 10% per annum.

**19.6 Breach of covenants**

The facility agreements include covenants which, among other things, require the Group to maintain certain financial ratios. As of December 31, 2024, the Group has not breached any covenants with banks (2023: One bank for which the waiver was obtained prior to year end 2023).

**19.7** These facilities are collateralized against the guarantees of Abdullatif Alissa Group Holding Group.

**20 Share capital**

The Group's subscribed, issued and paid-up share capital of SR 500,000,000 is divided into 50,000,000 equity shares of SR 10 each which are fully subscribed, issued and paid, and are distributed among shareholders as follows:

	<b>2024</b>			<b>2023</b>		
	<b>Holding %</b>	<b>No. of shares</b>	<b>Amount</b>	<b>Holding %</b>	<b>No. of shares</b>	<b>Amount</b>
Abdullatif Alissa Group Holding Company ("Parent Company")	<b>99.8%</b>	<b>49,900,000</b>	<b>499,000,000</b>	99.8%	49,900,000	499,000,000
Gulf Development Company	<b>0.2%</b>	<b>100,000</b>	<b>1,000,000</b>	0.2%	100,000	1,000,000
<b>Total</b>	<b>100%</b>	<b>50,000,000</b>	<b>500,000,000</b>	100%	50,000,000	500,000,000

**21 Statutory reserve**

As per article 47 of the articles of association of the Group, the Group is required to transfer 10% of its net income to a statutory reserve until such reserve equals to 30% of its share capital. Accordingly, SR nil (2023: SR 0.8 million) has been transferred from the net income for the year to the statutory reserve. This reserve is currently not available for distribution to the shareholders of the Group.

**22 Income from Islamic financing**

	<b>For the year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Income from Murabaha	<b>4,124,987</b>	10,662,864
Income from Ijara	<b>11,712,374</b>	31,795,174
Income from Tawarruq	<b>336,694,340</b>	270,794,716
Finance income on due from related parties	<b>15,844,602</b>	9,135,103
	<b>368,376,303</b>	322,387,857

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**23 Other income**

	Notes	For the year ended December 31,	
		2024	2023
Vehicle servicing fees *		<b>20,924,534</b>	9,738,101
Recovery against legal expenses and charges, net		<b>6,941,162</b>	9,523,120
Commission on transfer of vehicles ownership		<b>3,790,941</b>	1,908,543
Administration fee on additional services to customers, net		<b>477,676</b>	1,727,604
Income from margin deposits (note 6.2)	6	-	21,009
Rental income		<b>1,209,589</b>	-
Long outstanding unidentified deposits	16.1	<b>(1,300,000)</b>	7,810,174
Additional other insurance income / (cost), net of collections		<b>18,215,105</b>	2,176,705
Fair value loss on investment properties	12	-	(2,550,087)
		<b>50,259,007</b>	30,355,169

\* Vehicle servicing fees income such as vehicles valuation fees, ownership transfer fees and portfolio management fees.

**24 Salaries, wages and other employee related costs**

	Note	For the year ended December 31,	
		2024	2023
Salaries, wages and other employee related costs		<b>108,034,537</b>	105,063,340
Chairman, Directors and Board committee fees	8.2	<b>5,389,030</b>	3,936,504
		<b>113,423,567</b>	108,999,844

**25 Depreciation and amortisation**

	Notes	For the year ended December 31,	
		2024	2023
Depreciation of property and equipment	15	<b>1,596,599</b>	3,104,092
Amortisation of right-of-use assets	13.1	<b>3,116,577</b>	3,261,629
Amortisation of intangible assets	14	<b>4,858,840</b>	3,946,772
		<b>9,572,016</b>	10,312,493

**26 Other operating expenses**

		For the year ended December 31,	
		2024	2023
Insurance cost, net		<b>6,336,154</b>	14,718,495
Repair and maintenance		<b>9,229,471</b>	13,217,551
Legal, VAT and consultancy fees, net		<b>5,875,300</b>	29,222,992
Audit fee		<b>943,333</b>	830,000
Telephone and postage		<b>6,080,654</b>	7,885,710
Professional expenses		<b>12,019,986</b>	21,014,398
Outsourcing - security & others		<b>1,660,422</b>	2,413,266
IT cost allocation		<b>11,393,104</b>	5,400,000
Rent expense		<b>1,983,197</b>	2,039,539
Advertising expenses		<b>2,493,198</b>	7,783,375
Stationery and printing		<b>342,260</b>	239,826
Donations		<b>2,034,149</b>	3,255,476
Other operating expenses*		<b>8,379,503</b>	1,400,668
		<b>68,770,731</b>	109,421,296

\*Other operating expenses represents towing charges and other miscellaneous expenses.

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**27 Impairment on financial assets**

	<b>For the year ended December 31,</b>	
	<b>2024</b>	<b>2023</b>
Charge for ECL allowance - investment in Islamic financing	<b>(143,150,304)</b>	(33,852,073)
Recoveries from written-off customers	<b>42,625,419</b>	41,312,959
Net (charge for) / reversal of ECL allowance	<b>(100,524,885)</b>	7,460,886

**28 Finance costs, net**

		<b>For the year ended December 31,</b>	
	<b>Notes</b>	<b>2024</b>	<b>2023</b>
Finance costs on borrowings		<b>144,854,935</b>	120,331,679
Finance cost on borrowings secured by Islamic financing receivables		-	2,079,906
Finance charges on overdraft		<b>1,174,741</b>	150,825
Accretion of finance cost on lease liabilities	13.2	<b>606,592</b>	700,928
Finance cost on end of service benefits' obligations	18.1	<b>522,000</b>	549,000
Other finance cost		-	148,900
Finance cost / (income) on profit free deposits		<b>7,652,782</b>	(1,418,693)
		<b>154,811,050</b>	122,542,545

**29 Transaction with Parent Company**

During the year ended December 31, 2020, the Group sold Islamic financing receivables with no recourse to Abdullatif Alissa Group Holding Company (the "Parent Company") amounting to the net of SR 536 million (gross receivables sold amounted to SR 903 million less provision of ECL allowance against the sold portfolio of SR 362 million). As per the agreement, Parent Company is required to settle SR 536 million over ten monthly instalments starting from March 2021 over a period of six years.

Furthermore, the Group has collected two instalments amounting to SR 38.8 million during the year ended December 31, 2024 (2023: SR 33.25 million).

The movement in Parent Company balances related to the sale of portfolios is as follows:

		<b>As at December 31,</b>	
	<b>Notes</b>	<b>2024</b>	<b>2023</b>
<b>Balance as at January 1</b>		<b>402,514,381</b>	423,341,228
Addition during the period	10.3	<b>120,362,243</b>	-
Finance income during the period		<b>15,844,602</b>	9,135,103
Collection during the period		<b>(45,919,595)</b>	(29,961,950)
<b>Balance as at December 31</b>		<b>492,801,631</b>	402,514,381

**Other transactions related (payables) / receivables**

	<b>As at December 31,</b>	
	<b>2024</b>	<b>2023</b>
Other transactions related receivables	<b>(1,218,519)</b>	9,827,176

### **30 Contingency and commitments**

#### **Contingency**

The Group has certain legal cases pending in courts against it. However, based on management's best estimate the recorded provision of SR 0.98 million as at December 31, 2024 (December 31, 2023 SR 9.5 million) is sufficient to cover any future liabilities that might result for the legal cases.

#### **Operating leases commitments**

The Group's operating leases commitments are only for branches office premises and are not considered as significant. Commitments for short term leases amounts to SR 2 million (2023: SR 3.1 million).

### **31 Fair values of financial assets and financial 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair value.

#### **31.1 Valuation models**

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

**Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

**Level 2:** inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

**Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

#### **31.2 Fair value hierarchy of financial assets and liabilities**

All financial assets and liabilities of the Group, except investment in equity instruments carried at FVOCI which is carried at fair value are categorised as held at amortised cost, approximate their fair values. The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

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**31 Fair values of financial assets and financial liabilities (continued)**
**31.2 Fair value hierarchy of financial assets and liabilities (continued)**

	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>December 31, 2024</b>					
<b>Financial assets at amortised cost:</b>					
Cash at banks	48,161,424	-	-	48,161,424	48,161,424
Margin deposit – restricted	7,240,756	-	-	7,240,756	7,240,756
Other receivables	111,829,976	-	-	111,829,976	111,829,976
Due from related parties	568,100,138	-	-	568,100,138	568,100,138
Investment in Islamic financings, net	1,844,282,391	-	-	1,844,282,391	1,844,282,391
<b>Financial assets at fair value:</b>					
Investment in equity instruments carried at FVOCI	34,975,643	-	-	34,975,643	34,975,643
	2,614,590,328	-	-	2,614,590,328	2,614,590,328
<b>Financial liabilities at amortised cost:</b>					
Trade payables	16,869,179	-	-	16,869,179	16,869,179
Accruals and other liabilities	44,925,366	-	-	44,925,366	44,925,366
Due to related parties	1,689,183	-	-	1,689,183	1,689,183
Lease liabilities	14,676,510	-	-	14,676,510	14,676,510
Borrowings	1,726,807,958	-	-	1,726,807,958	1,726,807,958
	1,804,968,196	-	-	1,804,968,196	1,804,968,196
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
<b>December 31, 2023</b>					
<b>Financial assets at amortised cost:</b>					
Cash at banks	3,691,105	-	-	3,691,105	3,691,105
Other receivables	46,076,183	-	-	46,076,183	46,076,183
Margin deposit – restricted	7,240,756	-	-	7,240,756	7,240,756
Due from related parties	500,697,022	-	-	500,697,022	500,697,022
Investment in Islamic financings, net	2,192,161,875	-	-	2,192,161,875	2,192,161,875
Investment in Islamic financings held for sale	120,362,243	-	-	120,362,243	120,362,243
<b>Financial assets at fair value:</b>					
Investment in equity instruments carried at FVOCI	7,401,563	-	-	7,401,563	7,401,563
	2,877,630,747	-	-	2,877,630,747	2,877,630,747
<b>Financial liabilities at amortised cost:</b>					
Accounts payable	21,351,374	-	-	21,351,374	21,351,374
Accruals and other liabilities	25,718,146	-	-	25,718,146	25,718,146
Due to related parties	3,034,255	-	-	3,034,255	3,034,255
Lease liabilities	17,530,905	-	-	17,530,905	17,530,905
Borrowings	1,979,277,639	-	-	1,979,277,639	1,979,277,639
	2,046,912,319	-	-	2,046,912,319	2,046,912,319

**31 Fair values of financial assets and financial liabilities (continued)**

**31.3 Valuation technique and significant unobservable inputs**

The fair value of Level 3 equity investments is determined using the following valuation techniques and significant unobservable inputs:

**Discounted Cash Flow (DCF) Method:** The DCF method involves projecting the expected future cash flows of the investee and discounting them to present value using a discount rate that reflects the risks associated with the investment.

**Key Inputs in DCF Method:**

Projected cash flows are estimated based on historical performance and management's expectations of market conditions, discount rate which reflects the cost of capital and specific risks related to the investee, and terminal growth rate which reflects long-term growth expectations beyond the forecast period.

**Market Multiples Method:** This method involves applying multiples derived from comparable market transactions to the investee's financial metrics.

**Key Inputs in Market Multiple Method:**

Comparable multiples: Companies are selected based on industry and market data.

**Unobservable Inputs**

The unobservable inputs used in the valuation of Level 3 equity investments include the discount rate, terminal growth rate, discounted cash flows and market multiples. These inputs are based on management's best estimates and are subject to change based on evolving market conditions and specific investee circumstances.

**31.4 Sensitivity analysis**

<b><u>Key assumption</u></b>	<b><u>Change</u></b>	<b><u>Impact on fair value</u></b>
Discount rate and terminal growth rate	+1% and -0.5%	2,677,076
	-1% and +0.5%	3,492,660

**31.5 Fair value hierarchy of non - financial assets**

Investment properties are carried at fair value through profit or loss and repossessed vehicles held for sale are carried at fair value less cost to sell.

<b>As at December 31, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Repossessed vehicles held for sale	-	-	90,000	90,000
Investment properties	-	-	-	-
	-	-	90,000	90,000
<b>As at December 31, 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Repossessed vehicles held for sale	-	-	2,469,761	2,469,761
Investment properties	-	-	6,000,000	6,000,000
	-	-	8,469,761	8,469,761

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**32 Financial risk management**

The Group's activities are exposed to a variety of financial risks which mainly include market risk (including foreign exchange risk, profit rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the consolidated financial statements. The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is also responsible for developing and monitoring the Group's risk management policies.

**32.1 Risk management structure****32.1.1 Board of Directors**

The Board of Directors (the "Board") is responsible for establishing the Group's policies, including risk management framework, and to review the performance of the Group to ensure compliance with these policies.

**32.1.2 Credit and risk management committee**

The Group's Board has established a Credit and Risk Management Committee (the "CRMC"), to oversee the development and maintenance of risk management processes, policies, strategies, risk methodologies and reporting them to the Board. The CRMC assists the Board in reviewing overall risks which the Group faces, evaluates and reviews operational and non-operational risks and decides on mitigating factors related therewith. The CRMC oversees the Group's risks and report to the Board.

**32.1.3 Audit committee**

The audit committee is also appointed by the Group's Board. 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 Group. In addition, the Audit Committee of the Group also reviews the internal audit risk assessment, discusses the Group's policy with respect to risk assessment and risk management. The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

**32.2 Market risk**

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

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

**32.2.1 Currency risk**

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

**32.2.2 Profit rate risk**

Profit rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Profit rate risk is the impact on future earnings of the Group resulting from change in the market profit rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to profit rate adjustment within a specified period. The most important source of such risk is the Group's receivables related to investment in Islamic financing and borrowings arrangements. The Group is not exposed to significant long term obligations with floating profit rates therefore, the Group is not exposed to any significant profit rate risk.

Financial liabilities of SR 1,126 million (2023: SR 727 million) are based on floating rates and not subject to profit rate swap and thus, a 100 basis points increase in profit rates could have approximately a SR 7 million (2023: SR 7 million) annual effect on the Group's profitability and equity. Similar decrease in profit rates will have an opposite impact on the Group's profitability and equity. The Group's management, through the CRMC, monitors the fluctuations in profit rates on a regular basis and takes appropriate measures to minimise the profit rates risk by adjusting lending rate for future contracts.

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**32 Financial risk management** (continued)

**32.1 Risk management structure** (continued)

**32.2.3 Price risk**

Price risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The sensitivity of the change in market prices is as follows:

	<b>31 December 2024</b>		<b>31 December 2023</b>	
	<b>Reasonably possible change %</b>	<b>Effect on equity</b>	<b>Reasonably possible change %</b>	<b>Effect on equity</b>
Investment in equity instruments carried at FVOCI	+/-1	<b>349,756</b>	+/-1	74,016

**32.3 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk is generally limited to principal amounts and accrued profit thereon if any. The Group has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements. The Group also manages risk through a credit department that evaluates customers' creditworthiness and obtains adequate securities where applicable. The Group's policy is to enter into a financial instrument contract by following internal guidelines such as approving counterparties and approving credit.

**Credit quality analysis**

The Group monitors the credit quality of the Islamic financing receivables through diversification of activities to avoid undue concentration of risks within the individuals or groups. For such purpose, the Group has established exposure limits for each customer and business sectors. The Group has an effective monitoring system which allows it to evaluate customers' creditworthiness and identify potential problem accounts.

An allowance for potential investment in Islamic financing losses is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on Islamic financing installment that can be reasonably anticipated. The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history. However, the rating for the quality of the Group's investments cannot be determined because the customer base of the Group consist of small business for which such data is not readily available. The concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The concentration of credit risk indicates the relative sensitivity of the Group's performance to the developments affecting a particular industry or geographic location. The Group's ten largest customers account form 6.50% (2023: 10.22% of the outstanding balance of investment in Islamic financing as of December 31, 2024).

The maximum exposure to credit risk at the reporting date is as follow:

	<b>Classification</b>	<b>As at December 31</b>	
		<b>2024</b>	<b>2023</b>
Cash at banks	Amortised cost	<b>48,161,424</b>	3,691,105
Margin deposits – restricted	Amortised cost	<b>7,240,756</b>	7,240,756
Other receivables	Amortised cost	<b>111,829,976</b>	76,676,612
Due from related parties	Amortised cost	<b>568,100,138</b>	500,697,022
Net investment in Islamic financing	Amortised cost	<b>1,844,282,391</b>	2,192,161,875
Investment in Islamic financing held for sale	Amortised cost	-	120,362,243
		<b>2,579,614,685</b>	2,900,829,613



## **32 Financial risk management (continued)**

### **32.3 Credit risk (continued)**

The Group's management analyses credit risk in the following categories:

#### **32.3.1 Investment in Islamic financing**

Investment in Islamic financing (IIF) are exposed to significant credit risk. The Group has established procedures to manage credit exposure including evaluation of credit worthiness, formal credit approvals, assigning credit limits, and obtaining collateral. The overall underwriting decision is based on the following key parameters:

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

A significant number of the customers are Government sector employees. Customers are requested to provide standing instructions to credit the Group's account towards monthly installments. In addition, the customers may provide direct debit mandate as a stand by repayment mode. The Group generally receives repayments through variable channels such as SADAD, bank transfers and direct collections. The Group has an approved collection policy and procedure manual establishing a collection strategy to follow up with delinquent customers. In order to monitor exposure to credit risk, reports are produced by the Management Information System (MIS) and are reviewed by credit committee on quarterly basis. These reports show the collection and delinquent status of the customers. The Group has strengthened its legal department in order to be actively involved in the collection process of delinquent customers.

#### **Staging categorisation of financial assets**

The Group categorises its investment in Islamic financing into Stage 1, Stage 2, Stage 3, as described below:

Stage 1: When lease receivables are first recognised, the Group recognises an allowance based on 12 months ECLs. Stage 1 receivables also include facilities where the credit risk has improved and the receivable has been reclassified from Stage 2.

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

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

POCI: Purchased or originated credit-impaired ("POCI") assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and income is subsequently recognised based on a credit-adjusted EPR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The assessment of credit risk of IIF also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD. The key inputs into the measurement of ECL are the term structure of the following variables:

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

#### *Generating the term structure of PD*

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. PD term structures are based on the default probability calculated on forward flow rates of past thirty-six months, adjusted by the outlook of the economy. The Group employs various techniques to develop business sector PD models. In this process, the dependent variable is the default rate and the independent variables are the macro variables. The macro variable inflation rate was selected based on business intuition and statistical analysis performed.

## **32 Financial risk management (continued)**

### **32.3 Credit risk (continued)**

#### **32.3.1 Investment in Islamic financing (continued)**

Based on advice from the Group's CRMC and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of macro-economic variable as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts to adjust its estimates of PDs.

Definition of default:

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

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

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

- qualitative - e.g. breaches of lease contract;
- quantitative- e.g. overdue status and non-payment; and
- based on data developed internally.

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

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large non-retail counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

#### *Generating the term structure of LGD*

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the legal standing against the defaulting counterparties. The LGD models also consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the lease receivable.

#### *Generating the term structure of EAD*

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current IIF receivables from the customer and potential changes to the current amount allowed under the lease contract including amortisation. The EAD of a IIF receivable is its carrying amount before allowance for impairment.

As described above, and subject to using a maximum of a 12-month PD for the receivables for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require installment.

Where modeling of a parameter is carried out on a collective basis, the financial instruments are ranked based on shared risk characteristics that include:

- the business sector of the customers;
- collateral type;
- date of initial recognition;
- remaining term to maturity;

#### *Significant increase in credit risk (SICR)*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group 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 Group's historical experience and expert credit assessment and including forward-looking information.

## **32 Financial risk management (continued)**

### **32.3 Credit risk (continued)**

#### **32.3.1 Investment in Islamic financing (continued)**

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for 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 expectations related to earlier settlement).

Determining whether credit risk has increased significantly:

In determining whether credit risk has increased significantly since initial recognition, the Group uses its quantitative changes in PDs, delinquency status of accounts and, where possible, relevant historical experience. Considering the huge portfolio of individual customers, the management believes that past-due information is the most appropriate method to assess the SICR without the undue cost and efforts. Accordingly, based on instalment collection history, the management believes that the instance of significant increase in credit risk arise only when the installment is past due by for more than 60 days and is classified as underperforming (i.e. in stage 2) and, if it is past due by more than 90 days, it is classified as non-performing (i.e. stage 3). The management activates the recovery team for the purposes of collection of outstanding balance as the receivable entered the non-performing stage.

The criteria for determining whether credit risk has increased significantly includes the 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 Group's quantitative modeling, the remaining lifetime PD is determined to have increased significantly.

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

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The 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 customer.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before the exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

#### **Incorporation of forward-looking information**

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a receivable has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group's credit risk committee and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by global monetary authorities and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

## **32 Financial risk management (continued)**

### **32.3 Credit risk (continued)**

#### **32.3.1 Investment in Islamic financing (continued)**

The Group 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 management has used inflation rates as the key macro-economic variable as of December 31, 2022 and January 1, 2023 to develop the base case scenario which the management estimates are the best estimate of the forecasted macro-economic variable for determination of the PD. Predicted relationships between the key indicators and default and loss rates on various business sectors of the receivables have been developed based on analysing historical data over the past 10 to 15 years.

#### **Modified financial assets**

The contractual terms of a investment in Islamic financing receivable are mainly modified at the request of the customer. An existing Islamic financing receivable whose terms have been modified may be derecognised and the renegotiated lease receivable recognised as a new investment in Islamic financing at fair value.

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

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates Islamic financing receivable with customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, the receivable forbearance is granted on a selective basis if the customer is currently in default or if there is a high risk of default, there is evidence that the customer has made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms. The revised terms usually include extending the maturity and changing the timing of payments. The Group's credit and risk committee regularly review reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect outstanding balances and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the customer's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

#### *Measurement of ECL*

The Group measures an ECL at an account level considering the EAD, PD, LGD and discount rate. PD estimates are estimates at a certain date, based on the term structures as provided above. For LGD estimates of retail portfolio, the Group use present value of recoveries for loss accounts adjusted by the forward-looking information. Further for SME contracts, the collateral value after applying the haircut is considered as an LGD. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of an IIF receivable is its gross carrying amount for provisioning calculation purpose. For discounting the Group has used each contract's effective profit rate.

The investment in Islamic financing generally expose to significant credit risk. Therefore, the Group has established a number of procedures to manage credit exposure including evaluation of lessees' creditworthiness, formal credit approvals, assigning credit limits, obtaining collateral and personal guarantees. The Group also follows a credit classification mechanism, primarily driven by days delinquency as a tool to manage the quality of credit risk of the Islamic financing portfolio. The portfolio that is neither past due nor impaired has a satisfactory history of repayment, where applicable. As at the statement of financial position date, the Group has adequate collaterals to cover the overall credit risk exposure after making an impairment provision.

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**32 Financial risk management (continued)****32.3 Credit risk (continued)****32.3.1 Investment in Islamic financing (continued)****Modified financial assets (continued)**

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

	<b>As at December 31,</b>	
	<b>2024</b>	<b>2023</b>
Neither past nor due	<b>2,136,246,706</b>	2,281,234,201
Past due 1-30 days	<b>132,707,766</b>	321,422,866
Past due 31-60 days	<b>56,845,582</b>	88,968,695
Past due 61-90 days	<b>21,870,027</b>	44,433,118
Past due 91-180 days	<b>49,685,416</b>	63,739,463
Past due 181-365 days	<b>87,390,231</b>	72,788,527
Past due over 365 days	<b>146,599,434</b>	292,885,243
	<b>2,631,345,162</b>	3,165,472,113
Less: Unearned / deferred Islamic financing income	<b>(679,350,728)</b>	(798,971,284)
Less: Deferred origination expenses net of unearned origination fee	<b>19,758,403</b>	5,477,612
	<b>1,971,752,837</b>	2,371,978,441
Less: Provision for ECL allowance	<b>(127,470,446)</b>	(179,816,566)
Investment in Islamic financing, net	<b>1,844,282,391</b>	2,192,161,875
Total portfolio coverage ratio (%)	<b>6.91%</b>	8.2%

The Group's management believes that adequate provision has been made, where required to address the credit risk. Moreover, the Group in the ordinary course of providing finance receivables are subject to additional personal guarantees for security to mitigate credit risk associated with IIF receivables. For additional credit quality disclosure relating to IFRS, please refer note 9 and note 10 to these consolidated financial statements. The credit quality of non-performing IIF receivables is further explained below:

**Investment in Islamic financing, net:**

<b>As at December 31, 2024</b>	<b>Non-Performing</b>	<b>Provision for ECL allowance</b>	<b>Total net of provision</b>
<b>Aging of Islamic financing receivables (Tawarruq) based on past due days</b>			
90-180 days	<b>34,142,073</b>	<b>13,143,819</b>	<b>20,998,254</b>
180 to 270 days	<b>16,029,832</b>	<b>5,975,830</b>	<b>10,054,002</b>
270 to 360 days	<b>33,666,475</b>	<b>13,233,015</b>	<b>20,433,460</b>
360 to 450 days	<b>37,276,929</b>	<b>14,788,915</b>	<b>22,488,014</b>
450 to 540 days	<b>14,238,398</b>	<b>5,774,126</b>	<b>8,464,272</b>
540 to 630 days	<b>66,815</b>	<b>25,973</b>	<b>40,843</b>
630 and above days	<b>1,046,117</b>	<b>84,545</b>	<b>961,571</b>
	<b>136,466,639</b>	<b>53,026,223</b>	<b>83,440,416</b>
<b>As at December 31, 2024</b>	<b>Non-Performing</b>	<b>Provision for ECL allowance</b>	<b>Total net of provision</b>
<b>Aging of Islamic financing receivables (Murabaha) based on past due days</b>			
90-180 days	<b>155</b>	<b>53</b>	<b>102</b>
180 to 270 days	<b>106</b>	<b>36</b>	<b>70</b>
270 to 360 days	<b>8</b>	<b>3</b>	<b>5</b>
360 to 450 days	<b>2,823</b>	<b>961</b>	<b>1,862</b>
450 to 540 days	<b>3,500</b>	<b>1,210</b>	<b>2,290</b>
540 to 630 days	<b>-</b>	<b>-</b>	<b>-</b>
630 and above days	<b>52,047,753</b>	<b>24,091,922</b>	<b>27,955,831</b>
	<b>52,054,345</b>	<b>24,094,185</b>	<b>27,960,160</b>

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**32 Financial risk management (continued)**
**32.3 Credit risk (continued)**
**32.3.1 Investment in Islamic financing (continued)**
**Investment in Islamic financing, net: (continued)**

As at December 31, 2024	Non-Performing	Provision for ECL allowance	Total net of provision
<b>Aging of Islamic financing receivables (Ijara) based on past due days</b>			
90-180 days	2,871,018	327,805	2,543,213
180 to 270 days	799,781	165,493	634,288
270 to 360 days	909,457	205,761	703,696
360 to 450 days	1,042,854	254,791	788,063
450 to 540 days	652,522	168,567	483,955
540 to 630 days	284,053	51,277	232,776
630 and above days	45,081,210	15,647,459	29,433,751
	<b>51,640,895</b>	<b>16,821,153</b>	<b>34,819,742</b>

As at December 31, 2023	Non-Performing	Provision for ECL allowance	Total net of provision
<b>Aging of Islamic financing receivables (Tawarruq) based on past due days</b>			
90-180 days	40,860,444	18,306,621	22,553,823
180 to 270 days	19,105,145	9,492,717	9,612,428
270 to 360 days	28,792,813	13,923,770	14,869,043
360 to 450 days	9,891,748	4,795,029	5,096,719
450 to 540 days	5,284,962	2,548,925	2,736,037
540 to 630 days	1,147,872	519,536	628,336
630 and above days	2,027,574	1,028,964	998,610
	<b>107,110,558</b>	<b>50,615,562</b>	<b>56,494,996</b>

As at December 31, 2023	Non-Performing	Provision for ECL allowance	Total net of provision
<b>Aging of Islamic financing receivables (Murabaha) based on past due days</b>			
90-180 days	759,525	393,502	366,023
180 to 270 days	279,372	156,197	123,175
270 to 360 days	1,546,060	871,165	674,895
360 to 450 days	466,447	264,649	201,798
450 to 540 days	2,421,699	898,542	1,523,157
540 to 630 days	1,367,697	618,192	749,505
630 and above days	172,495,220	36,107,159	136,388,061
	<b>179,336,020</b>	<b>39,309,406</b>	<b>140,026,614</b>

As at December 31, 2023	Non-Performing	Provision for ECL allowance	Total net of provision
<b>Aging of Islamic financing receivables (Ijara) based on past due days</b>			
90-180 days	2,938,522	640,522	2,298,000
180 to 270 days	1,592,132	414,886	1,177,246
270 to 360 days	2,560,556	871,561	1,688,995
360 to 450 days	2,315,548	706,629	1,608,919
450 to 540 days	3,093,824	1,050,236	2,043,588
540 to 630 days	1,651,974	526,846	1,125,128
630 and above days	87,601,374	27,979,814	59,621,560
	<b>101,753,930</b>	<b>32,190,494</b>	<b>69,563,436</b>

**32 Financial risk management** (continued)

**32.3 Credit risk** (continued)

**32.3.1 Investment in Islamic financing** (continued)

**Investment in Islamic financing, net:** (continued)

*Concentration of credit risk*

The concentration of credit risk is the risk that the Group is exposed to if they invested all their assets in one sector or one industry. The Group's IIF receivables constitute Tawarruq personal financing to retail customers and SMEs, Muarabaha financing for SMEs and financial leases to retail customers. Concentrations of credit risk arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be affected similarly by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

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

*Collateral held as security and other credit enhancements*

The credit risks on gross amounts due in relation to the investment in Islamic financing is mitigated by holding collaterals which are either leased vehicles under Ijara financing or real-estate. Further, the gross carrying amount of investment in Islamic financing amounts against which collateral has been obtained amounted to SR 147 million as at December 31, 2024 (December 31, 2023: SR 214.5 million). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. There have not been any significant changes in the quality of the collateral.

**32.3.2 Cash at banks and margin deposits**

Cash at banks are placed with banks having sound credit ratings. Cash at banks, restricted deposits with banks are considered to have low credit risk; therefore, 12 months ECL model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances.

**Bank credit ratings**

The credit quality of the Group's cash at bank is assessed with reference to external credit ratings which, in all cases, are above investment-grade rating. No ECL was taken for restricted cash deposits and bank balances as the impact of the ECL was not material. The bank balances along with credit ratings are tabulated below:

	<b>As at December 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash at banks:</b>		
A-	<b>23,412,978</b>	5,061,710
A	<b>600,402</b>	981,623
BBB+	<b>24,148,044</b>	(2,352,228)
BBB	-	-
	<b>48,161,424</b>	3,691,105
<b>Short term deposits</b>		
A	-	-
<b>– Restricted:</b>		
A-	<b>7,240,756</b>	7,240,756
BBB+	-	-
	<b>7,240,756</b>	7,240,756
<b>Total</b>	<b>55,402,180</b>	10,931,861

**32 Financial risk management** (continued)

**32.3 Credit risk** (continued)

**32.3.3 Other receivables from customers**

The Group believes that it has a high credit risk on these financial assets and the loss allowance would be material for the Group. Hence, the Group is currently exposed to significant credit risk. Other receivables from customers are not significant compared to the total IIF, therefore they are exposed to same classification of significant credit risk as they are related to customers' receivables under investment in Islamic financing.

The aging of "other receivables from customers" is as follow:

	<b>As at December 31,</b>	
	<b>2024</b>	<b>2023</b>
Neither past nor due	<b>2,164,812</b>	134
Past due 1-30 days	<b>52,170</b>	93,647
Past due 31-60 days	<b>26,048</b>	27,952
Past due 61-90 days	<b>31,620</b>	37,577
Past due 91-180 days	<b>148,411</b>	148,207
Past due over 180 days	<b>85,856,839</b>	86,403,160
	<b>88,279,900</b>	86,710,677
Less: Provision for ECL allowance	<b>(47,244,722)</b>	(47,244,722)
<b>Net other receivables from customers</b>	<b>41,035,178</b>	39,465,955
<b>Total other receivables coverage ratio (%) against ECL</b>	<b>53.15%</b>	54.49%

**32.4 Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its payment obligations regarding its financial liabilities when they fall due under normal and stress circumstances. Liquidity risk arises because of the possibility that the Group 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. Liquidity risk can also be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash and cash equivalents and monitors future cash flows and liquidity on a daily basis 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 Group's reputation. The Group also has revolving credit facilities from commercial banks that it can access to meet future liquidity needs.



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**32 Financial risk management (continued)**
**32.4 Liquidity Risk (continued)**

The Group's financial liabilities primarily consist of trade payables, due to related parties, borrowings and other payables and accruals. Trade payables, due to related parties, borrowings, and other payables and accruals aggregating SR 791 million (2023: SR 899 million) have a short-term maturity. The Group expects to have adequate liquid funds to settle its current liabilities through close monitoring of both current assets and current liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring the statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

December 31, 2024					
	Carrying amount	Less than 3 months on demand	3-12 months	Above 1 year	Total
<b>Financial assets – profit bearing</b>					
Investment in Islamic Financing	1,844,282,391	297,065,986	638,347,353	1,695,931,823	<b>2,631,345,162</b>
Due from related parties	568,100,138	15,920,044	116,775,512	486,299,593	<b>618,995,149</b>
Margin deposits	7,240,756	-	7,271,634	-	<b>7,271,634</b>
	<b>2,419,623,285</b>	<b>312,986,030</b>	<b>762,394,499</b>	<b>2,182,231,416</b>	<b>3,257,611,945</b>
<b>Financial assets – non-profit bearing</b>					
Cash at banks	48,161,424	48,161,424	-	-	<b>48,161,424</b>
Other receivables	88,493,157	88,493,157	-	-	<b>88,493,157</b>
Due from related parties	-	-	-	-	<b>-</b>
Investment in equity instruments carried at FVOCI	34,975,643	-	-	34,975,643	<b>34,975,643</b>
	<b>171,630,224</b>	<b>136,654,581</b>	<b>-</b>	<b>34,975,643</b>	<b>171,630,224</b>
Total financial assets	<b>2,591,253,509</b>	<b>449,640,611</b>	<b>762,394,499</b>	<b>2,217,207,059</b>	<b>3,429,242,169</b>
<b>Financial liabilities – profit bearing</b>					
Lease liabilities	14,676,510	32,000	3,472,000	12,630,000	<b>16,134,000</b>
Borrowings	1,726,807,958	144,138,988	647,432,844	1,122,485,806	<b>1,914,057,638</b>
	<b>1,741,484,468</b>	<b>144,170,988</b>	<b>650,904,844</b>	<b>1,135,115,806</b>	<b>1,930,191,638</b>
<b>Financial liabilities – non-profit bearing</b>					
Trade payables	16,869,179	16,869,179	-	-	<b>16,869,179</b>
Accruals, provisions and other liabilities	16,586,083	16,586,083	-	-	<b>16,586,083</b>
Due to related parties	1,689,183	1,689,183	-	-	<b>1,689,183</b>
	<b>35,144,445</b>	<b>35,144,445</b>	<b>-</b>	<b>-</b>	<b>35,144,445</b>
Total financial liabilities	<b>1,776,628,913</b>	<b>179,315,433</b>	<b>650,904,844</b>	<b>1,135,115,806</b>	<b>1,965,336,083</b>
<b>Net financial assets:</b>					
Profit bearing	678,138,817	168,815,042	111,489,655	1,047,115,610	<b>1,327,420,307</b>
Non-profit bearing	136,485,779	101,510,136	-	34,975,643	<b>136,485,779</b>
	<b>814,624,596</b>	<b>270,325,178</b>	<b>111,489,655</b>	<b>1,082,091,253</b>	<b>1,463,906,086</b>

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**32 Financial risk management (continued)**

**32.4 Liquidity Risk (continued)**

<b>December 31, 2023</b>					
	<b>Carrying amount</b>	<b>Less than 3 months on demand</b>	<b>3-12 months</b>	<b>Above 1 year</b>	<b>Total</b>
<b>Financial assets – profit bearing</b>					
Investment in Islamic Financing	2,192,161,875	551,186,947	691,462,647	1,922,822,519	3,165,472,113
Investment in Islamic Financing – Held for sale	120,362,243	-	6,063,247	115,201,712	121,264,959
Due from related parties	498,941,339	22,673,174	22,538,974	472,754,020	517,966,168
Margin deposits	7,240,756	-	7,271,634	-	7,271,634
	<u>2,818,706,213</u>	<u>573,860,121</u>	<u>727,336,502</u>	<u>2,510,778,251</u>	<u>3,811,974,874</u>
<b>Financial assets – non-profit bearing</b>					
Cash at banks	3,691,105	3,691,105	-	-	3,691,105
Other receivables	46,076,183	46,076,183	-	-	46,076,183
Due from related parties	1,755,683	1,755,683	-	-	1,755,683
Investment in equity instruments carried at FVOCI	7,401,563	-	-	7,401,563	7,401,563
	<u>58,924,534</u>	<u>51,522,971</u>	<u>-</u>	<u>7,401,563</u>	<u>58,924,534</u>
Total financial assets	<u>2,877,630,747</u>	<u>625,383,092</u>	<u>727,336,502</u>	<u>2,518,179,814</u>	<u>3,870,899,408</u>
<b>Financial liabilities – profit bearing</b>					
Lease liabilities	17,530,905	786,114	2,945,886	15,842,001	19,574,001
Borrowings	1,979,277,639	240,033,203	578,971,874	1,318,178,565	2,137,183,642
	<u>1,996,808,544</u>	<u>240,819,317</u>	<u>581,917,760</u>	<u>1,334,020,566</u>	<u>2,156,757,643</u>
<b>Financial liabilities – non-profit bearing</b>					
Trade payables	21,351,374	21,351,374	-	-	21,351,374
Accruals, provisions and other liabilities	21,013,802	21,013,802	-	-	21,013,802
Due to related parties	3,034,255	3,034,255	-	-	3,034,255
	<u>45,399,431</u>	<u>45,399,431</u>	<u>-</u>	<u>-</u>	<u>45,399,431</u>
Total financial liabilities	<u>2,042,207,975</u>	<u>286,218,748</u>	<u>581,917,760</u>	<u>1,334,020,566</u>	<u>2,202,157,074</u>
<b>December 31, 2024</b>					
	<b>Carrying amount</b>	<b>Less than 3 months</b>	<b>3-12 months</b>	<b>Above 1 year</b>	<b>Total</b>
<b>Net financial assets:</b>					
Profit bearing	821,897,669	333,040,804	145,418,742	1,176,757,685	1,655,217,231
Non-profit bearing	13,525,103	6,123,540	-	7,401,563	13,525,103
	<u>835,422,772</u>	<u>339,164,344</u>	<u>145,418,742</u>	<u>1,184,159,248</u>	<u>1,668,742,334</u>

**33 Capital risk management**

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern and maintain healthy capital ratios so that it can continue to provide optimal returns to its shareholders and benefits for other stakeholders, and to maintain a strong capital base in order to support the sustainable business development and operational performance.

The Group manages its capital structure and makes adjustments to it in light of the changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group 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 December 31, 2024 and 2023.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Islamic bank financing and the advantages and security afforded by a sound capital position. The Group monitors aggregate amount of financing offered by the Group based on the regulatory requirements of Regulations for Companies and Saudi Central Bank (SAMA). SAMA requires all the finance companies engaged in business of financing other than real estate, not to exceed the aggregate financing to capital ratio by three times.

	<b>2024</b>	<b>2023</b>
Aggregate financing to capital ratio (Net investment in Islamic financing divided by total equity)	<b>2.24 times</b>	2.59 times

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**34. Subsequent events after reporting date**

As of the date of approval of these consolidated financial statements, there have been no significant subsequent events requiring disclosure to or adjustment in these consolidated financial statements.

**35. Board of Directors' approval**

The consolidated financial statements were authorized for issue by the Board of Directors on Ramdan 5, 1446 AH corresponding to March 05, 2025.