

ALPHA ARABIA FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025**

ALPHA ARABIA FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2025

<u>INDEX</u>	<u>PAGES</u>
Independent auditor's report	1 - 2
Statement of financial position	3
Statement of comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 - 31



RSM

شركة إرس ام المحاسبون المتحدون للإستشارات المهنية

الرياض - حي العليا - طريق العروبة

مبنى رقم ٣١٩٣ ، الطابق الأول

ص. ب ٨٣٣٥ ، الرياض - ١٢٣٣٣

هاتف: +٩٦٦ ١١ ٤١٦ ٩٣٦١

فاكس: +٩٦٦ ١١ ٤١٦ ٩٣٤٩

المملكة العربية السعودية

www.rsmksa.com

س.ت ٤٠٣٠٢٢٨٧٧٣

RSM Allied Accountants Professional Services Co.

Riyadh - Olaya District - Al Oruba Street

1st Floor, Building No. 3193

P.O. Box 8335, Riyadh - 12333

Tel.: +966 11 416 9361

Fax: +966 11 416 9349

Kingdom of Saudi Arabia

www.rsmksa.com

C.R : 4030228773

INDEPENDENT AUDITOR'S REPORT

**To the shareholders of
Alpha Arabia Finance Company**
(A Saudi Closed Joint Stock Company)

Opinion

We have audited the financial statements of **Alpha Arabia Finance Company** ("the Company"), a Saudi closed joint stock company, which comprise the statement of financial position as of December 31, 2025, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**To the shareholders of
Alpha Arabia Finance Company**
(A Saudi Closed Joint Stock Company)

Auditor's Responsibilities for the Audit of the Financial Statements (continued):

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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.

RSM Allied Accountants Professional Services



Mohamed Bin Farhan Bin Nader
License No 435

Riyadh, Kingdom of Saudi Arabia
Shaban 29, 1447 H (corresponding to February 17, 2026)



ALPHA ARABIA FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025
(SAUDI RIYAL)

	Notes	2025	2024
ASSETS			
Cash and cash equivalents	5	14,662,332	41,029,247
Margin deposits – Restricted	6	9,952,778	3,734,691
Islamic financing receivables, net	7	157,034,506	92,451,512
Prepaid expenses and other current assets	8	4,155,827	1,839,102
Property and equipment	9	269,664	365,149
Right of use assets	10	4,141,495	3,659,761
Intangible assets	11	2,061,093	2,724,969
TOTAL ASSETS		192,277,695	145,804,431
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	100,000,000	100,000,000
Accumulated losses		(7,659,593)	(9,668,430)
TOTAL EQUITY		92,340,407	90,331,570
LIABILITIES			
Islamic financing payables	13	75,652,802	37,346,910
Accrued expenses and other current liabilities	14	20,174,779	14,405,269
Lease liabilities	10	2,873,611	3,015,446
Zakat provision	15	487,868	325,865
Employees’ defined benefit’s obligations	16	748,228	379,371
TOTAL LIABILITIES		99,937,288	55,472,861
TOTAL EQUITY AND LIABILITIES		192,277,695	145,804,431

The accompanying notes form an integral part of these financial statements

ALPHA ARABIA FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2025
(SAUDI RIYAL)

	Notes	2025	2024
Commission income from Islamic financing	17	40,813,412	12,934,895
Commission expense from Islamic financing	13	(5,926,438)	(806,264)
Net commission income from Islamic financing		34,886,974	12,128,631
Charge for expected credit losses on Islamic financing receivables	7	(10,845,239)	(3,022,560)
Salaries, wages and other benefits	18	(12,303,934)	(11,595,195)
Other general and administrative expenses	19	(4,910,120)	(5,665,398)
Selling and marketing expenses	20	(2,232,613)	(2,071,713)
Depreciation on property and equipment	9	(119,248)	(75,976)
Depreciation on right of use asset	10	(2,112,451)	(1,463,904)
Amortization on intangible asset	11	(663,876)	(594,412)
Finance costs	21	(223,599)	(227,081)
Other income	22	928,068	3,147,199
Profit / (loss) for the year before zakat		2,403,962	(9,440,409)
Zakat	15	(412,798)	(319,074)
Net profit / (loss) for the year		1,991,164	(9,759,483)
<u>Other comprehensive income items:</u>			
<i>Items will not to be reclassified to profit or loss in subsequent years:</i>			
Re-measurement of employees defined benefits obligations	16	17,673	25,631
Total other comprehensive income for the year		17,673	25,631
Total comprehensive income / (loss) for the year		2,008,837	(9,733,852)

The accompanying notes form an integral part of these financial statements

ALPHA ARABIA FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025
(SAUDI RIYAL)

	Share capital	Accumulated losses	Total equity
<u>For the year ended December 31, 2024</u>			
Balance as of January 1, 2024	100,000,000	65,422	100,065,422
Loss for the year	-	(9,759,483)	(9,759,483)
Total other comprehensive income for the year	-	25,631	25,631
Total comprehensive loss for the year	-	(9,733,852)	(9,733,852)
Balance as of December 31, 2024	100,000,000	(9,668,430)	90,331,570
<u>For the year ended December 31, 2025</u>			
Balance as of January 1, 2025	100,000,000	(9,668,430)	90,331,570
Income for the year	-	1,991,164	1,991,164
Total other comprehensive income for the year	-	17,673	17,673
Total comprehensive income for the year	-	2,008,837	2,008,837
Balance as of December 31, 2025	100,000,000	(7,659,593)	92,340,407

The accompanying notes form an integral part of these financial statements

ALPHA ARABIA FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025
(SAUDI RIYAL)

	2025	2024
<u>OPERATING ACTIVITIES:</u>		
Net profit/ (loss) for the year before zakat	2,403,962	(9,440,409)
Adjustments:		
Depreciation on property and equipment	119,248	75,976
Depreciation on right of use assets	2,112,451	1,463,904
Amortization on intangible asset	663,876	594,412
Expected credit losses on Islamic financing receivables	10,845,239	3,022,560
Current service cost for employees' defined benefits obligations	388,842	311,668
Commission expense from Islamic financing payable	5,926,438	806,264
Finance costs related to employees' defined benefits obligations	20,378	4,729
Finance costs on lease liabilities	203,221	222,352
Gain on lease termination	(179,240)	-
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(2,316,725)	851,140
Islamic financing receivables, gross	(75,428,233)	(95,474,072)
Accrued expenses and other current liabilities	5,769,510	14,057,546
Margin deposits – Restricted	(6,218,087)	(3,734,691)
Cash used in operations	(55,689,120)	(87,238,621)
Employee's defined benefits obligations paid	(22,690)	-
Zakat paid	(250,795)	(9,564)
Net cash flows used in operating activities	(55,962,605)	(87,248,185)
<u>INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(23,763)	(215,255)
Purchases of intangible assets	-	(1,106,561)
Net cash flows used in investing activities	(23,763)	(1,321,816)
<u>FINANCING ACTIVITIES:</u>		
Proceeds from Islamic financing payables	60,000,000	40,000,000
Repayment of Islamic financing payables	(21,527,777)	(2,361,112)
Commission expense from Islamic payable paid	(6,092,769)	(1,098,242)
Lease liabilities paid	(2,760,001)	(1,600,000)
Net cash flows from financing activities	29,619,453	34,940,646
Net change in cash and cash equivalents	(26,366,915)	(53,629,355)
Cash and cash equivalents at the beginning of the year	41,029,247	94,658,602
Cash and cash equivalents at the end of the year	14,662,332	41,029,247

Please refer to note 28 for non-cash transactions.

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

1- COMPANY INFORMATION

Alpha Arabia Finance Company (“the Company”) is a Saudi Closed Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010887286 and unified national number 7034107420 dated Dhul-Qi'dah 19, 1444 H, (corresponding to June 8, 2023) having obtained the necessary approvals from the Ministry of Commerce (MOC).

The Company obtained the license having a number of 85/AH/202402 from the Saudi Central Bank (SAMA) on Rajab 25, 1445 H (corresponding to February 6, 2024), authorizing the Company to engage in the financial lease, financing to Small and Medium Enterprises (SMEs) and Consumer financing. The Company commenced its commercial operations in terms of investing in Islamic financing in the month of February 2024.

The principal activities of the Company include financial lease, financing to Small and Medium Enterprises (SMEs) and Consumer financing.

The Company’s registered office located in Riyadh Kingdom of Saudi Arabia, postal code 13524.

2- BASIS OF PREPARATION

2-1 Statement of compliance

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

The statement of financial position is presented in descending order of liquidity, as this presentation is more appropriate to the Company’s operations.

2-2 Basis of measurement

These financial statements have been prepared under historical cost convention using going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business except if standards require to use of another measurement basis. Moreover, these financial statements are prepared using accrual basis.

2-3 Functional and presentation currency

These financial statements are presented in Saudi Riyal, unless otherwise stated. Saudi Riyal is the functional and presentation currency of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

2- BASIS OF PREPARATION (CONTINUED):

2-4 Accounting estimates and judgements

In the application of the Company's material accounting policy information, which are described in Note 4, the management are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

In the process of applying the company material accounting policy information, management has made judgments that have a material impact on the amounts included in the financial statements, such as the concept of going concern accounting.

Uncertainty of estimates and assumptions

Information about estimates and assumptions about uncertainty that have risks that may have a material impact on the amounts included in the company's financial statements are as follows:

Estimated useful lives of property and equipment and intangible assets

The useful lives used to amortize or depreciate intangible assets or property and equipment respectively relates to the expected future performance of the assets acquired and management's judgement based on technical evaluation of the period over which economic benefit will be derived from the asset. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. An asset's expected life and expected residual value has a direct effect on the depreciation charged in statement of comprehensive income.

The useful lives and residual values of the Company's assets are determined by management based on technical evaluation at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their lives such as changes in technology.

Discount rate used to determine the carrying amount of the lease liabilities

The determination of the lease liabilities depends on certain assumptions, which include selection of the borrowing rate. The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the borrowing rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company's financial statements within the next year. Further information on the carrying amounts of the lease liabilities and the sensitivity of those amounts to changes in discount rate are provided in notes of these financial statements.

Discount rate used to determine the carrying amount of the employees' defined benefit obligations

The determination of the employees' defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds.

Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Company's financial statements within the next year. Further information on the carrying amounts of the employees' defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in notes of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

2- BASIS OF PREPARATION (CONTINUED):

2-4 Accounting estimates and judgements (Continued)

Impairment of financial instruments - Measurement of ECL

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by several factors, changes in which can result in different levels of loss allowances. The Company's ECL allowance calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that involve considerable judgements and estimates include:

- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PD, LGD and EAD; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Zakat provision

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax, and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat provisions are recorded on an accrual basis, with the zakat charge calculated based on the zakat base. The related provision is recognized in the profit or loss account. Any additional amounts payable, if determined upon final assessments, are accounted for and are expected to be paid to ZATCA.

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

3-1 New standards, amendments to standards and interpretations issued:

The Company has adopted the following new standards and amendments for the first time that are effective from January 1, 2025:

Amendments to IAS 21 – Lack of exchangeability

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

The adoption of above amendments does not have any material impact on the financial statements during the year.

3-2 Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after January 1, 2026 and earlier application is permitted for certain new standards and amendments. However, the Company has not early adopted them in preparing these financial statements. The Company is currently evaluating the impact of the adoption of these standards on the financial statements.

Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments

These amendments:

- Clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- Make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

3- NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS AND STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED):

IFRS 18 ‘Presentation and Disclosure in Financial Statements’

This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of comprehensive income. The key new concepts introduced in IFRS 18 relate to:

- The structure of the statement of profit or loss;
- Required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management-defined performance measures); and
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

4- MATERIAL ACCOUNTING POLICY INFORMATION

The following are material accounting policy applied by Company in preparing these financial statements:

Fair value measurement

The Company measures financial instruments at fair value at each statement of financial position date. 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 principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use while pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each financial year.

Impairment of non-financial assets

The Company assesses at the date of preparing the financial statements whether there is an indication that the value of an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount of an asset is the fair value of the asset or cash-generating unit (CGU) less cost to sell or the value in use of the asset, which is higher. It is specified for a single asset unless the asset generates cash flows that are not significant independent of the flows generated by other assets or Company’s assets and the carrying amount of an asset or cash-generating unit exceeds (CGU) its recoverable amount, the value of the asset must be decreased to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Impairment of non- financial assets (Continued)

In determining value in use, the future cash flows deducted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and the risks related to the asset. In determining fair value less costs to sell, new market transactions are considered, when available, or an appropriate valuation model is used. These values are verified by comparing them with the valuation multiples and the prices of the listed shares of the subsidiaries offered for public trading or through any other fair value indicators.

In calculating impairment, the Company relies on detailed budgets and discretionary accounts that are prepared separately for each cash-generating unit (CGU) of the Company to which the individual assets are allocated. These detailed budgets and discretionary accounts usually cover five years. To cover longer periods, a long-term growth rate is calculated and applied to the project's future cash flows after the fifth year. Impairment losses from continuing operations are recognized in the statement of comprehensive income within the expenses appropriate to the function of the assets that have impaired. An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses for non-financial assets, other than goodwill, no longer exist or have decreased. The reversal of the impairment loss is recognized in the statement of comprehensive income

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position consist of cash at banks and in cash in hand and time deposits with maturities of three months or less and which are not exposed to a significant risk of change in value.

Margin deposits

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

Islamic financing receivables, net

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

Tawarruq receivables

Tawarruq is an agreement whereby the Company sells to a customer an asset, on deferred payment basis, after purchasing it. After such sale, the Company 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.

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 Company 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.

Write-off financial assets

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Prepaid expenses and other current assets

Prepaid expenses and other current assets are recognized with the amounts paid to the service providers against services that will be received in the future, or amounts paid to external parties and will be refunded in the future.

Transactions with related parties

Transactions with related parties represent transfer of resources, services, or obligations between related parties. Terms and conditions relating to related party transactions are approved by shareholders.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any. Projects under construction and lands are not depreciated, if any. Such costs include the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects, if the recognition criteria is met. When significant parts of property and equipment are replaced at certain intervals, the Company recognizes those parts as individual assets with a definite useful life and depreciation. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

The property and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

<u>Asset category</u>	<u>Useful life (in Years)</u>
Computer hardware	4
Office equipment	4
Furniture and fixtures	5
Leasehold improvements	10 or lease period, whichever is shorter

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of comprehensive income when the asset is derecognized.

The residual value, useful lives and methods of depreciation of property and equipment are reviewed at the end of each financial year and adjustments are made on a prospective basis, if required.

Intangible assets

Intangible assets acquired separately are measured at initial recognition at cost. It represents the cost of intangible assets acquired in a business combination at their fair value at the acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally developed intangible assets are not capitalized, except development costs, are capitalized and expenses are charged to a statement of comprehensive income for the year in which they are incurred.

The useful lives for intangible assets are classified as “finite” or “infinite”. Impairment in value in value is assessed when there is an indication of the probability of impairment in the value. The amortization period and the amortization method for intangible assets with finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or expected manner in order to take advantage of the future economic benefits implicit in the asset by changing the period or amortization method, when necessary and is treated as changes in accounting estimates. Intangible assets with finite useful life are recognized in the statement of comprehensive income in the expense category in line with the function of those intangible assets.

For intangible assets with an indefinite useful life, they are not amortized, but they are tested for impairment in value annually either individually or cash-generating unit (CGU) level. The assessment of the indefinite useful life is reviewed annually to determine whether the use of an indefinite useful life is still justified. In the case of the not continuing these justifications, the estimate of the useful life is changed to a finite useful life on a prospective basis.

The useful life of Company’s intangible assets is 5 years and they are amortized over the period of their useful life using straight line method.

Islamic financing payables

Financial facilities are initially recognized at fair value, net of transaction costs incurred. Financial facilities are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in statement of comprehensive income over the period of the facilities using the effective interest method. Financial facilities are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities are obligations to pay for goods or services that have been received or provided, whether submitting bills or formally agreed upon with the supplier or not.

Leases

The determination of whether an agreement constitutes or contains a lease depends on the substance of the agreement at its inception date. The agreement represents or includes a lease if its fulfillment depends on the use of a specific asset or assets, or that the agreement grants the right to use a specific asset or assets even if this right is not expressly stated in the contract.

Company as a lessee

The lease is recognized as a right-of-use asset with its corresponding obligations on the date that the leased asset is ready for use by the Company. Each lease payment is allocated between the obligation and the financing cost.

The finance cost is recognized in the statement of comprehensive income over the lease term. Right-of-use assets are depreciated over the useful life of the asset and the lease term, whichever is shorter, and on a straight-line basis.

Right-of-use assets are initially measured at cost and consist of the following:

- The initial measurement amount of the lease obligation,
- Any lease payments made on or before the lease commencement date minus any lease incentives received,
- Any initial direct costs, and
- Recovery costs, when applicable.

Lease liabilities contracts

On the inception date of the lease, the Company records the lease obligations measured at the present value of the lease payments made over the term of the lease. Lease payments include fixed payments (including substantially fixed payments) less any lease incentives receivable and variable rent payments based on an index or rate, and amounts expected to be paid under residual value guarantees.

The lease payments include the price to exercise the purchase option when there is reasonable certainty that the Company will exercise it and payments for penalties for canceling the lease if the terms of the lease provide for the Company to exercise the option to cancel. For variable lease payments that are not dependent on an index or rate, they are recorded as an expense in the period in which the payment is made.

Lease payments are discounted using the borrowing rate included in the lease or the Company's increased borrowing rate.

Short-term leases and impaired lease contracts

Short-term leases are contracts with a lease term of 12 months or less. Impaired assets are items that do not meet the Company's capitalization limits and are not material to the Company's statement of financial position as a whole. Payments for short-term lease contracts and lease contracts with low value assets are recognized on a straight-line basis in the statement of comprehensive income.

Zakat provision

Zakat provision is calculated at each year end in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA). The zakat provision shall be recorded at the end of the financial year within the items of comprehensive income and the differences resulting from the final assessment are recognized within the same item in the year in which the zakat assessment is approved.

Employees' defined benefits obligations

The employees defined benefit obligations were measured using the projected unit credit method.

Remeasurement, which consists of actuarial gains and losses, is recognized immediately in the statement of financial position and in retained earnings through other comprehensive income in the period in which it occurs.

Remeasurement is not reclassified to the statement of comprehensive income in subsequent periods.

End of service payments are based primarily on employees' final salaries, allowances and cumulative years of service, as described in the Saudi Arabia Labor Law.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- Receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other current assets or other current liabilities in the statement of financial position.

Financial instruments

Financial instrument is a contract that creates financial assets for one entity and financial liabilities and equity for another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified on initial recognition as being subsequently measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss. All financial assets are recognized on initial recognition at fair value plus transaction costs, unless the financial assets are recorded at fair value through profit or loss.

Subsequent measurement

The measurement of financial assets depends on their classification, as described below:

Financial assets at amortized cost

After initial measurement, those financial assets are measured at amortized value using the effective interest rate method and are subject to impairment. Gains or losses are recognized in the statement of comprehensive income when the asset is disposed of, or modifications are made, or impairment on value. Financial assets at amortized cost in the Company consist of cash and cash equivalent, Islamic financing receivables, and other current asset

Derecognition of financial asset

Financial asset is derecognized only when:

- Contractual rights in the cash flows of a financial asset expire; or
- The Company has transferred its rights to receive cash flows from the asset or has committed to pay the cash flows in full without delay to a third party through a "transfer" agreement, and whether (a) the Company has transferred substantially all the risks and rewards of the asset or (b) the Company has neither transferred nor retained a substantially all the risks and rewards of the asset, but it has transferred its right to control it.

If the Company has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, it assesses to what extent it retains the risks and rewards associated with the asset. An asset is recognized to the extent that the Company's relationship with it continues if it has neither transferred nor retained all the risks and benefits associated with the asset nor transferred its right to control it.

Impairment in the value of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments not carried at fair value through the statement of comprehensive income.

The provision for expected credit losses is recognized in two stages. For a credit exposure that has not experienced a significant increase in credit risk since initial recognition, ECLs are recognized for the credit risk arising from a potential default within 12 months (12-month expected credit losses). For a credit exposure that has experienced a significant increase in credit risk since the initial recognition, an allowance for expected credit losses must be recognized over the remaining life of the exposure, regardless of the timing of default (lifetime expected credit losses). For trade debtors, the Company applies a simplified approach to the calculation of expected credit losses. Therefore, the Company has used a provision matrix that is based on its historical experience of credit losses, which has been adjusted for future factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified on initial recognition, as financial liabilities at fair value through comprehensive income, or loans and payables, or as financial derivatives that are used as hedging instruments for covering risks.

All financial liabilities are initially recognized at fair value and in the case of loans, and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and advances

After initial recognition, loans and advances are measured at amortized cost using the effective interest rate method. The gain or loss is recognized in the statement of comprehensive income when the obligations are derecognized, as well as through the process of amortizing the effective interest rate.

Derecognition of financial liabilities

Financial obligations are derecognized when the obligation is paid, canceled or the obligation under the contract expires.

Offsetting of financial instruments

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

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.

Commission income / Ijara income / expense recognitions

The Company recognizes revenue in accordance with IFRS 15 – Revenue from Contracts with Customers, applying the following five-step model for fee-based and service income.

Identify the Contract with a Customer: Contracts are identified when financing or service agreements are approved, the rights and payment terms are clearly defined, the contract has commercial substance, and collection of consideration is probable.

Identify the Performance Obligations: Performance obligations primarily include arrangement fees, processing fees, advisory services, servicing fees, and other non-interest service components. Financing activities measured at amortized cost are excluded from IFRS 15 and accounted for under IFRS 9.

Determine the Transaction Price: The transaction price represents the consideration the Company expects to receive for services rendered, excluding interest income. Variable consideration, such as contingent or performance-based fees, is estimated and constrained to the extent that it is highly probable that a significant reversal will not occur.

Allocate the Transaction Price: Where a contract includes multiple performance obligations, the transaction price is allocated based on relative standalone selling prices of the distinct services.

Recognize Revenue: Revenue is recognized when the related performance obligation is satisfied, either at a point in time (e.g., arrangement or processing fees) or over time (e.g., servicing and management fees), reflecting the transfer of control to the customer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Commission income / ijara income / expense recognitions (Continued)

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

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

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

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

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

Measurement of amortized cost and commission income / ijara income

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

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

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

Fee and commission income / ijara income and expense

Fee income and expense that are integral part to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Other fee and commission income is recognised as the related services are performed including servicing income. Other fee expense relates mainly to transaction and services fee, which are expensed as the services are received.

Expenses

General and administrative expenses include direct and indirect expenses that are not directly related to cost of revenues in accordance with generally accepted accounting standards. Allocations of common expenses between selling and marketing and general and administrative expenses, when required, are made on a consistent basis.

Finance cost

Finance costs are expensed in the period to which they relate. Finance costs consist of interest on employees defined benefits obligations and lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

4- MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Contingent liabilities

Contingent liabilities are disclosed when the Company has a contingent liability as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not entirely within the control of the Company; or the Company has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Provisions - General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in statement of comprehensive income.

Subsequent events

Financial statements are affected by subsequent events that require an amendment to the financial statements while it is disclosed subsequent events that do not require an amendment of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

5- CASH AND CASH EQUIVALENTS

	(Saudi Riyal)	
	2025	2024
Cash at banks (A)	14,635,668	20,483,995
Cash in hand	26,664	45,252
Islamic short-term deposits (B)	-	20,500,000
Total	14,662,332	41,029,247

(A) Cash at banks comprises of current account balances held with local banks having sound credit ratings.

(B) Islamic short deposits represent short term deposits with commercial banks with an agreed rate of return per annum. During the year ended December 31, 2025, the Company earned the profit of SR 379,028 (December 31, 2024: SR 2,837,425) (Note 22). The profit receivable as of December 31, 2024 on these short term deposits amounts to SR 139,172 (Note 8).

6- MARGIN DEPOSITS – RESTRICTED

	(Saudi Riyal)	
	2025	2024
Cash held as collateral	9,952,778	3,734,691
Total	9,952,778	3,734,691

This amount represents the margin deposits placed by the Company according to certain securitization entered into with banks as Islamic financing payables (Note 13).

7- ISLAMIC FINANCING RECEIVABLES, NET

The breakdown outstanding of Islamic financing receivable is as follows:

	(Saudi Riyal)	
	2025	2024
Investment in Islamic financing	207,873,308	132,375,725
Unearned Islamic financing income	(45,528,017)	(36,901,653)
Gross investment in Islamic financing	162,345,291	95,474,072
Less: Expected credit losses on Islamic financing receivables (A)	(5,310,785)	(3,022,560)
Balance as of end of the year	157,034,506	92,451,512

The bifurcation of Islamic financing receivables into performing and non-performing is as follows:

	(Saudi Riyal)			
	2025			
	Personal	SMEs	Ijara	Total
Performing	4,890,567	128,629,310	346,651	133,866,528
Under-performing	-	15,514,236	-	15,514,236
Non-performing	-	12,964,527	-	12,964,527
Gross investment in Islamic financing	4,890,567	157,108,073	346,651	162,345,291
Less: Expected credit losses (A)	(14,228)	(5,295,552)	(1,005)	(5,310,785)
Balance as of end of the year	4,876,339	151,812,521	345,646	157,034,506
	(Saudi Riyal)			
	2024			
	Personal	SMEs	Ijara	Total
Performing	90,308	83,489,987	-	83,580,295
Under-performing	-	7,408,617	-	7,408,617
Non-performing	-	4,485,160	-	4,485,160
Gross investment in Islamic financing	90,308	95,383,764	-	95,474,072
Less: Expected credit losses (A)	(725)	(3,021,835)	-	(3,022,560)
Balance as of end of the year	89,583	92,361,929	-	92,451,512

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

7- ISLAMIC FINANCING RECEIVABLES, NET (CONTINUED)

Stage-wise analysis of net islamic financing receivables:

	(Saudi Riyal)			
	2025			
	Personal	SMEs	Ijara	Total
Stage 1	4,890,567	124,357,127	346,651	129,594,345
Stage 2	-	19,241,496	-	19,241,496
Stage 3	-	13,509,450	-	13,509,450
Net investment in Islamic financing	4,890,567	157,108,073	346,651	162,345,291
Less: Expected credit losses (A)	(14,228)	(5,295,552)	(1,005)	(5,310,785)
Balance as of end of the year	4,876,339	151,812,521	345,646	157,034,506

	(Saudi Riyal)			
	2024			
	Personal	SMEs	Ijara	Total
Stage 1	90,308	83,489,987	-	83,580,295
Stage 2	-	7,408,617	-	7,408,617
Stage 3	-	4,485,160	-	4,485,160
Net investment in Islamic financing	90,308	95,383,764	-	95,474,072
Less: Expected credit losses (A)	(725)	(3,021,835)	-	(3,022,560)
Balance as of end of the year	89,583	92,361,929	-	92,451,512

Reconciliation of net Islamic financing receivables:

	(Saudi Riyal)			
	2025			
	Stage 1	Stage 2	Stage 3	Total
Balance as of beginning of the year	83,580,295	7,408,617	4,485,160	95,474,072
Transfer from stage 1	(29,414,183)	25,978,632	3,435,551	-
Transfer from stage 2	-	(14,145,753)	14,145,753	-
Write off	-	-	(8,557,014)	(8,557,014)
Net other movements (B)	75,428,233	-	-	75,428,233
	46,014,050	11,832,879	9,024,290	66,871,219
Less: Expected credit losses (A)	(662,296)	(371,620)	(4,276,869)	(5,310,785)
Balance as of end of the year	128,932,049	18,869,876	9,232,581	157,034,506

	(Saudi Riyal)			
	2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as of beginning of the year	-	-	-	-
Transfer from stage 1	(11,893,777)	11,893,777	-	-
Transfer from stage 2	-	(4,485,160)	4,485,160	-
Net other movements (B)	95,474,072	-	-	95,474,072
	83,580,295	7,408,617	4,485,160	95,474,072
Less: Expected credit losses (A)	(697,987)	(228,491)	(2,096,082)	(3,022,560)
Balance as of end of the year	82,882,308	7,180,126	2,389,078	92,451,512

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

7- ISLAMIC FINANCING RECEIVABLES, NET (CONTINUED)

(A) The staging in the expected credit losses is as follows:

	(Saudi Riyal)			
	2025			
	Stage 1	Stage 2	Stage 3	Total
Balance as of beginning of the year	697,987	228,491	2,096,082	3,022,560
Transfer from stage 1	(1,346,259)	258,621	1,087,638	-
Transfer from stage 2	-	(115,492)	115,492	-
Written off	-	-	(8,557,014)	(8,557,014)
Charge for the expected credit losses	1,310,568	-	9,534,671	10,845,239
	(35,691)	143,129	2,180,787	2,288,225
Balance as of end of the year	662,296	371,620	4,276,869	5,310,785

	(Saudi Riyal)			
	2024			
	Stage 1	Stage 2	Stage 3	Total
Balance as of beginning of the year	-	-	-	-
Transfer from stage 1	(2,324,573)	2,324,573	-	-
Transfer from stage 2	-	(2,096,082)	2,096,082	-
Charge for the expected credit losses	3,022,560	-	-	3,022,560
	697,987	228,491	2,096,082	3,022,560
Balance as of end of the year	697,987	228,491	2,096,082	3,022,560

The movement in the expected credit losses is as follows:

	(Saudi Riyal)	
	2025	2024
Balance as of beginning of the year	3,022,560	-
Charged during the year	10,845,239	3,022,560
Written off during the year	(8,557,014)	-
Balance as of end of the year	5,310,785	3,022,560

(B) Net other movements include financing originated, financing repaid and other measurements.

(C) Portfolio maturity breakdown:

	(Saudi Riyal)		
	2025		
	Gross investment in Islamic financing	Unearned Islamic financing income	Net investment in Islamic financing
Current portion	85,609,556	23,248,811	62,360,745
Non current portion	122,263,752	22,279,206	99,984,546
	207,873,308	45,528,017	162,345,291

	(Saudi Riyal)		
	2024		
	Gross investment in Islamic financing	Unearned Islamic financing income	Net investment in Islamic financing
Current portion	55,131,806	21,364,279	33,767,527
Non current portion	77,243,919	15,537,374	61,706,545
	132,375,725	36,901,653	95,474,072

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

7- ISLAMIC FINANCING RECEIVABLES, NET (CONTINUED)

(D) Assignment of Islamic financing receivables:

The Company assigned Islamic financing receivables amounting to SR 103.5 million (December 31, 2024: SR 50.42 million) to a local commercial bank for obtaining Islamic bank financing. The carrying amount of associated Islamic bank financing amounts to 75.65 million (December 31, 2024: SR 37.35 million) (Note 13). These Islamic financing receivables have not been derecognized from the statement of financial position as the Company retains substantially all the related risks and rewards, primarily credit risk. The Company is liable for the repayments of their assigned receivables to local commercial banks in case of customer default. The amount received on assignment of Islamic financing receivables has been recognized as Islamic bank financing in the statement of financial position. Pursuant to the terms of the transfer agreement, the Company is not allowed to re-pledge those receivables. The bank has recourse only to the receivables in the event the Company defaults on its obligation.

8- PREPAID EXPENSES AND OTHER CURRENT ASSETS

	(Saudi Riyal)	
	2025	2024
Other receivables, net (A)	2,716,497	-
Prepayments for IT related services (B)	477,416	1,509,884
Profit on Islamic short-term deposits receivables (Note 5)	-	139,172
Other prepaid expenses	961,914	190,046
Total	4,155,827	1,839,102

(A) These represent receivables assigned by a third party to the Company based on court decision in the favor of the Company. The Company has recorded specific provision of SR 142,974 against this receivable (Note 19).

(B) As of December 31, 2024, these balances also included advance payments against IT services being taken by the Company from related parties (Information Technology Integrated Solutions and Integrated Marketing Advertising Company) amounting to SR 952,058. As of December 31, 2025, the balance has been amortized in statement of comprehensive income.

9- PROPERTY AND EQUIPMENT

	(Saudi Riyal)				
	Computer hardware	Office equipment	Furniture and fixtures	Leasehold improvement	Total
Cost:					
Balance as of January 1, 2024	224,066	10,143	4,934	-	239,143
Additions	161,940	-	18,123	35,192	215,255
As of December 31, 2024	386,006	10,143	23,057	35,192	454,398
Additions	-	23,763	-	-	23,763
As of December 31, 2025	386,006	33,906	23,057	35,192	478,161
Accumulated depreciation:					
Balance as of January 1, 2024	12,640	623	10	-	13,273
Charged during the year	65,584	1,014	3,513	5,865	75,976
As of December 31, 2024	78,224	1,637	3,523	5,865	89,249
Charged during the year	88,303	2,873	4,611	23,461	119,248
As of December 31, 2025	166,527	4,510	8,134	29,326	208,497
Net book value:					
As of December 31, 2025	219,479	29,396	14,923	5,866	269,664
As of December 31, 2024	307,782	8,506	19,534	29,327	365,149

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

10- RIGHT OF USE ASSETS AND LEASE LIABILITIES

The following are the book values of the right of use assets and lease liabilities and movements during the year:

Right of use assets:

	(Saudi Riyal)	
	2025	2024
<u>Cost:</u>		
Balance at the beginning of the year	5,855,617	5,855,617
Additions	5,521,993	-
Cancellation during the year (A)	(5,855,617)	-
Balance at the end of the year	5,521,993	5,855,617
<u>Accumulated depreciation:</u>		
Balance at the beginning of the year	2,195,856	731,952
Charged during the year	2,112,451	1,463,904
Cancellation during the year (A)	(2,927,809)	-
Balance at the end of the year	1,380,498	2,195,856
Net book value at the end of the year	4,141,495	3,659,761

Lease liabilities:

	(Saudi Riyal)	
	2025	2024
Balance at the beginning of the year	3,015,446	4,393,094
Additions	5,521,993	-
Finance cost charged during the year (Note 21)	203,221	222,352
Paid during the year (B)	(2,760,001)	(1,600,000)
Cancellation during the year (A)	(3,107,048)	-
Balance at the end of the year	2,873,611	3,015,446

(A) During the year, the Company has cancelled its lease contract with its existing lessor due to significant change in lease terms and both parties agreed on new contract resulting in a gain amounting to SR 179,240 (Note 22).

(B) Right of use asset is taken by a Company from its related party, Alpha United Investment Company (Note 23).

11- INTANGIBLE ASSETS

	(Saudi Riyal)		
	Program fully Developed (*)	Program under Development	Total
<u>Cost:</u>			
Balance as of January 1, 2024	-	2,212,820	2,212,820
Additions	-	1,106,561	1,106,561
Transfers	3,319,381	(3,319,381)	-
Balance as of December 31, 2024	3,319,381	-	3,319,381
Balance as of December 31, 2025	3,319,381	-	3,319,381
<u>Accumulated amortization:</u>			
Charged during the year	594,412	-	594,412
Balance as of December 31, 2024	594,412	-	594,412
Charged during the year	663,876	-	663,876
Balance as of December 31, 2025	1,258,288	-	1,258,288
<u>Net book value:</u>			
Balance as of December 31, 2025	2,061,093	-	2,061,093
Balance as of December 31, 2024	2,724,969	-	2,724,969

(*) The fully developed include implementation cost of intangible assets for software systems used by the Company, primarily related to the core operational system and customer registration applications.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

12- SHARE CAPITAL

The share capital of the Company amounts to SR 100 million, divided into 10 million shares and issued shares of SR 10 each share, distributed among the shareholders as follows:

<u>Shareholder name</u>	<u>Number of shares</u>	<u>Value of share</u>	(Saudi Riyal)
			<u>Total amount</u>
Alpha United Investment Company	3,000,000	10	30,000,000
National Trust Investment - Oman	3,000,000	10	30,000,000
Abdulmohsen AbdulRahman AlSowailem	3,000,000	10	30,000,000
Sultan Saleh Al Musabhi	600,000	10	6,000,000
Fahad Saleh Al Musabhi	400,000	10	4,000,000
Total	10,000,000		100,000,000

13- ISLAMIC FINANCING PAYABLES

During the year, the Company entered into an agreement with a local commercial bank to finance Retail and SME customers, with an approved banking facility limit of SR 50 million. Out of this facility, SR 40 million was availed during the year 2024. Subsequently, during the current year 2025, the facility limit was enhanced to SR 150 million, against which the Company utilized SR 60 million. The loan carries finance costs at SAIBOR plus agreed commission rates. The loan is repayable on annual basis with the last installment due in June 2029. The loan has been secured against a restricted cash of the outstanding loan and agreed percentage of the outstanding Islamic financing receivables and promissory note. (Note 6 and Note 7). The movement in Islamic bank financing for the year ended December 31, is as follows:

	(Saudi Riyal)	
	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	37,638,888	-
Additions	60,000,000	40,000,000
Paid during the year	(21,527,777)	(2,361,112)
Gross outstanding	76,111,111	37,638,888
Accrued finance cost	116,691	88,022
Less: unamortized transaction cost (A)	(575,000)	(380,000)
Balance at the end of the year	75,652,802	37,346,910

(A) The movement of unamortized transaction cost as follows:

	(Saudi Riyal)	
	<u>2025</u>	<u>2024</u>
Balance at the beginning of the year	380,000	-
Additions	1,150,000	570,000
Amortized during the year	(955,000)	(190,000)
Balance at the end of the year	575,000	380,000

The break-up of Islamic bank financing is as follows:

	(Saudi Riyal)	
	<u>2025</u>	<u>2024</u>
Due within 12 months	28,708,358	13,041,354
Due after 12 months	46,944,444	24,305,556
Total	75,652,802	37,346,910

The total commission cost incurred in the statement of comprehensive income during the year 2025 including amortized transaction cost amounting to SR 5,926,438 (2024: SR 806,264).

14- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	(Saudi Riyal)	
	<u>2025</u>	<u>2024</u>
Security deposits	17,938,258	12,175,150
Accrued expenses	1,376,263	1,472,505
Employees related accruals	519,887	442,070
Value Added Tax (VAT) payable	243,342	224,361
GOSI payable	94,334	88,258
Other	2,695	2,925
Total	20,174,779	14,405,269

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

15- ZAKAT PROVISION

Zakat provision is calculated at the year end of each year in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA). The zakat provision shall be recorded at the end of the financial year within the items of comprehensive income and the differences resulting from the final assessment are recognized within the same item in the year in which the zakat assessment is approved. The Company has submitted its zakat return till 2024 and no zakat assessment has been received.

The zakat basis for the year as follows:

	(Saudi Riyal)	
	2025	2024
Profit / (loss) for the year before zakat	2,403,962	(9,440,409)
Net commission income from Islamic financing	34,886,974	12,128,631
Maximum Zakat base	19,231,696	9,702,905
Minimum Zakat base	9,615,848	4,851,452
Zakat base	<u>19,231,696</u>	<u>9,702,905</u>

The movement in zakat provision as follows:

	(Saudi Riyal)	
	2025	2024
Balance at the beginning of the year	325,865	16,355
Charged during the year	412,798	319,074
Paid during the year	(250,795)	(9,564)
Balance at the end of the year	<u>487,868</u>	<u>325,865</u>

16- EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

The Company policy states that employees defined benefits obligations is payable to all employees who complete the qualifying service period under the labor law in the Kingdom of Saudi Arabia. The annual provision is based on actuarial valuation. The actuarial valuation carried out by an independent expert assigned by the Company's management, using the Actuarial Projected Unit Credit Method as of December 31, 2025. The movement in employees' defined benefits obligations during the year was as follows:

	(Saudi Riyal)	
	2025	2024
Balance at the beginning of the year	379,371	88,605
Current service cost	388,842	311,668
Finance cost (Note 21)	20,378	4,729
Paid during the year	(22,690)	-
Actuarial remeasurement	(17,673)	(25,631)
Balance at the end of the year	<u>748,228</u>	<u>379,371</u>

Main actuarial assumptions and sensitivity analysis:

	2025	2024
Discount rate	5.55%	5.75%
Salary growth rate	2.00%	2.00%
Normal retirement age	60 years	60 years

Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amount shown below:

	(Saudi Riyal)	
	2025	2024
Discount rate (1% increase)	673,246	339,412
Discount rate (1% decrease)	835,986	426,291
Salary growth rate (1% increase)	838,344	427,653
Salary growth rate (1% decrease)	670,130	337,682
Withdrawal rate (20% increase)	737,673	373,222
Withdrawal rate (20% decrease)	756,323	384,099
Mortality rate (20% increase)	748,317	379,416
Mortality rate (20% decrease)	748,139	379,325

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

16- EMPLOYEES' DEFINED BENEFITS OBLIGATIONS (CONTINUED)

Risks associated with employee' defined benefits obligations:

Salary increase risks:

The most common type of retirement benefit is the one in which benefits are connected to it final salaries. The risk arises when the actual increases are higher than expected and therefore affect the obligation.

Withdrawal risks:

The actual withdrawal risk that varies with the valuation assumptions could pose a risk to the benefit obligation. The movement in commitment can proceed in both directions.

17- COMMISSION INCOME FROM ISLAMIC FINANCING

	(Saudi Riyal)	
	2025	2024
Income from Tawarruq – <i>Over time</i>	40,757,817	12,934,896
Income from Ijara – <i>Over time</i>	55,596	-
Total	40,813,412	12,934,896

All commission income has been generated in the Kingdom of Saudi Arabia.

18- SALARIES, WAGES AND OTHER BENEFITS

	(Saudi Riyal)	
	2025	2024
Salaries and related costs	11,547,092	10,930,527
Directors and Board Committees' attendance fees	368,000	353,000
Current service cost for employees' defined benefits obligations	388,842	311,668
Total	12,303,934	11,595,195

19- OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	(Saudi Riyal)	
	2025	2024
IT related expenses	3,432,646	4,480,956
Professional fee	350,842	325,155
SIMAH charges	332,160	296,738
Provision other receivables (Note 8)	142,974	-
Government fee	114,334	106,908
Sharia committee fee	100,000	106,000
Bank charges - operation	69,817	22,017
License and subscription	40,000	35,287
Other	327,347	292,337
Total	4,910,120	5,665,398

20- SELLING AND MARKETING EXPENSES

	(Saudi Riyal)	
	2025	2024
Advertising expense	1,315,244	1,097,945
Sales team incentives	769,024	674,817
Website expenses	15,960	242,832
Other	132,385	56,119
Total	2,232,613	2,071,713

21- FINANCE COST

	(Saudi Riyal)	
	2025	2024
Finance cost on lease liabilities (Note 10)	203,221	222,352
Finance cost on employee's defined benefits obligations (Note 16)	20,378	4,729
Total	223,599	227,081

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

22- OTHER INCOME

	(Saudi Riyal)	
	2025	2024
Income from Islamic deposits (Note 5)	379,028	2,837,425
Gain from lease cancellation (Note 10)	179,240	-
Others	369,800	309,774
Total	928,068	3,147,199

23- RELATED PARTIES TRANSACTION

Related parties represent the directors and key management personnel of the Company, and entities controlled or significantly influenced by such parties. Prices and terms of payment for transactions with related parties are approved by the shareholders of the Company. Transactions with related parties are under normal course of business.

Significant related party transactions held during the year are as follows:

<u>Name of related party</u>	<u>Type of relationship</u>	<u>Nature of transaction</u>	(Saudi Riyal)	
			2025	2024
Information Technology Integrated Solutions	Affiliate	Operating	-	2,349,863
Alpha United Investment Company	Shareholder	Lease payment	2,760,001	1,600,000
Integrated Marketing Advertising Company	Affiliate	Operating	1,514,766	1,055,024
Yaqeen Indirect Financing Fund (A)	Affiliate	Operating	23,015,000	-

(A) The Company has entered into management agreement with Yaqeen Indirect Financing Fund to provide Islamic financing on behalf of the Fund that is managed by Yaqeen capital. The Fund provides the funding to the Company through a separate bank account. The Company (acting as a custodian) provides financing to the customers after due diligence and takes all reasonable actions to comply with the relevant requirement of the agreement. The credit risk under these financing lies with the Fund. The Company charges administration fee and shares the profit of the Fund in lieu of the management services provided to the Funds. As of December 31, 2025, the Company was holding Fund cash accounts amounting to SR 4.4 million, to be used for financing on the Fund's behalf. Consistent with its accounting policy, such balances and the financing balances are not included in the Company's financial statements as these are held by the Company in fiduciary capacity.

Remuneration to key management personnel:

Compensation of the executive management personnel includes salaries, non-cash benefits and contributions to long-term employment benefits. Compensation and benefits for senior executive management personnel includes the following:

	(Saudi Riyal)	
	2025	2024
Compensation of key management personnel of the Company	7,367,156	6,324,740
Number of key management personnel	11	11

24- CONTINGENCIES AND COMMITMENTS:

The Company has certain legal cases pending in courts against its defaulted customers. However, based on management's best estimate no significant contingencies exist as of December 31, 2025 and as of December 31, 2024.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

25- FINANCIAL RISK MANAGEMENT

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

25.1 Risk management structure:

Board of Directors

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

Executive Committee

The Executive Committee is established with primary mandate to review, monitor performance and provide necessary guidance on operational and strategic matters or other core activities driving the Company's business.

Risk and Credit Committee

The Risk and Credit Committee is established to develop and maintain comprehensive risk strategy and policies, including cyber security and IT risks. The Risk Management and Credit Committee is responsible to set Risk Appetite Framework (RAF) and ensure RAF remains consistent with short and long-term strategy, business and capital plan as well as other risk and credit related policies.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is established to identify and propose candidates for selection as members of Board, Committees and Executive Management. The Nomination and Remuneration Committee is responsible for preparing clear policy for remuneration of members and executive management.

Audit Committee

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

Internal audit

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

25.2 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 credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of two types of risk: currency risk and commission rate risk.

25.2.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal transactions are carried in Saudi Riyal. The Company incurs currency risk on borrowing in foreign currency that is entered in a currency other than Saudi Riyal. Management believes that there is no risk of significant losses due to exchange rate fluctuations as all of the monetary assets and liabilities are in Saudi Riyals or currencies which are pegged to the Saudi Riyal and consequently the Company does not hedge its foreign currency exposure. As of December 31, 2025 and 2024, the Company has no foreign currency loan.

25.2.2 Commission rate risk

Commission rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Company's exposure to the risk of changes in market commission rates relates primarily to the Company's long-term debt obligations with floating commission rates. The Company has variable rate financial liabilities loan amounting SR 75.65 million as of December 31, 2025 (2024: SR 37.34 million) subject to commission rate risk that were not hedged.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

25- FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Out of the total assets of SR 194.7 million (2024: SR 145.8 million), the assets which were subject to credit risk of financial assets amounted to SR 184.3 million (2024: SR 137.3 million). The management analyze the credit risk in the following categories:

	(Saudi Riyal)	
	2025	2024
Financial assets at amortized cost		
Cash at banks	14,635,668	20,483,995
Margin deposits – Restricted	9,952,778	3,734,691
Islamic financing receivables	157,034,506	92,451,512
Islamic short-term deposits	-	20,500,000
Other receivables	2,716,497	139,172
Total	184,339,449	137,309,370

25.3.1 Net investment in Islamic financing

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

The Company also follows a credit classification mechanism, primarily driven by days past due-delinquency as a tool to manage the quality of credit risk of the portfolio. Islamic financing receivables which are overdue for more than 3 months and where future cash flows are estimated to differ, are graded into subcategories according to Company's internal rating system i.e., performing, underperforming and non-performing. The portfolio that is neither past due nor impaired has satisfactory history of repayment, where applicable. As at statement of financial position date, the Company has adequate collaterals to cover the overall credit risk exposure after providing ECL.

The assessment of credit risk of Islamic finance receivables also requires further estimations of credit risk using ECL which is derived by PD, EAD and LGD.

Generating the term structure of PD:

Loss rates are calculated using a 'flowrate' 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, average of past thirty-six months, adjusted by the outlook of the economy.

Significant increase in credit risk:

In determining whether credit risk has increased significantly since initial recognition, the Company uses its quantitative changes in PDs, delinquency status of accounts and, where possible, relevant historical experience. Based on instalment collection history, the management believes that the significant increase in credit risk arise only when the instalment is past due for more than 30 days.

Measurement of ECL:

The Company measures ECL at counterparty level considering the EAD, PD, LGD and discount rate. PD's are estimated at a certain date, based on the term structures as provided above. For LGD estimates, the Company use present value of recoveries for loss accounts adjusted by the forward-looking information. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of Islamic finance receivables is its gross carrying amount. For discounting, the Company has used each contract's effective commission rate. The Company's management believes that adequate ECL has been made, where required to address the credit risk. Moreover, the Company in the ordinary course of providing receivables are subject to additional personal guarantees for security to mitigate credit risk associated with Islamic finance.

Concentration risk

Concentration of credit risk arises when a number of counterparties are engaged in similar business activity, 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. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. The Company manages its credit risk exposure through diversification of Islamic financing activities to ensure that there is no undue concentration of risks with individual or groups of customers in specific sector, location or type of business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

25- FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3 Credit risk (Continued)

Collateral held as security

The Company in the ordinary course of lending activities, holds collateral as security to mitigate credit risk in the receivables for certain transactions. These collaterals mostly include cash margins as of December 31, 2025 amounted to SR 161.9 (December 31, 2024: SR 34.35 million).

25.3.2 Bank balances, term deposits and other receivables

The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with a bank having good credit ratings. Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

25.4 Liquidity risk

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

The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

ALPHA ARABIA FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2025

25- FINANCIAL RISK MANAGEMENT (CONTINUED)

25.4 Liquidity risk (Continued)

	(Saudi Riyal)					
	December 31, 2025					
<u>Assets</u>	<u>Within 3 months</u>	<u>4 to 12 months</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>No fixed maturity</u>	<u>Total</u>
Cash and cash equivalents	14,662,332	-	-	-	-	14,662,332
Margin deposits – Restricted	936,899	2,839,994	6,175,885	-	-	9,952,778
Islamic financing receivables, net	14,791,972	42,257,989	91,038,352	8,946,193	-	157,034,506
Prepaid expenses and other current assets	288,342	3,867,485	-	-	-	4,155,827
	30,679,545	48,965,468	97,214,237	8,946,193	-	185,805,443
<u>Liabilities</u>						
Islamic financing payable	7,120,857	21,587,501	46,944,444	-	-	75,652,802
Accrued expenses and other current liabilities	1,926,606	1,027,414	15,367,942	1,852,817	-	20,174,779
Lease liabilities	-	2,873,611	-	-	-	2,873,611
Total	9,047,463	25,488,526	62,312,386	1,852,817	-	98,701,192

	(Saudi Riyal)					
	December 31, 2024					
<u>Assets</u>	<u>Within 3 months</u>	<u>4 to 12 months</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>No fixed maturity</u>	<u>Total</u>
Cash and cash equivalents	41,029,247	-	-	-	-	41,029,247
Margin deposits – Restricted	332,154	996,463	2,406,074	-	-	3,734,691
Islamic financing receivables, Net	6,952,667	25,745,832	59,193,622	559,391	-	92,451,512
Prepaid expenses and other current assets	459,776	1,379,326	-	-	-	1,839,102
	48,773,844	28,121,621	61,599,696	559,391	-	139,054,552
<u>Liabilities</u>						
Islamic financing payable	3,278,854	9,762,500	24,305,556	-	-	37,346,910
Accrued expenses and other current liabilities	1,898,567	467,552	11,850,650	188,500	-	14,405,269
Lease liabilities	365,654	975,079	1,674,713	-	-	3,015,446
Total	5,543,075	11,205,131	37,830,919	188,500	-	54,767,625

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024

26- CAPITAL MANAGEMENT

The objective of the Company when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain optimal capital structure to reduce the cost of capital. The Company manages its capital structure by monitoring return on net assets and adjusts it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend to its shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2025. The Company monitors capital on the basis of regulatory requirements of Regulations for Companies and SAMA minimum capital requirements for financing companies:

	(Saudi Riyal)	
	<u>2025</u>	<u>2024</u>
Capital adequacy ratio (Net investment in Islamic financing divided by total equity)	1.70%	1.02%

27- FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on 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 principal or the most advantageous market must be accessible to by the Company. 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 Company determines fair values using other valuation techniques.

Valuation techniques

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28- CASHFLOW INFORMATION

A- Non – cash items

- Addition to right of use asset and lease liabilities (Note 10)

B- Changes in liabilities arising from financing activities

<u>December 31,2025</u>	<u>January 1,2025</u>	<u>Cashflows</u>	<u>Others</u>	<u>December 31,2025</u>
Lease liabilities	3,015,446	(2,760,001)	2,618,166	2,873,611
<u>December 31,2024</u>	<u>January 1,2024</u>	<u>Cashflows</u>	<u>Others</u>	<u>December 31,2024</u>
Lease liabilities	4,393,094	(1,600,000)	222,352	3,015,446

29- SUBSEQUENT EVENTS

As per management opinion, there are no significant subsequent events since the year ended that could have a material impact on the financial position of the Company or the results of its operations.

30- APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorized for issue by the Board of Directors on Shaban 29, 1447 H (corresponding to February 17, 2026).