

sahb FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2025
AND INDEPENDENT AUDITOR'S REPORT

sahb FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER , 2025

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of **sahb Finance Company** (the "Company"), which comprise of the statement of financial position as at 31 December 2025, and the statement of profit or loss, statement of comprehensive income, statement of changes in shareholders' equity, and statement of cash flows for the year then ended, and notes to the financial statements including summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and 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 have no realistic alternative but to do so.

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



Independent Auditor's Report to the shareholders of sabh Finance Company for the year ended 31 December, 2025 (Continued)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with the management and 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.

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri
Certified Public Accountant
License No. 362

Riyadh, on: 15 Ramadan 1447 (H)
Corresponding to: 4 March 2026 (G)

sahb FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December, 2025
(All amounts in ﷲ unless otherwise stated)

	Notes	2025	2024 (Restated note 30)
Assets			
Cash and cash equivalents	5	14,227,552	27,779,787
Murabaha receivables	6	111,882,475	171,760,682
Ijara receivables	7	12,410,303	41,262,656
Prepayments and other receivables	8	761,009	479,578
Other assets	9	162,654,928	49,433,797
Equity investment at fair value through other comprehensive income	10	892,850	892,850
Investment properties	11	100,504,978	101,572,490
Property and equipment	12	3,857,237	3,929,116
Intangible Assets	13	587,866	281,250
Total assets		407,779,198	397,392,206
Liabilities and shareholders' equity			
Liabilities			
Accounts payable, accruals, and others	14	9,748,876	7,906,383
Provision for zakat	15	2,400,622	3,617,322
Provision for employees' end-of-service benefits	17	1,677,411	1,227,443
Total liabilities		13,826,909	12,751,148
Shareholders' equity			
Share capital	18	311,392,870	311,392,870
Statutory reserve	19	33,579,552	32,655,477
Consensual reserve	19	3,000,000	3,000,000
Retained earnings		45,354,990	37,038,313
Actuarial gain on employees' defined benefit obligations		624,877	554,398
Total shareholders' equity		393,952,289	384,641,058
Total liabilities and shareholders' equity		407,779,198	397,392,206

The accompanying notes (1) through (31) form an integral part of these financial statements.

sahb FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Income			
Income from Murabaha contracts	21	11,840,397	5,566,318
Finance income		1,082,333	1,652,916
Other income	22	13,667,828	963,250
Total income		26,590,558	8,182,484
Operating expenses			
General and administration expenses	24	(26,020,161)	(13,767,410)
Reversal of provision for expected credit losses	23	8,013,830	19,733,025
Fair value amortization	16	3,057,147	3,345,507
		(14,949,184)	9,311,122
Net profit for the year before zakat		11,641,374	17,493,606
Zakat			
-Charge for the year	15	(2,400,622)	(5,103,925)
Net profit for the year after zakat		9,240,752	12,389,681

The accompanying notes (1) through (31) form an integral part of these financial statements.

sahb FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December, 2025

(All amounts in ﷻ unless otherwise stated)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Net profit for the year after zakat		9,240,752	12,389,681
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Re-measurement gain on employees' defined benefit liabilities	17	<u>70,479</u>	<u>56,226</u>
Total comprehensive income for the year		<u>9,311,231</u>	<u>12,445,907</u>

The accompanying notes (1) through (31) form an integral part of these financial statements.

sahb FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December, 2025

(All amounts in ﷻ unless otherwise stated)

	Share capital	Statutory reserve	Consensual reserve	Retained earnings	Actuarial gain/losses) on employees' defined benefit obligations	Total
Balance at 1 January, 2025	311,392,870	32,655,477	3,000,000	37,038,313	554,398	384,641,058
Net profit for the year	-	-	-	9,240,752	-	9,240,752
Other comprehensive income	-	-	-	-	70,479	70,479
Total comprehensive income	-	-	-	9,240,752	70,479	9,311,231
Transferred to Statutory reserve	-	924,075	-	(924,075)	-	-
Balance at 31 December, 2025	311,392,870	33,579,552	3,000,000	45,354,990	624,877	393,952,289
Balance at 1 January, 2024	311,392,870	31,416,509	3,000,000	25,887,600	498,172	372,195,151
Net profit for the year	-	-	-	12,389,681	-	12,389,681
Other comprehensive income	-	-	-	-	56,226	56,226
Total comprehensive income	-	-	-	12,389,681	56,226	12,445,907
Transferred to Statutory reserve	-	1,238,968	-	(1,238,968)	-	-
Balance at 31 December, 2024	311,392,870	32,655,477	3,000,000	37,038,313	554,398	384,641,058

The accompanying notes (1) through (31) form an integral part of these financial statements.

sahb FINANCE COMPANY
(A Saudi Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
Cash flows from operating activities			
Net profit for the year before zakat		11,641,374	17,493,606
<i>Adjustments for non-cash items</i>			
Depreciation	24	1,249,162	1,225,994
Amortization	24	2,334	-
Provision for employees' end of service benefits	17	583,203	488,885
Reversal of provision for credit losses	23	(8,013,830)	(19,733,025)
Fair value amortization	16	(3,057,147)	(3,345,507)
Gain on disposal of property and equipment		(13,913)	-
Fair value (gain) / loss for investment property		-	(696,320)
Loss on write-off for property and equipment	24	-	475,497
		2,391,183	(4,090,870)
<i>Changes in operating assets and liabilities</i>			
Murabaha receivables		(13,422,319)	(50,810,443)
Ijara receivables		2,725	-
Prepayments and other receivables	8	(281,431)	15,821,234
Accounts payable, accruals and others	14	1,842,493	(12,314,248)
Zakat paid	15	(3,617,322)	(6,979,916)
Employees' end of service benefits paid	17	(62,756)	(212,050)
Net cash (used in) generated from operating activities		(13,147,427)	(58,586,293)
Cash flows from investing activities			
Property and equipment	12	(137,471)	(220,613)
Intangible Assets	13	(281,250)	(281,250)
Proceeds from disposal of property and equipment		13,913	-
Investment property	11.1.1	-	(1,057,623)
Net cash used in investing activities		(404,808)	(1,559,486)
Net (decrease) / increase in cash and cash equivalents		(13,552,235)	(60,145,779)
Cash and cash equivalents at beginning of the year		27,779,787	87,925,566
Cash and cash equivalents at end of the year	5	14,227,552	27,779,787
Non-cash transactions			
Additions to other Assets (note 9.2)		113,221,131	49,433,797
Addition to investment property (note 11.1.1)		-	13,158,247

The accompanying notes (1) through (31) form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

1 GENERAL

sahb Finance Company (the “Company”) is a Saudi closed joint stock company, registered in Riyadh, Kingdom of Saudi Arabia. The Company obtained a license number 201411/S A/23 dated 9 Muharram 1436H (corresponding to November 2, 2014) from the Saudi Central Bank (SAMA). The Company is registered under commercial registration number 1010265551 dated 9 Rabie Al Thani 1430H (corresponding to April 5, 2009). The unified number of the Company as per commercial registration certificate is 7001586903.

The objectives of the Company are to provide financing to small and medium companies, financing production assets and providing finance leases.

The Company’s renewed the Saudi Central Bank (SAMA) license in September 3, 2023 for a period of five years, to perform financing activities in the Kingdom of Saudi Arabia.

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

sahb Finance Company
Abi Tahir Al Dhahabi street
Al Mutamarat, P.O. Box 64124, Riyadh 11536
Kingdom of Saudi Arabia

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2025 have been prepared:

- in accordance with IFRS Accounting standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS that are endorsed in KSA”).
- in compliance with the Companies’ Law in the Kingdom of Saudi Arabia and Company’s Bylaws.

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

2.2 Basis of measurement

The financial statements are prepared on a going concern basis under the historical cost convention, except for investment at fair value through other comprehensive income (“FVOCI”), which is measured at fair value, and the provision for employees’ end of service benefits which are recognised at the present value of future obligations using the projected unit credit method.

2.3 Functional and presentation currency

These financial statements have been presented in Saudi Riyals (ﷲ), which is the Company's functional and presentation currency.

sahb FINANCE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December, 2025**(All amounts in S unless otherwise stated)**3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS****New standards, interpretations, and amendments not yet effective**

There are several standards, amendments to standards, and interpretations which have been issued by the International Accounting Standards Board (“IASB”) that are effective in future accounting periods that the Company has decided not to adopt early.

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
IFRS 9 and IFRS 7	Amendments regarding the classification and measurement of financial instruments	1 January 2026
Annual Improvements to IFRS Accounting IFRS 18	Amendments/ Annual improvements in IFRS 1, IFRS 7, IFRS 9, IFRS 10, IAS 7	1 January 2026
IFRS 18	Presentation and Disclosures in Financial Statements	1 January 2027
IAS 19	Disclosures – Subsidiaries without Public Accountability	1 January 2027
IFRS 21	Translation into the presentation currency in a hyperinflationary economy	1 January 2027

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not expect any standard issued by IASB that are yet to be effective, to have a material impact on the Company.

The summary of significant accounting policies adopted in the preparation of these financial statements are set out below:

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (“AC”), fair value through other comprehensive income (“FVOCI”) and fair value through income statement (“FVTPL”). This classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Company classifies its financial assets under IFRS 9, see respective section of significant accounting policies.

Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all the fair value changes of liabilities designated under the fair value option were recognized in statement of comprehensive income, under IFRS 9 fair value changes are generally presented as follows:

The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income OCI; and

The remaining amount of change in the fair value is presented in statement of comprehensive income.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model (“ECL”). IFRS 9 requires the Company to record an allowance for ECLs for ijarah and murabaha receivables and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. Under IFRS 9, credit losses are recognized earlier than under IAS 39. For an explanation of how the Company applies the impairment requirements of IFRS 9, see respective section of significant accounting policies.

Initial recognition and subsequent measurement of financial assets

All financial assets of the Company are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective profit method, less any impairment losses.

Following are the major financial assets as of the reporting date:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Initial recognition and subsequent measurement of financial assets (continued)

Murabaha receivables

Murabaha is an agreement whereby the Company sells an asset to a customer, which the Company has purchased and acquired based on an undertaking received from the customer to buy. The selling price comprises the cost plus an agreed profit margin. Gross amounts due under the Murabaha sale contracts include the total of future sale payments on the Murabaha agreement (Murabaha sale receivables). The difference between the Murabaha sale receivables and the cost of the sold asset, is recorded as unearned Murabaha income (see note 6), and for presentation purposes, is deducted from the gross amounts due under the Murabaha receivable.

Ijara receivables

Ijara is an agreement whereby the Company, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on an undertaking to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee. The gross amounts due under originated Ijara (finance) leases includes the total of future lease payments on Ijara receivables (lease receivables), plus estimated residual amounts receivable. The difference between the Ijara receivables and the cost of the sold asset, is recorded as unearned Ijara income and for presentation purposes, is deducted from the gross amounts due under the Ijara receivable.

Classification of financial assets

On initial recognition, a financial asset is classified as amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through income statement (“FVTPL”).

Financial asset at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial asset at FVOCI

Debt instruments:

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

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

Equity instruments:

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

Dividends from such investments are recognized in profit or loss as other income when the Company’s right to receive payments is established unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Classification of financial assets (continued)

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL.

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

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

Business model assessment

The Company makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

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

Assessments whether contractual cash flows are solely payments of principal and profit ("SPPI" criteria)

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

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g., periodical reset of profit rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Classification of financial liabilities

Upon initial recognition, the Company classifies its financial liabilities, as measured at amortised cost.

Subsequently, financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through income statement or if the Company adopts to measure a liability at fair value through income statement as per the requirements of IFRS 9.

Amortized cost

Ijara and Murabaha receivables and other financial assets measured at amortized cost are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective profit method.

Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of income.

From 1 January 2017, any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in statement of income on derecognition of such securities. Any profit in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Modifications of financial assets and financial liabilities.

Financial assets

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

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of comprehensive income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit/loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Modifications of financial assets and financial liabilities (continued)

Financial liabilities

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

Impairment

Impairment of financial assets

The Company recognizes loss allowances for ECL on the following assets that are not measured at FVTPL:

- Murabaha and Ijara receivables
- financial assets that are debt instruments; and
- loan commitments issued, if any.

No impairment loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL for:

- trade and other receivables without a significant financing component
- debt investment securities that are determined to have high credit risk at the reporting date; and
- other financial instruments on which credit risk has increased significantly since their initial recognition.

The key inputs into the measurement of ECL are based on the following variables:

- Exposure at default (EAD)
- Probability of default
- Loss given default

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information from published sources, the Company formulates a forward-looking adjustment to PD term structures to arrive at forward-looking PD estimates across the lifetime using macroeconomic models.

The Company considers scenarios in the range of 3-5 years horizon (consistent with forecasts available from public sources). Externally available macroeconomic forecast from international Monetary Fund (IMF) and SAMA are used for making base case forecast. The base case represents a most-likely outcome as published by external sources. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company has used GDP growth rate as its key macroeconomic factor. The Company has given 40:30:30 weightage to its base case forecast, pessimistic case forecast and optimistic case forecast respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Measurement of ECL

For murabaha and ijarah financing receivables (“receivables”), the Company applies the general approach in order to measure expected credit losses (ECL). For stage 1 receivables the Company measures ECL at an amount equal to 12 months expected credit losses. Where the expected lifetime of a receivable is less than 12 months, expected losses are measured at its expected lifetime. 12 months expected credit losses are the portion of expected credit losses that result from default events on the receivables that are possible within 12 months after the reporting period. The receivables of the Company are categorized as follows:

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

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

- 2- Underperforming (Stage 2): these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 30 days past due and up to 90 days past due in making a contractual payment / instalment, the facilities are restructured or under management watchlist, the facilities against which collateral is repossessed or cross default in other facilities by same customer.

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

- 3- Non-performing (Stage 3): these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment / instalment more than 90 days after they fall due, a legal case against the customer is filed or cross default in other facilities of the customer.

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

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original special commission rate of the existing financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

3. MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Credit-impaired financial assets

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

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

Definition of default

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

- The borrower is unlikely to pay its credit obligations to the Company in full; or
- The borrower is past due more for than 90 days on any material credit obligation to the Company.

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

- Qualitative – e.g., breaches of covenant; legal case filed by the Company against borrower or cross default in other facilities of the borrower.
- Quantitative – e.g., overdue status or cross default in other facilities by same customer; and
- Based on data developed internally and obtained from external sources.

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

Financial assets measured at amortised cost

- as a deduction from the gross carrying amount of the assets;

Financial instrument includes both on statement of financial position (SOF) and off SOFP component

- where the Company cannot identify the ECL on the off SOFP commitment component (in respect of sold finance lease receivables) separately from those on the on SOFP component, the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the on SOFP component.

Write-off

Ijara, murabaha receivables 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.

Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as financial guarantees, and other physical assets. The Company's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. The fair value of collateral is considered for the calculation of ECLs. The value of the collateral is determined at inception and subsequently as and when considered necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Collateral repossessed

The Company's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Company's policy is to determine whether a repossessed asset can be sold or relent. Assets for which selling is determined to be a better option are sold in line with the Company's policy and any difference in the amount lent and assets sold is recorded in the statement of profit or loss.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. 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 the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement 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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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, 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.

A fair value measurement 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.

Transactions in foreign currencies

Transactions in foreign currencies are recorded in Saudi Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

(continued)

Accounts payable and accruals

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of comprehensive income over the period of the borrowing using the effective profit method.

Investment properties

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses, if any. The cost less estimated residual value of investment properties is depreciated on a straight line basis over the estimated useful lives of the assets. The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Gains and losses on disposal of investment properties are determined by comparing the proceeds from disposal with the carrying amount of investment properties and are recognised within other income in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷻ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

(continued)

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost less estimated residual value of property and equipment is depreciated on a straight line basis over the estimated useful lives of the assets. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Leasehold improvements are amortised on a straight-line basis over the shorter of the useful life of the improvement/assets or the term of the lease. Expenditure for repair and maintenance are charged to statement of comprehensive income. Improvements that increase the value or materially extend the life of the related assets are capitalised

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised within other income in statement of comprehensive income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss.

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Leases (continued)

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, if any, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Variable lease payments

Some leases contain variable payments that are linked to the usage/performance of the leased asset. Such payments are recognized in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks and short-term deposits with original maturities of three months or less, which are available to the Company without any restrictions.

Impairment of non-financial assets

The Company periodically reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

(continued)

Impairment of non-financial assets (continued)

If the recoverable amount of the asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment is recognised in the statement of comprehensive income.

Where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash generating unit in prior years. A reversal of impairment is recognised immediately in the statement of comprehensive income.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are presented on a net basis only when permitted under International Financial Reporting Standards, or for gains and losses arising from a group of similar transactions.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Company's obligation under employee end-of-service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss.

Zakat

Zakat is provided on an accrual basis, and in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA). Zakat, as clarified by SOCPA dated 3 Rajab 1440H (corresponding to 1 May 2019), is considered to be a liability of the Company and are accordingly recognised in the statement of profit or loss and other comprehensive income and accrued in the statement of financial position.

Expenses

Selling and marketing expenses are those that specifically relate to relationship manager and marketing expenses.

All other expenses are classified as general and administration expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷻ unless otherwise stated)

3 MATERIAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Revenue recognition

Income on Murabaha and Ijjara receivables are recognised in the statement of comprehensive income using the effective profit method (EPR) on the outstanding balance over the term of the contract. For credit impaired financial assets, the Company applies the effective profit rate to the amortised cost of the financial asset in subsequent reporting periods i.e., once a financial asset or a group of assets have been written down as a result of an impairment loss, profit is thereafter recognised using the rate of profit (original EPR) used to discount the future cash flows for the purpose of measuring the impairment loss.

The calculation of effective profit rate takes into account all contractual terms of Murabaha and Ijara receivables including all the fees, transaction costs, discounts that are integral part of the effective profit but does not include the future financing loss. Transaction costs are incremental costs that are directly attributable to acquisition of financial assets and liabilities.

Deferred finance expenses

Deferred finance expenses which are related to bank facilities are amortised over the estimated period of benefit of these facilities.

Withholding tax

The Company withholds taxes on certain foreign payments as required under the Saudi Arabian Tax Laws. Such withholding tax is recorded as a liability.

Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Dividends

The Company recognises a liability to make cash dividends distribution to shareholders when the dividends are authorised and no longer at the discretion of the Company. The corresponding amount is directly recognised in statement of changes in shareholders' equity with a corresponding liability on the statement of financial position.

3.1 New standards, interpretations, and amendments effective in the current year

There are a number of standards, amendments to standards, and interpretations which have been issued by the International Accounting Standards Board ("IASB") that are effective in future accounting periods that the Company has decided not to adopt early.

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
IFRS 21	Amendments regarding the classification and measurement of financial instruments	1 January 2025

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not expect any standard issued by IASB that are yet to be effective, to have a material impact on the Company.

4 USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRSs that are as endorsed in KSA, requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures including contingent liabilities disclosure. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of related assets or liabilities, in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, are described below. The Company based its assumptions and estimates on information available when financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company's management. Such changes are reflected in the assumptions when they occur.

4.1 Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. As of 31 December, 2025, the Company has a positive net assets position amounting to ﷲ 394 million. Moreover, the Company has sufficient liquidity to continue for the foreseeable future, which is more than twelve months from the approval date of these financial statements.

Further, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Although, as mentioned in note 1, the Company renewed its license from SAMA for five years. The management plans to recover the uncollected receivables at the earliest and therefore, filed legal cases against the defaulted customers. Therefore, the financial statements have been prepared on a going concern basis.

4.2 Useful lives of equipment, furniture, and vehicles

The management determines the estimated useful lives of its equipment, furniture, and vehicles for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges would be adjusted where management believes the useful lives differ from previous estimates.

4.3 Actuarial valuation of employee benefits liabilities

The cost of the employees' defined benefit obligation and the carrying value of the employees' defined benefit obligation are determined using external actuarial valuation. An external actuarial valuation involves making various assumptions that may differ from actual developments in the future.

These include the determination of appropriate discount rate and future salary increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

4.4 Classification of financial assets

Assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.

4 USE OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.5 Impairment of financial assets

The measurement of impairment losses requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's Expected Credit Loss (ECL) 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 are considered accounting judgements and estimates include:

- The Company's model for the determination of defaults, which assigns Probabilities of Default (PDs) to the individual pool of receivables and assessing the exposure at default (EAD)
- The Company's criteria for assessing the credit losses for Ijara and Murabaha receivables to be measured on a Lifetime Expected Credit Loss (LTECL) basis and the qualitative assessment
- The segmentation of Ijara and Murabaha receivables when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the appropriate inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as government spending, and the effect on PDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

4.6 Fair Value of unquoted assets

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

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

The fair value of an asset 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 best economic interest.

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

Financial instruments for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy.

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of their nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

sahb FINANCE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December, 2025**

(All amounts in ﷻ unless otherwise stated)

4 USES OF JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**4.7 Impairment of non-financial assets**

The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or a cash generating unit ("CGU") exceeds the recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

4.8 Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has one lease contract for a period of twelve months that includes extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

5 CASH AND CASH EQUIVALENTS

	<u>2025</u>	<u>2024</u>
Cash on hand	12,353	30,000
Bank current accounts	4,215,199	27,749,787
Term deposits (maturity in less than 90 days)	10,000,000	-
	<u>14,227,552</u>	<u>27,779,787</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

6 MURABAHA RECEIVABLES

6.1 Reconciliation between gross to net Murabaha receivables:

	2025	2024 (Restated note 30)
Gross Murabaha receivables	223,512,725	234,874,650
Transfer to other assets (note 9.2.1)	(87,895,508)	(29,732,439)
Gross Murabaha receivables after transfer	135,617,217	205,142,211
Unearned finance income	(15,415,496)	(10,473,353)
	120,201,721	194,668,858
Provision for expected credit losses	(8,319,246)	(16,152,604)
	111,882,475	178,516,254
Fair value losses	-	(6,755,572)
Murabaha receivables, net	111,882,475	171,760,682

6.2 The contractual maturity of the Murabaha receivables are as follows:

As at 31 December 2025	Years	Gross Investment	Unearned finance Income	Net investment before ECL
Total current portion	2026	86,379,693	(11,108,666)	75,271,027
	2027	39,449,190	(3,700,411)	35,748,779
	2028	9,418,751	(606,419)	8,812,332
	2029	369,583	-	369,583
Total non-current portion		49,237,524	(4,306,830)	44,930,694
		135,617,217	(15,415,496)	120,201,721

As at 31 December 2024 (note 30)	Years	Gross Investment	Unearned finance Income	Net investment before ECL
Total current portion	2025	167,319,478	(7,034,202)	160,285,276
	2026	26,396,641	(2,997,582)	23,399,059
	2027	11,426,092	(441,569)	10,984,523
Total non-current portion		37,822,733	(3,439,151)	34,383,582
		205,142,211	(10,473,353)	194,668,858

6.3 The aging of Murabaha receivables are as follows:

	2025	2024
Not yet due	96,725,563	66,418,926
Overdue balances		
1 – 3 months	1,496,099	-
4 – 6 months	-	1,179,962
7 – 12 months	3,887,216	9,187,710
More than 12 months	18,092,843	117,882,260
	23,476,158	128,249,932
Net Murabaha receivables before ECL provision	120,201,721	194,668,858

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

6 MURABAHA RECEIVABLES (CONTINUED)

6.4 Stage-wise analysis of Murabaha receivables are as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2025	76,892,279	-	128,249,932	205,142,211
Transfer from Stage1	(11,355,552)	-	11,355,552	-
Transfer from Stage2	-	-	-	-
Transfer from Stage3	-	-	-	-
Financial Assets - settled	(49,372,117)	(1,507,079)	(22,233,835)	(73,113,031)
Financial Assets - originated	82,057,869	6,250,692	3,174,984	91,483,545
Write-off during the year	-	-	-	-
Transferred to other assets	-	-	(87,895,508)	(87,895,508)
As at 31 December 2025	98,222,479	4,743,613	32,651,125	135,617,217

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	-	-	189,619,356	189,619,356
Transfer from Stage1	-	-	-	-
Transfer from Stage2	-	-	-	-
Transfer from Stage3	-	-	-	-
Financial Assets - settled	(16,528,889)	-	(28,765,721)	(45,294,610)
Financial Assets - originated	93,421,172	-	-	93,421,172
Write-off during the year	-	-	(2,871,268)	(2,871,268)
Transferred to other assets	-	-	(29,732,439)	(29,732,439)
As at 31 December 2024	76,892,283	-	128,249,928	205,142,211

6.5 The analysis of changes in provision for ECL are as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2025	422,110	-	15,730,494	16,152,604
Transfer from Stage1	3,159,344	-	(2,185,908)	973,436
Transfer from Stage2	(3,033,250)	35,018	2,998,232	-
Transfer from Stage3	-	-	-	-
Transferred to other assets (note 9.2.1)	-	-	(8,806,794)	(8,806,794)
Write-off during the year	-	-	-	-
As at 31 December 2025	548,204	35,018	7,736,024	8,319,246

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	-	-	42,383,968	42,383,968
Impairment charge/ (reversal)	422,110	-	(20,808,962)	(20,386,852)
Transfer from Stage1	-	-	-	-
Transfer from Stage2	-	-	-	-
Transfer from Stage3	-	-	-	-
Transferred to other assets (note 9.2.1)	-	-	(2,973,244)	(2,973,244)
Write-off during the year	-	-	(2,871,268)	(2,871,268)
As at 31 December 2024	422,110	-	15,730,494	16,152,604

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

6 MURABAHA RECEIVABLES (CONTINUED)

6.6 The ECL provision movement in Murabaha receivables are given below:

	<u>2025</u>	2024
As at 1 January	16,152,604	42,383,968
Charge/ (reversal) for the year	973,436	(20,386,852)
Transferred to other assets (note 9.2.1)	(8,806,794)	(2,973,244)
Write-off during the year	-	(2,871,268)
As at 31 December	<u>8,319,246</u>	<u>16,152,604</u>

6.7 Stage wise analysis of gross exposure of Murabaha receivables and ECL provision are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
As at 31 December 2025				
Gross Murabaha receivables	98,222,479	4,743,613	32,651,125	135,617,217
Provision for expected credit loss	(548,204)	(35,018)	(7,736,024)	(8,319,246)
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
As at 31 December 2024				
Gross Murabaha receivables	76,892,283	-	128,249,928	205,142,211
Provision for expected credit loss	(422,110)	-	(15,730,494)	(16,152,604)

7 IJARA RECEIVABLES

7.1 Reconciliation between gross to net Ijara receivables:

	<u>2025</u>	2024 (Restated note 30)
Gross Ijara receivables	50,356,219	75,552,946
Transfer to other assets (note 9.2.2)	(36,566,994)	(25,194,002)
Gross Ijara receivables after transfer	13,789,225	50,358,944
Unearned finance income	-	-
	13,789,225	50,358,944
Provision for expected credit losses	(1,378,922)	(5,035,895)
	12,410,303	45,323,049
Fair value losses	-	(4,060,393)
Ijara receivables, net	<u>12,410,303</u>	<u>41,262,656</u>

7.2 The contractual maturity of the Ijara receivables are as follows:

As at 31 December 2025	Years	Gross Investment	Unearned finance Income	Net investment before ECL
Total current portion	2026	13,789,225	-	13,789,225
Total Ijara receivables		<u>13,789,225</u>	-	<u>13,789,225</u>
As at 31 December 2024 (restated)	Years	Gross Investment	Unearned finance Income	Net investment before ECL
Total current portion	2025	50,358,944	-	50,358,944
Total Ijara receivables		<u>50,358,944</u>	-	<u>50,358,944</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

7 IJARA RECEIVABLES (CONTINUED)

7.3 The aging of Ijara receivables are as follows:

	<u>2025</u>	<u>2024</u>
Not yet due	-	-
Overdue balances		
More than 12 months	13,789,225	50,358,944
Net Ijara receivables before ECL provision	<u>13,789,225</u>	<u>50,358,944</u>

7.4 Stage-wise analysis of Ijara receivables are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
As at 1 January 2025	-	-	50,358,944	50,358,944
Transfer from Stage1	-	-	-	-
Transfer from Stage2	-	-	-	-
Transfer from Stage3	-	-	-	-
Financial Assets - settled	-	-	(2,725)	(2,725)
Financial Assets - originated	-	-	-	-
Write-off during the year	-	-	-	-
Transferred to other assets	-	-	(36,566,994)	(36,566,994)
As at 31 December 2025	-	-	13,789,225	13,789,225

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
As at 1 January 2024	-	-	77,368,192	77,368,192
Transfer from Stage1	-	-	-	-
Transfer from Stage2	-	-	-	-
Transfer from Stage3	-	-	-	-
Financial Assets - settled	-	-	-	-
Financial Assets - originated	-	-	-	-
Write-off during the year	-	-	(1,815,246)	(1,815,246)
Transferred to other assets	-	-	(25,194,002)	(25,194,002)
As at 31 December 2024	-	-	50,358,944	50,358,944

7.5 The analysis of changes in provision for ECL are as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
As at 1 January 2025	-	-	5,035,895	5,035,895
Transfer from Stage1	-	-	(273)	(273)
Transfer from Stage2	-	-	-	-
Transfer from Stage3	-	-	-	-
Write-off during the year	-	-	-	-
Transferred to other assets (note 9.2.2)	-	-	(3,656,700)	(3,656,700)
As at 31 December 2025	-	-	1,378,922	1,378,922

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷻ unless otherwise stated)

7 IJARA RECEIVABLES (CONTINUED)

7.5 The analysis of changes in provision for ECL are as follows (continued):

	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2024	-	-	8,716,714	8,716,714
Impairment charge	-	-	653,827	653,827
Transfer from Stage1	-	-	-	-
Transfer from Stage2	-	-	-	-
Transfer from Stage3	-	-	-	-
Write-off during the year	-	-	(1,815,246)	(1,815,246)
Transferred to other assets (note 9.2.2)	-	-	(2,519,400)	(2,519,400)
As at 31 December 2024	-	-	5,035,895	5,035,895

7.6 The ECL provision movement in Ijara receivables are given below:

	2025	2024
As at 1 January	5,035,895	8,716,714
Charge/ (reversal) for the year	(273)	653,827
Transferred to other assets (note 9.2.2)	(3,656,700)	(2,519,400)
Write-off during the year	-	(1,815,246)
As at 31 December	1,378,922	5,035,895

7.7 Stage wise analysis of gross exposure of Ijara receivables and ECL provision are as follows:

	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2025				
Gross Ijara receivables	-	-	13,789,225	13,789,225
Provision for expected credit loss	-	-	(1,378,922)	(1,378,922)
As at 31 December 2024				
Gross Ijara receivables	-	-	50,358,944	50,358,944
Provision for expected credit loss	-	-	(5,035,895)	(5,035,895)

8 PREPAYMENTS AND OTHER RECEIVABLES

	Notes	2025	2024
Receivable from sale of an investment property	8.1	38,385,684	38,385,684
Provision for credit losses		(38,385,684)	(38,385,684)
Net receivable from sale of investment property		-	-
Receivable from former employee for transfer of title deeds	8.2	51,500,012	51,500,012
Provision for credit losses		(51,500,012)	(51,500,012)
Net receivable from former employee		-	-
Prepaid expenses (non-financial asset)		754,935	462,723
Other receivables		1,023,798	1,034,579
Provision for credit losses		(1,017,724)	(1,017,724)
		6,074	16,855
		761,009	479,578

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

8 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

8.1 The receivable from the sale of investment property has been fully provided for in prior years, based on management's assessment of its recoverability.

8.2 This represents the amount transferred to the former employee to comply with the requirements in relation to the transfer of properties in the name of the Company, which were previously registered in his name. The amount is still outstanding till the approval of these financial statements; therefore, a full provision was recognised for this non-performing receivable (Also refer to note 26.5).

9 OTHER ASSETS

9.1 Other assets comprised the following:

	2025	2024 (Restated note 30)
Net Murabaha and Ijara receivables - Real estate collaterals under final enforceable court orders (9.1.1)	116,854,621	6,038,585
Net Murabaha and Ijara receivables - secured by real estate registered under Company's name (9.1.2)	45,800,307	43,395,212
	162,654,928	49,433,797

9.1.1 Net Murabaha and Ijara receivable - Real estate collaterals under final enforceable court orders

	2025	2024 (Restated note 30)
Gross receivables	131,172,039	6,709,539
Expected credit losses provision	(6,558,603)	(670,954)
Amortization of fair value loss	(7,758,815)	--
	116,854,621	6,038,585

The Company has obtained final court judgments permitting the enforcement and sale of certain real estate collateral securing outstanding Murabaha and Ijarah receivables. Execution proceedings are currently in progress before the competent courts, and the collateral is being disposed of under judicial supervision in order to recover the related outstanding balances.

These exposures are classified as credit-impaired (Stage 3) in accordance with IFRS 9. The expected credit loss allowance reflects management's best estimate of irrecoverable amounts from the collateral.

Management believes that the recognized impairment allowance appropriately reflects the credit risk associated with these exposures as at the reporting date.

9.1.2 Net Murabaha and Ijara receivables - secured by real estate registered under Sahb name

	2025	2024 (Restated note 30)
Gross receivables	48,210,849	48,216,902
Expected credit losses provision	(2,410,542)	(4,821,690)
	45,800,307	43,395,212

The Company holds legal title to certain collateral real estates related to defaulted financing receivables.

The Company has not taken physical possession of the allotted real estate as of the reporting date. The related financing receivables are classified as credit-impaired (Stage 3) in accordance with IFRS 9. The expected credit loss allowance reflects management's estimate of irrecoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

9 OTHER ASSETS (CONTINUED)

9.2 Murabaha and Ijarah receivables transferred to other assets:

During the year, certain Murabaha and Ijarah receivables subject to court judgments and execution procedures were transferred to other assets in the statement of financial position.

The transfer reflects the change in status of these exposures from normal financing activities to legal recovery processes. The underlying contractual rights to cash flows have not expired, and no settlement has occurred as at the reporting date. Accordingly, the balances continue to be recognized as financial assets and are measured in accordance with IFRS 9.

These receivables are classified as credit-impaired (Stage 3), and the related expected credit loss allowance reflects management's estimate of irrecoverable amounts, including anticipated proceeds from collateral under judicial execution.

The balances transferred during the period consist of the following:

	2025	2024 (Restated note 30)
Transfer from Murabaha receivables (note 9.2.1)	111,740,799	26,759,195
Transfer from Ijarah receivables (note 9.2.2)	58,672,947	22,674,602
Less: Fair value loss (note 9.3)	(7,758,818)	-
	162,654,928	49,433,797

9.2.1 Transfer from Murabaha receivables

	2025	2024 (Restated note 30)
Gross Murabaha receivables	117,621,895	29,732,439
Murabaha expected credit losses provision	(5,881,096)	(2,973,244)
	111,740,799	26,759,195

The movement during the year:

	2025	2024 (Restated note 30)
Opening balance of gross Murabaha receivables	29,732,439	-
Gross receivables transferred during the year (note 6.1)	87,895,508	29,732,439
Settlement during the year	(6,052)	-
	117,621,895	29,732,439

Murabaha expected credit losses provision Movement:

	2025	2024 (Restated note 30)
Opening balance	2,973,244	-
Transferred from Murabaha receivables (note 6.6)	8,806,794	2,973,244
Reversal during the year	(5,898,942)	-
Closing balance	5,881,096	2,973,244

9.2.2 Transfer from Ijara receivables

	2025	2024 (Restated note 30)
Gross Ijara receivables	61,760,996	25,194,002
Ijara expected credit losses provision	(3,088,049)	(2,519,400)
	58,672,947	22,674,602

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

9 OTHER ASSETS (CONTINUED)

9.2.2 Transfer from Ijara receivables (continued)

The movement during the year:

	2025	2024 (Restated note 30)
Opening balance of gross Ijara receivables	25,194,002	-
Gross receivables transferred during the year (note 7.1)	36,566,994	25,194,002
	61,760,996	25,194,002

Ijarah expected credit losses provision movement:

	2025	2024 (Restated note 30)
Opening balance	2,519,400	-
Transferred from Ijara receivables (note 7.6)	3,656,700	2,519,400
Reversal for the year	(3,088,051)	-
Closing balance	3,088,049	2,519,400

9.3 Movement of fair value losses

	2025	2024 (Restated note 30)
Opening balance	10,815,965	14,161,472
Amortization before transfer to other assets	(1,563,346)	(3,345,507)
Amortization after transfer to other assets	(1,493,801)	-
Closing balance	7,758,818	10,815,965

10 EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On 14 December 2017, the Company made an investment amounting to ﷲ 892,850 for 89,285 shares at ﷲ 10 each, which represents 2.326% (It was 2.38% at the time of investment) shareholding in the Saudi Company for Registration of Financial Leasing Contracts ("Registration Company"), registered in the Kingdom of Saudi Arabia. The Registration Company has been formed for the registration of contracts relating to financial leases, amendments, registration, and transfer of title deeds of the assets under the finance leases. The investment is not held for trading, and the Company has decided to irrevocably classify it as an equity investment at FVOCI. Moreover, as at 31 December, 2025 and 31 December, 2024, the investment was classified under level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

11 INVESTMENT PROPERTIES

11.1 Cost and accumulated depreciation movement during the year is as follows:

2025		Land	Building	Total
Cost:				
As at 1 January		140,034,226	26,687,756	166,721,982
Additions		-	-	-
At 31 December		140,034,226	26,687,756	166,721,982
Accumulated depreciation/impairment:				
As at 1 January		59,545,077	5,604,415	65,149,492
Depreciation charge for the year		-	1,067,512	1,067,512
Impairment loss		-	-	-
At 31 December, 2025		59,545,077	6,671,927	66,217,004
Net book value:				
At 31 December, 2025		80,489,149	20,015,829	100,504,978
2024	Note	Land	Building	Total
Cost:				
As at 1 January		124,471,675	26,687,756	151,159,431
Additions	11.1.1	15,562,551	-	15,562,551
At 31 December, 2024		140,034,226	26,687,756	166,721,982
Accumulated depreciation/impairment:				
As at 1 January		58,894,716	4,536,912	63,431,628
Depreciation charge for the year		-	1,067,503	1,067,503
Impairment loss		650,361	-	650,361
At 31 December, 2024		59,545,077	5,604,415	65,149,492
Net book value:				
At 31 December, 2024		80,489,149	21,083,341	101,572,490

The buildings have a useful life of 25 years. The sensitivity analysis shows that the possible change in useful life will not have a significant effect on the financial statements. Land is not depreciated.

11.1.1 The addition during the FY 2024 represents the fair value of an investment property acquired by the company as a result of a debt settlement agreement with a customer. The customer's receivable balance settled in respect of such agreement amounted to 13.16 million ﷲ; in addition, the company incurred 1.057 million ﷲ of real estate transaction tax to transfer the title deed to the company's name. The legal formalities to transfer the title deed has been completed during the FY 2024. The said investment property was held as collateral for such customer's receivable balance and underwent a fair value evaluation by an independent and qualified evaluator at 31 December, 2023 of 15.2 million ﷲ. Accordingly, the company recognised a fair value gain for investment property of 1.3 million ﷲ follows:

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

11 INVESTMENT PROPERTIES (CONTINUED)

11.1 Cost and accumulated depreciation movement during the year is as follows (continued):

Investment Property (Additions)	2025	2024
Customer's account receivable balance	-	13,158,247
Fair Value gain on investment	-	1,346,681
	-	14,504,928
Additional cost (Tax on property)	-	1,057,623
Total Additions	-	15,562,551

11.2 Reconciliation between gross to net investment property:

	2025	2024
Cost of investment properties	166,721,982	166,721,982
Less: Accumulated depreciation	(6,671,927)	(5,604,415)
Less: Impairment provision	(59,545,077)	(59,545,077)
Investment properties, net value	100,504,978	101,572,490

Investment properties consist of freehold lands and buildings located in Saudi Arabia. Below are the details of the cost of investment properties and fair values as at the reporting date:

31 December, 2025	Type of property		Accumulated depreciation/ impairment	Net book value	Fair value
Location	Land	Building			
Riyadh (note 11.4)	57,410,668	-	(57,410,668)	-	765,304,199
Al Khobar (note 11.3)	7,707,600	-	-	7,707,600	15,078,400
Yanbu (note 11.3)	36,039,413	-	-	36,039,413	65,297,023
Al Khobar	4,362,240	22,367,940	(6,190,019)	20,540,161	22,252,800
Al Khobar (note 11.3)	2,370,548	4,319,816	(1,132,269)	5,558,095	8,397,340
Al Khobar	6,356,658	-	-	6,356,658	8,668,170
Jizan	10,589,048	-	(1,484,048)	9,105,000	25,926,506
Makkah	15,198,051	-	-	15,198,051	15,658,598
	140,034,226	26,687,756	(66,217,004)	100,504,978	926,583,036

31 December, 2024	Type of property		Accumulated depreciation/ impairment	Net book value	Fair value
Location	Land	Building			
Riyadh (note 11.4)	57,410,668	-	(57,410,668)	-	745,742,958
Al Khobar (note 11.3)	7,707,600	-	-	7,707,600	12,160,000
Yanbu (note 11.3)	36,039,413	-	-	36,039,413	65,297,023
Al Khobar	4,362,240	22,367,940	(5,295,300)	21,434,880	21,434,880
Al Khobar (note 11.3)	2,370,548	4,319,816	(959,476)	5,730,888	7,212,966
Al Khobar	6,356,658	-	-	6,356,658	6,356,658
Jizan	10,589,048	-	(1,484,048)	9,105,000	25,294,152
Makkah	15,198,051	-	-	15,198,051	15,658,598
	140,034,226	26,687,756	(65,149,492)	101,572,490	899,157,235

sahb FINANCE COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December, 2025**

(All amounts in ﷲ unless otherwise stated)

11 INVESTMENT PROPERTIES (CONTINUED)

11.3 The three investment properties, located Al Khobar and Yanbu was registered under the name of the former employee acting as a custodian on behalf of the Company. The company has received final judgements from court, instructing the former employee to transfer back the properties to the Company. The legal formalities to complete title transfer have been completed for all, and the titles have been successfully transferred to the Company's name.

11.4 This investment property was registered under the name of the former employee and a full impairment loss has been recognized for this property. Subsequent to the year-end, out of the eight title deeds relating to the Al-Qairwan land in Riyadh, sahb received a court order in its favour for one title deed (No. 410113067523), confirming that the said land may be transferred to the Company's name.

11.5 The Company engaged an external, independent and qualified evaluator to determine the fair value of its investment properties at the end of the financial year ended at 31 December, 2025. The evaluator engaged by the Company specializes in the valuation of transferable and non-transferable assets, including commercial valuation, industrial, real estate, intellectual property, trade names, and equipment. The evaluator used the 'market approach' for the valuation of properties as at 31 December, 2025. The valuations have been performed by Maayear Valuation Company (license number 1210000154).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

12 PROPERTY AND EQUIPMENT

12.1 The movement in net book value of the property and equipment is as follows:

	2025	2024
1 January	3,929,116	4,342,490
Additions	109,771	220,613
Depreciation	(181,650)	(158,490)
Write-off adjustment	-	(475,497)
31 December	3,857,237	3,929,116

12.2 Cost and accumulated depreciation movement during the year is as follows:

2025	Land	Leasehold improvements	Furniture, fixture, and equipment	Computers	Motor vehicles	Total
Cost						
As at 1 January	3,413,250	10,004,305	734,506	5,189,424	394,901	19,736,386
Additions during the year	-	-	4,517	36,464	68,790	109,771
Disposal	-	-	-	-	(41,900)	(41,900)
As at 31 December	3,413,250	10,004,305	739,023	5,225,888	421,791	19,804,257
Accumulated depreciation						
As at 1 January	-	9,953,098	639,720	4,819,551	394,901	15,807,270
Depreciation for the year	-	5,690	12,767	152,592	10,601	181,650
Disposal	-	-	-	-	(41,900)	(41,900)
As at 31 December	-	9,958,788	652,487	4,972,143	363,602	15,947,020
Net book value						
As at 31 December	3,413,250	45,517	86,536	253,745	58,189	3,857,237

2024	Land	Leasehold improvements	Furniture, fixture, and equipment	Computers	Motor vehicles	Total
Cost						
As at 1 January	3,413,250	10,012,621	740,781	5,550,845	394,901	20,112,398
Additions during the year	-	-	63,009	157,604	-	220,613
Write-off adjustment	-	(8,316)	(69,284)	(519,025)	-	(596,625)
As at 31 December	3,413,250	10,004,305	734,506	5,189,424	394,901	19,736,386
Accumulated depreciation						
As at 1 January	-	9,955,724	592,076	4,827,207	394,901	15,769,908
Depreciation for the year	-	5,690	27,691	125,109	-	158,490
Write-off adjustment	-	(8,316)	19,953	(132,765)	-	(121,128)
As at 31 December	-	9,953,098	639,720	4,819,551	394,901	15,807,270
Net book value						
As at 31 December	3,413,250	51,207	94,786	369,873	-	3,929,116

12.3 The useful lives of property and equipment are as follows:

Leasehold improvements	Shorter of 10 years or lease period
Furniture, fixture and equipment	4 to 10 years
Computer hardware and software	4 years
Motor vehicles	3 to 5 years

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

13 INTANGIBLE ASSETS

	<u>2025</u>	<u>2024</u>
As at 1 January	281,250	-
Additions during the year	27,700	-
CWIP additions during the year	281,250	281,250
Amortization for the Year	(2,334)	-
As at 31 December	<u>587,866</u>	<u>281,250</u>

14 ACCOUNTS PAYABLE, ACCRUALS AND OTHERS

	<u>2025</u>	<u>2024</u>
Accrued expenses and others	7,393,529	6,670,651
Accounts payable	2,355,347	1,235,732
	<u>9,748,876</u>	<u>7,906,383</u>

15 PROVISION FOR ZAKAT

15.1 Movement in net zakat payable during the year was as follows:

	<u>2025</u>	<u>2024</u>
As at 1 January	3,617,322	5,493,313
Charge for the period / year	2,400,622	5,103,925
Zakat payments during the year	(3,617,322)	(6,979,916)
Net zakat	<u>2,400,622</u>	<u>3,617,322</u>

15.2 Status of zakat assessment

The Company has filed Zakat returns with the Zakat, Tax and Customs Authority (“ZATCA”) for all years up to the year ended 31 December, 2024.

Zakat and tax assessments have been finalized up to the year ended 31 December, 2021.

The Company received the zakat certificates for the years up to 31 December, 2024, valid till April 30, 2026.

16 FAIR VALUE AMORTIZATION

This represents fair valuation loss arising from rescheduling of loans as the following:

	<u>Murabaha</u>	<u>Ijara</u>	<u>Total</u>
As at 1 January, 2025	6,755,572	4,060,393	10,815,965
Amortization during the year (note 9.3)	(1,909,472)	(1,147,675)	(3,057,147)
As at 31 December, 2025	<u>4,846,100</u>	<u>2,912,718</u>	<u>7,758,818</u>

17 PROVISIONS FOR EMPLOYEES’ END OF SERVICE BENEFITS

The Company operates an approved unfunded employees’ end of service benefits plan (“EOSB”) for its employees as required by the Saudi Arabian Labour Law. The amount recognized in the statement of financial position is determined as follows:

	<u>2025</u>	<u>2024</u>
Present value of defined benefit obligation	<u>1,677,411</u>	<u>1,227,443</u>

An independent actuarial valuation exercise has been conducted by the Company as at 31 December 2025 to ensure the adequacy of provision for employees’ end of service benefits in accordance with the rules stated under the Saudi Arabian Labour Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

17 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (CONTINUED)

17.1 The movement in EOSB for the year ended 31 December is as follows:

	<u>2025</u>	<u>2024</u>
1 January	1,227,443	1,006,834
Included in profit or loss		
Current service cost	514,493	438,412
Interest expense	68,710	50,473
	583,203	488,885
Included in other comprehensive income		
Actuarial loss / (gain)	(70,479)	(56,226)
Benefits paid during the year	(62,756)	(212,050)
31 December	1,677,411	1,227,443

17.2 The principal assumptions used in the valuation at the reporting date are as follows:

The following were the principal actuarial assumptions applied at the reporting date (expressed as weighted averages).

	<u>2025</u>	<u>2024</u>
Discount rate	5.25%	5.66%
Future salary growth	5%	5%
Retirement age	60 years	60 years

Assumptions regarding future mortality have been based on published statistics and mortality tables. The weighted-average duration of the defined benefit obligation was 12.43 years.

17.3 Sensitivity analysis on significant assumptions of employees' end of service benefits:

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

	<u>2025</u>		<u>2024</u>	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(200,682)	238,530	(151,124)	180,124
Future salary growth (1% movement)	236,690	(202,893)	(179,494)	(153,332)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

18 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company consists of 31.13 million shares of ﷲ 10 each (31 December 2024: 31.13 million shares of ﷲ 10 each).

	2025		2024	
	Percentage of shares	Number of shares	Percentage of shares	Number of shares
<u>Shareholders</u>				
Al Rayan Bank – Qatar	48.76%	15,182,133	48.76%	15,182,133
Saudi Higher Education Fund	20.22%	6,297,055	20.22%	6,297,055
Mohammed Al Rumaizan & Sons Investment	10%	3,113,929	10%	3,113,929
Saleh Bin AbdulAziz Bin Rashed Al Rumaizan	10%	3,113,929	10%	3,113,929
Ahmed Bin Rashid Abdullah Al-Ameer	4.50%	1,401,268	4.50%	1,401,268
Hassan Bin Musa Yousef	4.50%	1,401,268	4.50%	1,401,268
Mohammed Bin Hamad Bin Abdullah Al Hammad	2.02%	629,705	2.02%	629,705
	100%	31,139,287	100%	31,139,287

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷻ unless otherwise stated)

19 RESERVES

Statutory reserve

In accordance with the Company's bylaws, the Company is required to transfer 10% of its net profit to a statutory reserve. The Company can continue transferring such amount until such reserve equals 30% of its share capital. Transfer made in 2025 by ﷻ 924,075 (2024: ﷻ 1,238,968). This reserve is currently not available for distribution to the shareholders of the Company.

Consensual reserve

This comprises a voluntary reserve created based on a decision made by shareholders in prior years. The reserve is available for distribution. No transfer has made during 2025 and 2024.

20 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Company include the shareholders, their affiliated entities and certain key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

In the ordinary course of its activities, the Company transacts business with related parties on mutually agreed terms. The following are the details of major related party transactions/balances during the year:

The related parties' balances accrued were as follows:

Related party	2025	2024
Board of directors' remuneration	1,780,000	1,734,500
Audit committee remuneration	168,000	203,000
Risk committee Remuneration	126,000	122,500
Shariah committee remuneration	154,000	154,000
Nomination and Remuneration committee remuneration	91,000	64,726
Executive Committee remuneration	28,000	63,000
	2,347,000	2,341,726

The remuneration for board and committees represents the accrued expense.

Transactions recorded during the year:

Name of related party	Nature of relationship	Nature of transaction	2025	2024
Key management personnel	Executive management	Salaries and other employee benefits	5,759,252	5,523,778
Board of directors	Board of directors	Remuneration	1,780,000	1,451,475
Audit Committee	Audit Committee	Remuneration	168,000	76,468
Risk Committee	Risk Committee	Remuneration	126,000	54,375
Sharia Committee	Sharia Committee	Remuneration	154,000	127,181
Nomination and Remuneration committee	Nomination and Remuneration committee	Remuneration	91,000	-
Executive Committee	Executive Committee	Remuneration	39,500	55,042

All transactions with related parties are on normal commercial terms. None of the balances is secured. The Company has fully provided for the amount receivable from the former employee in respect of transfer of properties amounting to ﷻ 51.5 million (refer note 8.2). There are certain properties in the name of the former employee. For details, please refer to note 26.5.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

21 INCOME FROM MURABAHA CONTRACTS

	<u>2025</u>	<u>2024</u>
Income from Murabaha contracts	11,141,405	5,447,822
Non-refundable credit processing fee	698,992	118,496
	<u>11,840,397</u>	<u>5,566,318</u>

22 OTHER INCOME

	<u>2025</u>	<u>2024</u>
Other income (recovery from written-off contracts)	13,653,915	266,930
Fair value gain for investment property	-	696,320
Gain on sale proceed of fixed asset	13,913	-
	<u>13,667,828</u>	<u>963,250</u>

23 PROVISION FOR EXPECTED CREDIT LOSSES

	<u>Notes</u>	<u>2025</u>	<u>2024</u>
(Reversal)/ provision for expected credit losses:			
Murabaha receivables	6.6	973,436	(20,386,852)
Ijara receivables	7.6	(273)	653,827
Other assets	9.2.1 & 9.2.2	(8,986,993)	-
		<u>(8,013,830)</u>	<u>(19,733,025)</u>

24 GENERAL AND ADMINISTRATION EXPENSES

	<u>2025</u>	<u>2024</u>
Salaries and other employees' benefits	13,410,954	11,593,424
Legal fee	2,684,222	2,592,736
Board and committee's remuneration	2,358,500	1,764,559
Other expenses	1,664,625	1,683,976
Consultancy and professional fees	1,299,093	1,096,298
Depreciation (notes 11 and 12)	1,249,162	1,225,994
IT & cyber security	1,171,776	740,117
Premises related expense	1,125,707	926,751
Unclaimable value added tax	1,121,918	1,074,394
Insurance expense	631,870	584,522
Amortization (note 13)	2,334	-
Write-off of property and equipment	-	475,497
Reversal of contingent legal expense *	(700,000)	(9,990,858)
	<u>26,020,161</u>	<u>13,767,410</u>

* The reversal of contingent legal expenses represents the reversal of previously recorded contingent legal expense provision during the year ended 31 December, 2023, as a result of the ruling to dismiss the related legal case.

25 FINANCIAL INSTRUMENTS AND FAIR VALUE

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 to by the Company.

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash and bank balances, Murabaha and Ijara receivables, margin deposits and accounts and other receivables. Financial liabilities consist of borrowings, accrued expenses and accounts and other payables. All financial liabilities are carried at amortised cost.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Management has classified all the financial assets and financial liabilities within level 2 of fair value hierarchy other than Murabaha and Ijara receivables, Equity investment at fair value through other comprehensive income and bank borrowings which are classified within level 3. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The fair values of the financial assets and liabilities of the Company at the reporting date are not materially different from their carrying values.

26 RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including special commission rate risks, interest rate risk, price risk and currency risk), legal risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial statements. The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies. The most important risks and their management are summarized below:

26.1 Risk management structure

Board of Directors

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

Credit and risk management committee

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷻ unless otherwise stated)

26 RISK MANAGEMENT (CONTINUED)

26.1 Risk management structure (continued)

Audit committee

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

26.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk on cash and bank balances, Ijara receivables, Murabaha receivables, employees' receivables and other receivables. The Company has established procedures to manage credit exposure including, credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines.

Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers.

The Company manages concentration of credit risk exposure through diversification of activities and sale of future net investment in finance lease receivables to different banks through purchase and agency agreements. However, the Company mitigates its credit risk through evaluation of credit worthiness internally and by obtaining promissory notes and by retaining the title of the asset leased out. An allowance for doubtful finance lease and Murabaha financing receivable is maintained at a level which, in the judgement of management, is adequate to provide for impairment losses on delinquent receivables.

All Ijara and Murabaha receivables are secured mainly through promissory notes and by retaining the title of the assets leased out and generate a fixed rate of commission for each contract. The title of the assets under Ijara agreements is held in the name of the Company as collateral to be repossessed, in case of default by the customer.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Maximum credit exposure

The Company's maximum exposure to credit risk without taking into account any collateral held at the reporting date is as follows:

	<u>2025</u>	<u>2024</u>
Cash at banks and time deposits	14,227,552	27,779,787
Murabaha receivables	120,201,721	194,668,858
Ijara receivables	13,789,225	50,358,944
Prepayments and other receivables	761,009	479,578
Other assets	162,654,928	49,433,797
	<u>311,634,435</u>	<u>322,720,964</u>

The contractual age analysis of gross investment in Murabaha and Ijara before impairment is as follows:

2025	Murabaha	Ijara	Total
Not due	112,141,059	-	112,141,059
less than 90 days	1,496,099	-	1,496,099
91-180 Days	-	-	-
181 days - 1 year	3,887,216	-	3,887,216
1 - 2 years	5,224,432	-	5,224,432
2 - 3 years	-	-	-
over 3 years	12,868,411	13,789,225	26,657,636
	<u>135,617,217</u>	<u>13,789,225</u>	<u>149,406,442</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

26. RISK MANAGEMENT (CONTINUED)

26.2 Credit risk (continued)

2024	Murabaha	Ijara	Total
Not due	76,892,279	-	76,892,279
less than 90 days	-	-	-
91-180 Days	1,179,962	-	1,179,962
181 days - 1 year	9,187,710	-	9,187,710
1 - 2 years	13,488,110	-	13,488,110
2 - 3 years	-	-	-
over 3 years	104,394,150	50,358,944	154,753,094
	205,142,211	50,358,944	255,501,155
Write off during the year	(2,871,268)	(1,815,246)	(4,686,514)
	202,270,943	48,543,698	250,814,641

26.3 Portfolio sector concentration

Sector concentration	2025	2024
Building and construction	46%	46%
Commerce (wholesale/retail trade)	16%	24%
Manufacturing	7%	17%
Transportation and communication	7%	7%
Services	20%	6%
Agriculture and fishing industry	4%	0%
	100%	100%

26.4 Market Risk

26.4.1 Special commission rate risk

Special commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market special commission rates. The Company is not subject to any special commission rate risk on its Murabaha and Ijara receivables and term loans as the receivables are priced by the Company at fixed rates and the term loans obtained by the Company also carry special commission at fixed rates. All other assets and liabilities of the Company are non-special commission bearing.

The Company manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of special market commission rates on its financial position and cash flows. The Company is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature in a given period. The Company manages this risk through diversification of funding resources.

26.4.2 Interest rate risk

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The risk arises when there is a mismatch in the assets and liabilities which are subject to interest rate adjustment within a specified period. The Company's management has analyzed that as at statement of financial position date, the Company's activities are not subject to interest rate risk as the interest rates are fixed at the inception of the financing facilities.

26.4.3 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is not materially exposed to price risk as it does not have any significant financial instrument whose prices are fluctuated based on internal or external factors as mentioned above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

26 RISK MANAGEMENT (CONTINUED)

26.4 Market Risk (continued)

26.4.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is not subject to fluctuations in foreign exchange rates in the normal course of its business as all contracts are denominated in Saudi Riyals. There are some expenses incurred in foreign currencies while staff are on training programs, but these expenses are settled when incurred. Since the Company does not have any significant foreign currency denominated monetary assets and liabilities, management believes that the Company is not exposed to any significant foreign currency risk.

26.5 Legal risk

The title deeds of certain investment properties and collateralized real estate properties against Ijara and Murabaha contracts were registered in the name of the former employee, holding senior management position, (“former employee”) in his capacity as a nominee to the Company.

The Company filed legal cases against the former employee to transfer the ownership of the properties (i.e., investment properties and other collateralized properties) to the Company’s name and to collect the outstanding receivable amounts from the former employee. (Refer note 11.3 & 8.2).

As of 31 December, 2025, the latest fair value of the collateralized properties associated with Ijara and Murabaha contracts, which are held in the name of the former employee, amounts to ﷲ 19.3 million.

During the year, one of the properties previously held as collateral under the name of the former employee and valued at ﷲ 20 million based on the fair value assessment as on December 31, 2024, was transferred back to the company's customer. This transaction occurred in conjunction with the settlement of the related Murabaha receivable based on a signed agreement.

26.6 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company monitors and manages the liquidity structure of its assets and liabilities to ensure that cash flows are sufficiently balanced and that sufficient liquid funds are maintained to meet liquidity requirements. The table below shows an analysis of assets and liabilities, analysed by the management according to when they are expected to be recovered or settled.

2025	Less than 1 year	1 to 5 years	No fixed term	Total
Assets				
Cash and bank balances	-	-	14,227,552	14,227,552
Murabaha receivables	68,831,502	43,050,973	-	111,882,475
Ijarah receivables	12,410,303	-	-	12,410,303
Prepayments and other receivables	552,239	208,770	-	761,009
Other assets	162,654,928	-	-	162,654,928
Equity investment at FVOCI	-	-	892,850	892,850
	244,448,972	43,259,743	15,120,402	302,829,117
Liabilities				
Accounts payable, accruals and others	(9,748,876)	-	-	(9,748,876)
31 December, 2025	234,700,096	43,259,743	15,120,402	293,080,241

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷲ unless otherwise stated)

26 RISK MANAGEMENT (CONTINUED)

26.6 Liquidity risk

2024	Less than 1 year	1 to 5 Years	No fixed term	Total
Assets				
Cash and bank balances	-	-	27,779,787	27,779,787
Murabaha receivables	137,595,616	34,165,066	-	171,760,682
Ijarah receivables	41,262,655	-	-	41,262,655
Prepayments and other receivables	479,578	-	-	479,578
Other assets	49,433,797	-	-	49,433,797
Equity investment at FVOCI	-	-	892,850	892,850
	<u>228,771,646</u>	<u>34,165,066</u>	<u>28,672,637</u>	<u>291,609,349</u>
Liabilities				
Accounts payable, accruals and others	<u>(7,906,383)</u>	<u>-</u>	<u>-</u>	<u>(7,906,383)</u>
31 December, 2024	<u>220,865,263</u>	<u>34,165,066</u>	<u>28,672,637</u>	<u>283,702,966</u>

27 CONTINGENCIES AND COMMITMENTS

Contingencies

The Company has no contingent assets or liabilities as at 31 December, 2025 (2024: Nil).

Commitments

The Company has no outstanding commitments as at 31 December, 2025 (2024: Nil).

28 CAPITAL MANAGEMENT

The primary objectives of the Company's capital management are to safeguard its ability to continue as a going concern, maintain healthy capital ratios in order to support its business and to provide an optimal return to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December, 2025 and 31 December, 2024.

The Company monitors the aggregate amount of financing offered by the Company on the basis of the regulatory requirements of Company's law and SAMA. SAMA requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of three times.

	<u>2025</u>	<u>2024</u>
Aggregate financing to capital ratio (Net Ijara plus Murabaha receivables before provision divided by total equity)	0.38 times	0.66 times

29 SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end that require disclosure or adjustment in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December, 2025

(All amounts in ﷻ unless otherwise stated)

30 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current year's classification.

The following table summarize the impact of the prior year's reclassification on the statement of financial position, the statement of profit or loss account:

	31 December 2024 (Previously reported)	Reclassification	31 December 2024 (Restated)
<u>Statement of financial position</u>			
A) Murabaha receivables (note 6)			
<i>Murabaha receivables net</i>	198,519,877	(26,759,195)	171,760,682
	198,519,877	(26,759,195)	171,760,682
B) Ijara receivables (note 7)			
<i>Ijara receivables net</i>	63,937,258	(22,674,602)	41,262,656
	63,937,258	(22,674,602)	41,262,656
C) Other Asset (note 9)			
<i>Other assets</i>	-	49,443,797	49,443,797
	-	49,443,797	49,443,797

The above reclassification is presented only in nature and has no impact on the statement of profit or loss and other comprehensive income, or the statement of changes in equity.

31 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on 2 March 2026 (corresponding to 13 Ramadan 1447H).