

**Awn AL Raidah Microfinance Company**  
**Closed Joint Stock Company**  
**Riyadh - Kingdom of Saudi Arabia**  
**Financial Statements and Independent Auditors' Report**  
**For the Year Ended December 31, 2025**

**Awn AL Raidah Microfinance Company  
Closed Joint Stock Company  
Riyadh - Kingdom of Saudi Arabia**

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## **Independent Auditor's Report**

To the Shareholder's  
Awn AL Raidah Microfinance Company  
Closed Joint Stock Company  
Riyadh - Kingdom of Saudi Arabia  
**Report on the Audit of Financial Statements**

### **Opinion**

We have audited the financial statements of Awn AL Raidah Microfinance Company - Closed Joint Stock Company, which comprise the statement of financial position as of December 31, 2025, the statement of Comprehensive Income, statement of changes in Shareholder's, statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies

In our opinion, the accompanying financial statements fairly present, in all material respects, the financial position of the Company as of December 31, 2025, and its financial performance and cash flows for the year then ended, in accordance with the International Standards on Auditing adopted in the Kingdom of Saudi Arabia and our responsibility under those standards.

### **Basis Opinion**

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

### **Material Uncertainty Related to Going Concern**

We draw attention to Notes (5) and (17) to the accompanying financial statements, which indicate that the Company's losses for the period exceeded its entire share capital, amounting to 12,033,705 SAR as at 31 December 2025. In addition, current liabilities exceeded current assets by 1,538,962 SAR. These events or conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other Matter**

The financial statements for the year ended 31 December 2023, presented as comparative information, were audited by another independent auditor who expressed an unmodified opinion thereon in his report dated 21 Ramadan 1446H, corresponding to 21 March 2025

**Independent Auditor's Report to the partner of Awn AL Raidah Microfinance Company - Closed Joint Stock Company (continued)**

**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 the International Financial Reporting standards as adopted in the Kingdom of Saudi Arabia and other pronouncements and standards endorsed by the Saudi Organization of Certified Public Accountants (SOCPA) and corporates regulations, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain a 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 independent auditors' 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 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 the adopted International Standards on Auditing that are 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.

**Independent Auditor's Report to the partner of Awn AL Raidah Microfinance Company - Closed Joint Stock Company (continued)**

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on Other Legal and Regulatory Requirements**

Article 20 (5) of the Companies Law requires the auditor to include in his report any violations of the provisions of the Companies Law or the Company's By-Laws that come to his attention. During the course of our current audit, we noted that the Company was in violation of Article 132 of the Companies Law, which requires that when a company's losses exceed its entire share capital, the shareholders must be invited to convene a meeting to decide whether to continue the Company's operations and provide the necessary financial support for its continuation or to dissolve the Company before the expiry of its term. On January 5, 2026, the shareholders resolved to support the Company, continue its operations, and provide the necessary funding to enable it to continue.

**Ali Mohammad Ankees Company for Accounting Consultations**

Ali Mohammad Ankees  
 **ANKES**  
عنكيس محاسبون ومراجعون قانونيون  
Ankees Certified Public Accountants  
رقم الترخيص 496 License No. 496  
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Certified Public Accountant - License No. 496  
Sha'bān 17, 1447 (H) corresponding to February 5, 2026 (G)

**Awn AL Raidah Microfinance Company**  
**Closed Joint Stock Company**  
**Riyadh - Kingdom of Saudi Arabia**  
**Statement of Financial Position as of December 31, 2025**

<b>ASSETS</b>	<b>Note</b>	<b>2025</b>	<b>2024</b>
<b>Non-Current Assets</b>		<b>(SR)</b>	<b>(SR)</b>
Property and equipment - net	6	2,622,562	1,162,485
Right-of-use assets	7	2,725,330	1,243,761
<b>Total Non-Current Assets</b>		<b>5,347,892</b>	<b>2,406,246</b>
<b>Current Assets</b>			
Cash at banks		414,625	176,005
Prepaid expenses and other debit balances	8	1,178,997	531,862
Due from a related party	9	-	6,750,000
<b>Total Current Assets</b>		<b>1,593,622</b>	<b>7,457,867</b>
<b>TOTAL ASSETS</b>		<b>6,941,514</b>	<b>9,864,113</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>			
<b>Shareholder's Equity</b>			
Capital	10	10,000,000	10,000,000
Proposed Increase in Share Capital	11	3,850,000	-
Accumulated losses	5	(12,033,705)	(3,135,159)
<b>Total Equity</b>		<b>1,816,295</b>	<b>6,864,841</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Employees' benefits obligations	12	353,045	43,927
Loan - Non-Current	13	226,194	258,030
Lease contract obligations - Non-Current	7	1,399,154	838,216
Deferred grant income		14,242	17,292
<b>Total Non-Current Liabilities</b>		<b>1,992,635</b>	<b>1,157,465</b>
<b>Current Liabilities</b>			
Account payable		1,028,488	593,046
Accrued expenses and other credit balances	14	828,086	213,849
Due to a related party	9	-	446,530
Loan - Current	13	58,617	78,112
Lease contract obligations - Current	7	1,176,312	349,675
Provision Zakat	15	41,081	160,595
<b>Total Current Liabilities</b>		<b>3,132,584</b>	<b>1,841,807</b>
<b>Total Liabilities</b>		<b>5,125,219</b>	<b>2,999,272</b>
<b>Total Shareholder's Equity and Liabilities</b>		<b>6,941,514</b>	<b>9,864,113</b>

**The Accompanying Notes from (1) To (22) Constitute an Integral Part of These Financial Statements**

**Awn AL Raidah Microfinance Company**  
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**Statement of Comprehensive Income for the Year Ended December 31, 2025**

	<u>Note</u>	<u>2025</u>	<u>2024</u>
		(SR)	(SR)
Other income		3,051	3,051
General and administrative expenses	16	(9,226,194)	(2,630,185)
Financing costs		<u>(80,850)</u>	<u>(28,948)</u>
<b>Net loss for the year before Zakat</b>		<b>(9,303,993)</b>	<b>(2,656,082)</b>
Zakat	15	<u>(41,081)</u>	<u>(160,595)</u>
<b>Net loss for the year after Zakat</b>		<b><u>(9,345,074)</u></b>	<b><u>(2,816,677)</u></b>

**The Accompanying Notes from (1) To (22) Constitute an Integral Part of These Financial Statements**

**Awn AL Raidah Microfinance Company**  
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**Riyadh - Kingdom of Saudi Arabia**  
**Statement of Changes in Shareholders for the For the Year Ended December 31, 2025**

	<u>Capital</u>	<u>Proposed Increase in Share Capital</u>	<u>Accumulated losses</u>	<u>Total Shareholders' Equity</u>
	(SR)	(SR)	(SR)	(SR)
<b><u>For the year ended December 31, 2025</u></b>				
Balance at the beginning for the year	10,000,000	-	(3,135,159)	6,864,841
Closing the losses against the related party receivable (*)	-	-	446,528	446,528
The proposed increase in capital	-	3,850,000	-	3,850,000
Net loss after zakat for the year	-	-	(9,345,074)	(9,345,074)
<b>Balance at the end for the year</b>	<b><u>10,000,000</u></b>	<b><u>3,850,000</u></b>	<b><u>(12,033,705)</u></b>	<b><u>1,816,295</u></b>
<b><u>For the year ended December 31, 2024</u></b>				
Balance at the beginning for the year	10,000	-	(318,482)	(308,482)
Capital increase	9,990,000	-	-	9,990,000
Net loss after zakat for the year	-	-	(2,816,677)	(2,816,677)
<b>Balance at the end for the year</b>	<b><u>10,000,000</u></b>	<b><u>-</u></b>	<b><u>(3,135,159)</u></b>	<b><u>6,864,841</u></b>

(\*) According to the shareholders' resolution dated November 23, 2025, the closure of losses in the account of the shareholder / Ali bin Mahdi Al-Zamanan has been approved.

**The Accompanying Notes from (1) To (22) Constitute an Integral Part of These Financial Statements**

**Awn AL Raidah Microfinance Company**  
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**Riyadh - Kingdom of Saudi Arabia**

**Statement of Cash Flows for the Year Ended December 31, 2025**

	<u>Note</u>	<u>2025</u>	<u>2024</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Net losses for the year before zakat		(9,303,993)	(2,656,082)
<b><u>Adjustments to net profit:</u></b>			
Depreciation of property and equipment	6	39,055	1,255
Amortisation Right -of- use assets	7	660,038	127,430
Employees' benefits obligations - Charged	12	309,117	43,927
<b><u>Changes in Operating Assets and Liabilities</u></b>			
Prepaid expenses and other debit balances		(647,135)	1,471,495
Due from a related party		6,750,000	-
Account payable		435,442	749,081
Accrued expenses and other credit balances		614,237	37,114
Deferred grant income		(3,051)	(3,051)
<b>Net cash from operations</b>		<b>(1,146,290)</b>	<b>(228,831)</b>
Provision for Zakat - Paid	15	(160,595)	(14,052)
<b>Net cash from operating activities</b>		<b>(1,306,885)</b>	<b>(242,883)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Purchase of property and equipment	6	(1,499,132)	(860,654)
Right to use the asset	7	(2,141,607)	-
<b>Net cash used in investing activities</b>		<b>(3,640,739)</b>	<b>(860,654)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Commitment against a financing lease contract		1,387,575	(200,796)
Loans		(51,331)	(53,267)
The proposed increase in capital		3,850,000	-
Due to a related party		-	863,601
<b>Net cash from financing activities</b>		<b>5,186,244</b>	<b>609,538</b>
<b>Net change in Cash at banks</b>		<b>238,620</b>	<b>(493,999)</b>
Cash at banks at beginning for the period		176,005	670,004
<b>Cash at banks at end for the period</b>		<b>414,625</b>	<b>176,005</b>
<b><u>NON-CASH TRANSACTIONS</u></b>			
Closing the losses against the related party receivable		446,528	-
Capital		-	9,990,000

**The Accompanying Notes from (1) To (22) Constitute an Integral Part of These Financial Statements**

**Awn AL Raidah Microfinance Company**  
**Closed Joint Stock Company**  
**Riyadh - Kingdom of Saudi Arabia**  
**Notes to the Financial Statements for the Year Ended December 31, 2025 (Continued)**

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**1. Legal Status and activities**

- Awn Alraidah Microfinance Company (the "Company") is a Saudi Closed joint stock company registered in Riyadh, Kingdom of Saudi Arabia under Commercial Register No. 2051237040 on 21 Muharram 1443H corresponding to August 28, 2021, the company specializes in consumer microfinance
- The Company obtained a license to engage in financing activities from the Saudi Central Bank under license No. 101/A SH/202506, dated 21 Dhul-Qi'dah 1446 AH, corresponding to 17 June 2025 AD.
- The Company's head office is located at the following address  
Riyadh - Kingdom of Saudi Arabia  
Postal Code: 34245

**2. Basis of preparation**

- **Statement of compliance with the International Financial Reporting Standard**

The company's financial statements for the year ended December 31, 2025, have been prepared for management use. The company has prepared the financial statements in accordance with the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia and other standards and pronouncements adopted by the Saudi Organization for Auditors and Accountants ("International Financial Reporting Standards").

The company prepares lists in accordance with the International Standards on Auditing adopted in the Kingdom of Saudi Arabia and our responsibility under those standards, for regulatory purposes.

These financial statements for the year ended December 31, 2025 are the first financial statements prepared by the company in accordance with International Financial Reporting Standards.

- **Basis of measurement**

The financial statements have been prepared on a historical cost basis except for the employees defend benefit liabilities, which is measured at the present value of future obligations using the projected unit credit method and share based payment which are measured at fair value. Further, the financial statements are prepared using the accrual basis of accounting and going concern concept.

- **Functional and presentation currency**

These financial statements are presented in Saudi Riyal (SAR), which is the Company's functional currency.

**3. New Standards, Amendments to Standards, Interpretations, and Standards Issued but Not Yet Implemented**

The Company has applied the following accounting policies consistently to all periods presented in these financial statements, unless otherwise noted. In addition, the Company has adopted a Disclosure of Accounting Policies (Amendments to IASB and IFRS 2 Statement of Practice) effective January 1, 2023. The amendments require disclosure of accounting policies "material" rather than "significant" accounting policies. Although the amendments did not result in any changes to the accounting policy itself, they affected the accounting policy information disclosed in some cases.

**Awn AL Raidah Microfinance Company**  
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**Riyadh - Kingdom of Saudi Arabia**

**Notes to the Financial Statements for the Year Ended December 31, 2025 (Continued)**

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**a) New standards, amendments to standards, and interpretations**

The Company has adopted the following new standards and amendments for the first time as of January 1, 2023

**- Amendments to IAS 8**

The amendments aim to improve accounting policy disclosures and help financial statement users distinguish between changes in accounting estimates and changes in accounting policies.

**- Amendment to IAS 12 - Deferred tax relating to assets and liabilities arising from a single transaction**

These amendments require companies to recognize deferred tax on transactions that, upon initial recognition, result in equal amounts of taxable and deductible temporary differences.

**b) Standards issued but not yet implemented**

The following are new standards and amendments to standards that are applicable for years beginning on or after January 1, 2024, with early application permitted, but have not been applied by the company in preparing these financial statements. These amendments are not expected to have a material impact on the company's financial statements.

**- Amendments to IFRS 16: Lease Obligations in Sale and Leaseback Transactions:**

These amendments include requirements for sale and leaseback transactions in IFRS 16 to clarify how an entity accounts for sale and leaseback transactions after the transaction date. Sale and leaseback transactions in which some or all of the lease payments are variable lease payments that depend on an index or price are more likely to be affected.

**- Amendments to IAS 1: Non-current liabilities with commitments and classification of liabilities as current or non-current**

These amendments clarify how compliance with the conditions that a company must comply with within 12 months after the reporting period affects the classification of liabilities and are also intended to improve the information provided by the company in relation to liabilities subject to these conditions.

**- Amendments to IAS 7 and IFRS 7 - Supplier Financing Arrangements**

**- Amendments to IAS 27 - Non-exchangeability**

The following are the new IFRSs for sustainability disclosures effective for annual periods beginning on or after January 1, 2024, subject to approval by SOCPA.

**- International Financial Reporting Standard (IFRS) (Sustainability 1) "General Disclosure Requirements for Sustainability-Related Financial Information"**

This standard provides the basic framework for disclosing material information about sustainability-related risks and opportunities across an organization's value chain.

**4. Significant Accounting Policies**

The following is a summary of the significant accounting policies applied:

**a) Current and non-current assets and liabilities**

Cash and cash equivalents consist of cash on hand, cash at bank, and time deposits maturing three months or less from the acquisition date that are convertible into known amounts of cash and are subject to immaterial risk of changes in value.

The Company presents assets and liabilities in the statement of financial position on a current/non-current basis.

**Awn AL Raidah Microfinance Company**

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**Riyadh - Kingdom of Saudi Arabia**

**Notes to the Financial Statements for the Year Ended December 31, 2025 (Continued)**

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**Assets are considered current if:**

- When it is expected to be realized or intended to be sold or depreciated during the normal course of operations
- If acquired primarily for trading purposes
- When they are expected to be realized within 12 months after the financial period, or when they are cash and cash equivalents unless there are restrictions on their redemption or use in payment of any liabilities for at least 12 months after the financial period.

**All liabilities are considered current:**

- When it is expected to be paid during the normal course of operations
- If acquired primarily for trading purposes.
- When due within 12 months after the financial period, or when there is no unconditional right to defer payment of liabilities for at least 12 months after the financial period.

The Company classifies all other liabilities as non-current

The Company classifies all deferred tax assets and liabilities as non-current assets and liabilities

Financial assets recorded in the statement of financial position mainly include cash and cash equivalents, trade and other payables, and derivative financial instruments. Financial liabilities include trade and other payables, trade and other creditors, and bank loans.

**Impairment and recoverability of financial assets**

Financial assets recorded in the statement of financial position primarily include cash and cash equivalents, trade and other receivables, and derivative financial instruments. Financial liabilities include trade and other payables, other creditors, and bank loans.

**Impairment of financial assets and uncollectibility**

At each reporting date, an assessment is made to determine whether there is evidence of impairment of a specific financial asset. If such evidence exists, impairment loss is recognized in the statement of profit or loss and other comprehensive income. Impairment is determined as follows:

- For assets measured at amortized cost, impairment represents the difference between the carrying value and the present value of future cash flows discounted at the original effective interest rate
- An impairment loss represents the difference between the carrying value of the asset and the best estimate (which is necessarily an approximation) of the amount (which can be zero) that the company would receive for the asset if it were to be sold at the date of the financial statements.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported net in financial statements when there is a legally binding right to set off the recognized amounts and when there is an intention to settle the assets and liabilities on a net basis, or to realize the assets and pay off the liabilities simultaneously

**b) Property and Equipment**

Property and equipment are shown at cost less accumulated depreciation and any provision for impairment. Depreciation on property and equipment (excluding land) is calculated using the straight-line method and by age (number of years), as follows:

<u>Item</u>	<u>Depreciation</u>
Computer	33.3%
Equipment and Tools	20%

**Awn AL Raidah Microfinance Company**

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**Riyadh - Kingdom of Saudi Arabia**

**Notes to the Financial Statements for the Year Ended December 31, 2025 (Continued)**

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- The useful life and depreciation methods are periodically reviewed to ensure that the method and period of depreciation are commensurate with the expected economic benefits of the property and equipment
- The carrying value of property and equipment is reviewed periodically. If events or changes in circumstances indicate that the assets are recorded at higher values than their recoverable amount, the value of these assets is reduced to their recoverable amount, and the impairment is recorded in the statement of profit or loss and other comprehensive income.
- Property and equipment are disposed of when they are sold or have no future economic benefits, and any gain or loss on disposal is recognized in the statement of profit or loss and other comprehensive income.

**c) Impairment of Non-Current Assets**

At each reporting date, the Company assesses whether there is evidence of impairment of an asset. If such evidence exists, or when it is necessary to perform an annual impairment test, the Company estimates the recoverable amount of the asset, which is the higher of the fair value of the asset or cash-generating unit less costs to sell and the present value, determined for individual assets unless the asset results in cash inflows that are substantially independent of other assets or groups of assets. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and written down to its recoverable amount

When estimating the present value, estimated future cash flows are discounted to the present value using an after-tax discount rate that reflects current market estimates of the time value of money and the risks inherent in the asset.

Impairment losses for continuing operations, including impairment of working capital, if applicable, are recognized in the statement of profit or loss within expenses in line with the function of the asset being impaired.

For assets other than goodwill, at each balance sheet date, an assessment is made to determine whether there is evidence that previously recognized impairment losses no longer exist or have decreased. If such evidence exists, the company estimates the recoverable amount of the asset or cash-generating unit. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used in determining the recoverable amount since the date the impairment loss was last recognized. This reversal is recognized in the statement of profit or loss

If an impairment loss on a non-financial asset other than goodwill is reversed, the carrying amount of the asset (or the related group of assets) is adjusted to the adjusted estimate of the recoverable amount, but not more than the amount that would have been determined if recording an impairment loss for an asset (or the related group of assets) in prior years. The reversal of the impairment loss is recognized directly in the statement of profit or loss

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**Notes to the Financial Statements for the Year Ended December 31, 2025 (Continued)**

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**d) Right OF Use Assets and Lease Obligations**

The Company has recognized assets and liabilities for its operating leases. Each lease payment is allocated between liabilities and finance cost. The finance cost is charged to the statement of profit or loss over the lease term so that a constant periodic interest rate is recorded on the remaining balance of the liability for each period. The right of use an asset is amortized over the lower of the useful life of the asset or the term of the lease, whichever is lower, on a straight-line basis. Assets and liabilities arising from a lease are initially measured at present value.

**The origin of the right of use:**

- The initial measurement amount of the lease obligation, which is the present value of future lease payments.
- any lease payments made on or before the commencement date of the lease less any lease incentives received.
- Any initial direct costs incurred by the Company as a lessee.
- An estimate of the costs to be incurred by the company as a lessee to dismantle and remove the asset of the contract, and to restore the site where the asset is located to its original condition.

A right-of-use asset is subsequently measured at cost less any accumulated amortization and accumulated impairment loss adjusted by any remeasurement of the lease obligation.

The company amortizes the right-of-use asset over the estimated term of the lease on a straight-line basis.

The lease obligation is initially recognized at the present value of unpaid lease payments at the inception date, and the Company's incremental borrowing rate is used.

The lease obligation is subsequently measured as follows:

- Increase the carrying amount to reflect the interest on the lease obligation.
- Reducing the carrying amount to reflect lease payments.
- Remeasurement of the carrying amount to reflect any revaluation or adjustments to the lease.

The Company separates the payments into principal (presented within financing and interest activities) and interest (presented within operating activities) in the statement of cash flows

Under IFRS 16, the "right of use assets" is tested for impairment in accordance with IAS 36 "Impairment of Assets".

**Right of Use of Assets and Lease Obligations - Continued**

**Duration of leases**

The Company defines the lease term as the non-cancellable period in the lease along with:

- the periods covered by the option to extend the lease if the Company is reasonably certain that the option will be exercised.

Periods covered by the option to terminate the lease if the Company is reasonably certain that the option will not be exercised.

For short-term leases (lease term of 12 months or less) and low-value leases, the Company recognized rent expense on a straight-line basis as permitted by IFRS 16, which is the same way it was accounted for under IAS 17 "Leases"

**Awn AL Raidah Microfinance Company**

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**Riyadh - Kingdom of Saudi Arabia**

**Notes to the Financial Statements for the Year Ended December 31, 2025 (Continued)**

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**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash at the bank and time deposits maturing three months or less from the acquisition date that are convertible into known amount of cash and are subject to immaterial risk of changes in value.

**e) Trade receivable**

Most sales are made based on normal credit terms and the amounts due does not bear interest. When credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment. At the end of each reporting period, the carrying values of trade and other debtors are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized directly in profit or loss in the statement of other comprehensive income.

**f) Related Party Transactions**

A related party is a person or entity associated with the company that prepares its financial statements **If the person or his close family member is related to the company that prepares its financial statements:**

- Has control or joint control over the company that prepares its financial statements.
- Has a significant influence that prepares its financial statements.
- A member of the senior management of the company that prepares its financial statements or the parent company of the company that prepares its financial statements.

Entity is related to the company that prepares its financial statements if any of the following conditions are met:

The entity and the company that prepares its financial statements are members of the same group (meaning that the parent company, subsidiaries and associates are related to each other).

One of the two companies is an associate or joint venture of the other company (or an associate or joint venture of a member of a group of which the other company is a member).

**g) Employee Defined Benefit Obligations**

a- Employee defined benefit plan compliance

The defined benefit obligations are determined using the projected unit cost method with an actuarial valuation, the remeasurement that includes actuarial gains and losses is recognized in the statement of financial position while the gains and losses are included in other comprehensive income for the period in which they are incurred, and the remeasurement recognized in other comprehensive income is included in retained earnings immediately and is not stated in profit or loss.

**Employee Defined Benefit Obligations**

- b- Retirement benefits

The Company pays retirement contributions for its Saudi employees to the Social Insurance Institution, which is a defined contribution plan, and the payments are expensed as incurred.

e- Short-term employee benefits

A liability for accrued employee benefits for wages and salaries, annual leave and sick leave is recognized in the period in which the related service is rendered at the undiscounted amount of the benefits expected to be paid for that service.

Obligations recognized for short-term employee benefits are measured at the amount expected to be paid for the service rendered.

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**h) Trade payables, and other creditors**

Payables are recognized for the amounts payable for goods and services received in the normal course of business whether they are claimed by the supplier.

Payables are initially recognized at the transaction price and subsequently measured at amortized cost using the effective interest method.

**i) Provisions**

Provisions are recognized when the Company has legal or constructive obligations arising from past events and the costs of paying the obligation are probable and can be measured reliably.

The amounts recognized as a provision are the best estimate of the material consideration required to settle the present

obligation at the end of the financial statement period, taking into account the risks and uncertainties of the obligation. When the provision is measured using the estimated cash flows to settle the present obligation, its carrying amount is the present value of those cash flows when the effect of the time value of money is material. When using discounting, the increase in the provision over time is recognized as finance costs when it is expected that some or all of the economic benefits required to settle the provision will be recovered from another party, and receivables are recognized as an asset when their receipt is virtually certain and the amounts of receivables can be measured reliably.

**j) Zakat**

A provision for Zakat is calculated in accordance with the regulations of the Zakat, Tax and Customs Authority of the Kingdom of Saudi Arabia and is charged to the statement of profit or loss and other comprehensive income. Adjustments for differences, if any, arising from the final assessment are made during the period in which such assessment are issued.

**k) Withholding tax**

The Company withholds taxes on transactions with non-resident parties in the Kingdom of Saudi Arabia in accordance with the regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia and on dividends to non-resident Shareholders.

**l) Value Added Tax**

Expenses and assets are recognized as a net of VAT, except.

Where the VAT incurred on the purchase of assets or services is not claimable from the Zakat, Tax and Customs Authority, in which case the VAT is recognized as part of the cost of acquiring the asset or as part of the expense item, Accounts receivable and payable are included with the VAT amount. The net amount of VAT receivable from or payable to the ZATCA is included as part of accounts receivable or payable in the statement of financial position.

**m) Financial instruments**

A financial instrument is any contract that results in a financial asset for one entity and a financial liability or equity instrument for another.

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**n) Initial measurement**

Financial instruments are measured at the transaction price (including transaction costs except for the initial measurement of financial assets and liabilities that are subsequently measured at fair value through profit or loss) unless the arrangement does

not, in fact, constitute a financing transaction for the entity (for a financial liability) or the counterparty (to a financial asset) of the arrangement. If payment is deferred beyond normal business terms, an entity shall measure the financial asset or financial Liability at the present value of future payments discounted at the market interest rate of a similar debt instrument as determined in the initial recognition.

**o) Impairment of financial instruments**

At the end of each reporting period, an entity shall determine whether there is objective evidence of impairment of any financial assets measured at cost or amortized cost. If there is objective evidence of impairment, the entity must recognize the impairment loss directly in profit or loss.

Impairment is determined as follows:

for assets measured at amortized cost, the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated cash flows discounted at the asset's original real interest rate, and if the financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the original interest rate determined under the contract.

For assets measured at cost - an impairment loss is the difference between the carrying amount of the asset and the best estimate (which is necessarily an approximation (of the amount) that could be zero) what the entity would have received for the asset if it were to be sold at the reporting date.

if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be objectively related to an event occurring after the impairment was recognized, an entity shall reverse the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in the carrying amount of the financial asset (Net of any allowance account) more than what the carrying amount would have been if the impairment had not been previously recognized and the entity must recognize the reversal amount directly in profit or loss.

**p) Revenue recognition**

**Revenue from customer contracts**

**Step (1): Identify the contract(s) with a customer** - A contract is an agreement between two or more parties that creates enforceable rights and obligations. The requirements of IFRS 15 apply to every contract that has been agreed with a customer and contains performance obligation. In some cases, IFRS 15 requires an entity to aggregate contracts and account for them as a single contract. IFRS 15 introduces requirements for accounting for contract amendments.

**Step (2): Identify the performance obligations in the contract** - The contract includes commitments to transfer goods or services to a customer. If those goods or services are distinct, the commitments are performance obligations and are accounted for separately. Goods or services are distinct if the customer can utilize the good or service itself or with other goods or services that are immediately available to the customer and the entity's undertaking to transfer the good or service to the customer can be identified separately from other undertakings in the contract.

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**Step (3): Determine the transaction price** - The transaction price is the amount of consideration in the contract to which the entity expects to be entitled in exchange for the transfer of promised goods or services to a customer. The transaction price can be a fixed amount of consideration from the customer but can sometimes be a variable consideration or a consideration in kind other than cash. The transaction price is also adjusted for the effects of the time value of money if the contract has a significant financing component, for any consideration payable to the customer and, if the consideration is variable, the entity estimates the amount of consideration to which it will be entitled for the promised good or service. The estimated amount of the variable consideration is included in the transaction price only to the extent that it is highly probable that there will be no significant reversal in the amount of cumulative revenue recognized when the uncertainty associated with the variable consideration is subsequently realized.

**Step (4): Allocate the transaction price to the performance obligations in the contract** - The entity typically allocates the transaction price to each performance obligation based on the relative standalone selling prices for each distinct good or service promised in the contract. If the standalone selling price is measurable, the entity estimates it. Sometimes the transaction price includes a discount or variable consideration amount that relates entirely to part of the contract. The requirements specify when the entity allocates the discount or variable consideration to one or more, but not all, performance obligations (distinct) in the contract.

**Step (5): Recognize revenue as and when the entity satisfies a performance obligation - An entity** recognizes revenue as and when it satisfies a performance obligation by transferring a promised good or service to the customer (which is when the customer obtains control of good or service). The amount of revenue recognized is the amount allocated to the performance obligation that has been satisfied. A performance obligation can be satisfied at a point in time (typically for commitments to transfer goods to a customer) or overtime (typically for commitments to transfer services to a customer). For performance obligations that are satisfied over time, the entity recognizes revenue over time by selecting an appropriate method to measure the entity's progress towards full satisfaction of that performance obligation.

**q) Other income**

Other revenue is recognized as it is earned

**r) Contingent liabilities**

All contingent liabilities arising from past events whose existence will only be confirmed by the occurrence or non- occurrence of one or more uncertain future events that are not under the full control of the company, or all current liabilities arising from past events but which are not recognized for the following reasons:

- It is not probable that the outflow of economic resources will be required to settle the obligation, or
- If the amount of the liability cannot be measured reliably, it must be assessed at each statement of financial position date and disclosed in the company's financial statements under contingent liabilities.

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s) **Expenses**

All direct expenses related to the realization of operational revenue consist of salaries and wages and indirect costs charged to cost of revenue, and the rest of the expenses are classified under general and administrative expenses and selling and marketing expenses, and common expenses are allocated between cost of revenue and general and administrative expenses. Shared expenses are allocated according to fixed bases.

t) **Offsetting**

Financial assets and liabilities are offset and recorded net in the statement of financial position when there is a legally enforceable right to set off these amounts and the company intends to settle on a net basis, or to recognize assets and settle liabilities simultaneously.

u) **Loans and Bank Facilities**

Loans are initially recognized at fair value, net of transaction costs incurred, and subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the amount repayable is recognized in the statement of comprehensive income over the term of the loans using the effective interest rate method. Loans are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. Loans are classified as current liabilities when the remaining maturity is less than 12 months.

v) **Government grants**

Government grants are recognized when there is a reasonable assurance that the entity will comply with the associated conditions and will receive the grant.

Grants related to assets are recognized as deferred revenue and are amortized in the income statement on a systematic basis over the useful life of the associated asset.

Income-related grants are recognized in the income statement during the periods in which the costs that the grant is intended to offset are incurred.

Non-monetary government grants are recognized at fair value or, if fair value cannot be reliably measured, at nominal value. The nature and terms of government grants and their impact on the financial statements are disclosed.

**5. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that may affect the reported amounts of revenues, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in a material adjustment to the carrying amounts of assets or liabilities in future periods.

Key estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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Management has made the following estimates and judgments that are considered significant to the financial statements.

**1.5 Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, which have a material impact on the amounts recognized in the financial statements.

**Going Concern**

- The financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations in the foreseeable future. As at 31 December 2025, accumulated losses amounted to SAR 12,033,705, which exceeded the Company's entire share capital. In addition, current liabilities exceeded current assets by SAR 1,538,962. The Company's ability to continue its operations is dependent upon generating positive operating cash flows and obtaining adequate financial support from the shareholder.
- In accordance with Article 132 of the Saudi Companies Law, when a company's losses exceed its entire share capital, the shareholders are required to be invited to convene a meeting to decide whether to continue the Company's operations and provide the necessary financial support for its continuation or to dissolve the Company before the expiry of its term. On 5 January 2026, the shareholders resolved to support the Company, continue its operations, and provide the necessary funding to enable it to continue.
- Management acknowledges that the above events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Nevertheless, as explained above, management has a reasonable expectation that the Company will continue as a going concern in the foreseeable future.

**Useful lives. residual values. depreciation and amortization methods for property. plant and equipment. intangible assets and right of use of assets**

The Company's management estimates the estimated useful lives and residual values of property, plant and equipment, intangible assets and right of use of assets. This estimate is determined after considering the expected use of the property, plant and equipment, intangible assets and right-of-use assets or natural wear and tear and obsolescence. Management reviews the useful life, residual value or depreciation and amortization method for property, plant and equipment, intangible assets and right of use assets annually, with future depreciation and amortization adjusted when management believes that the useful life or residual value differs from those used in prior periods.

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**Impairment of non-financial assets**

The Company's management periodically reviews the carrying value of non-financial assets to determine whether there is any indication that the assets may be subject to an impairment loss. If there is any indication, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an asset individually, the Company's management estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the asset's recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and the reduction is recognized in the statement of profit or loss.

**Deducting rental payments**

The Company cannot easily determine the interest rate implicit in the lease and, therefore, uses the notional borrowing rate to measure the lease liability. The hypothetical borrowing rate is the interest rate that the Company would have to pay to borrow the necessary financing over a similar term and with the same collateral to acquire an asset of the same value as the "right-of-use" asset in a similar economic environment. The hypothetical borrowing rate therefore reflects what the Company "would have to pay", which requires estimation when observable rates are not available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the notional borrowing rate using observable input such as market interest rates (when available) and requires the Company to make certain estimates of its own.

**Extension and termination options in leases**

Extension and termination options are included in several leases. These clauses are used to increase operational flexibility in terms of contract management. Most of the extension and termination options held are exercised by both the Company and the lessor. In determining the term of the lease, management considers all facts and circumstances that create an economic incentive to exercise the extension option, or not to exercise the termination option. Extension options are included) or periods following termination options (only in the term of the lease whether the lease is reasonably certain to be extended or not terminated). The assessment is reviewed if there is a significant event or a significant change in circumstances affecting this assessment that are within the control of the lessee.

**Provision for expected credit losses**

The allowance for expected credit losses for receivables is determined based on a combination of factors to ensure that receivables are not overstated due to collectability. The allowance for expected credit losses for all customers is based on a variety of factors including the overall quality and age of the receivables and an ongoing credit assessment of the customers' financial condition. Management believes that amounts related to receivables are generally recoverable.

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**Contingent Commitments**

By their nature, contingent liabilities will only be settled upon the occurrence or non-occurrence of a future event or events. The assessment of such contingent liabilities materially involves the exercise of significant judgments and estimates of future events.

**Employee benefits**

The cost of employee benefit plans, and the present value of benefit obligations are determined using actuarial valuations. Actuarial valuations involve assumptions that may differ from actual future developments. These include determining the discount rate, future salary increases, mortality and future increases in pensions. Due to the complexity of the valuation process, the key assumptions are long-term in nature. All assumptions are reviewed at each reporting date.

**Zakat**

In calculating Zakat for the current year, the company adjusted its net profit and applied a certain discount to its Zakat deposit to calculate the Zakat expense.

The company made the best estimates for these assumptions

**Provisions**

Provisions, by their nature, are based on estimates and assessments as to whether the recognition has been met, including estimates of the likelihood of cash outflows. Provisions for litigation are based on an estimate of costs, taking into account legal advice and other information currently available. Provisions for severance benefits and exit costs, if any, also require management's judgment in estimating the expected cash outflows for other exit costs. Provisions for uncertain obligations include management's best estimate of whether cash outflows are probable

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**6. Property and equipment - net**

This item consists of the following:

	<u>Projects Under Implementation</u>	<u>Computers</u>	<u>Equipment and Tools</u>	<u>Total</u>
<u>Cost</u>	(SR)	(SR)	(SR)	(SR)
Balance at the beginning of the year	1,118,555	45,185	-	1,163,740
Addition during the year	<u>1,264,128</u>	<u>226,804</u>	<u>8,200</u>	<u>1,499,132</u>
<b>Balance at the end of the year</b>	<b><u>2,382,683</u></b>	<b><u>271,989</u></b>	<b><u>8,200</u></b>	<b><u>2,662,872</u></b>
<b><u>Accumulated Depreciation</u></b>				
Balance at the beginning of the year	-	1,255	-	1,255
Charged during the year	<u>-</u>	<u>38,924</u>	<u>131</u>	<u>39,055</u>
<b>Balance at the end of the year</b>	<b><u>-</u></b>	<b><u>40,179</u></b>	<b><u>131</u></b>	<b><u>40,310</u></b>
<b>Net book value - December 31, 2025</b>	<b><u>2,382,683</u></b>	<b><u>231,810</u></b>	<b><u>8,069</u></b>	<b><u>2,622,562</u></b>
<b>Net book value - December 31, 2024</b>	<b><u>1,118,555</u></b>	<b><u>43,930</u></b>	<b><u>-</u></b>	<b><u>1,162,485</u></b>

**7. Right of use the asset - net**

a. This item consists of the following:

	<u>Right to use the asset</u>	<u>Total</u>
<u>Cost</u>	(SR)	(SR)
Balance at the beginning of the year	1,371,191	1,371,191
Addition during the year	<u>2,141,607</u>	<u>2,141,607</u>
<b>Balance at the end of the year</b>	<b><u>3,512,798</u></b>	<b><u>3,512,798</u></b>
<b><u>Accumulated Depreciation</u></b>		
Balance at the beginning of the year	127,430	127,430
Charged during the year	<u>660,038</u>	<u>660,038</u>
<b>Balance at the end of the year</b>	<b><u>787,468</u></b>	<b><u>787,468</u></b>
<b>Net book value - December 31, 2025</b>	<b><u>2,725,330</u></b>	<b><u>2,725,330</u></b>
<b>Net book value - December 31, 2024</b>	<b><u>1,243,761</u></b>	<b><u>1,243,761</u></b>

b. Total rental obligations

	<u>2025</u>	<u>2024</u>
	(SR)	(SR)
Lease contract obligations - Non-Current	<u>1,399,154</u>	258,030
Lease contract obligations - Current	<u>1,176,312</u>	349,675
<b>Total</b>	<b><u>2,575,466</u></b>	<b><u>607,705</u></b>

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**8. Prepaid expenses and other debit balances**

This item consists of the following:

	2025	2024
	(SR)	(SR)
Value added tax deposits	840,257	274,563
Advance payments	233,440	151,999
Deposits	105,300	105,300
<b>Total</b>	<b>1,178,997</b>	<b>531,862</b>

**9. Transaction with Related Parties**

a) The transactions with a related party during the year and the resulting balances as follows:

	Nature of relationship	Nature of transaction	Movement During the Charged during the year		2025	2024
			Debit	Credit		
			(SR)	(SR)		
Itihad Technologies Holding Company	Sister Company	Financing	-	6,750,000	-	9,750,000
Ali bin Mahdi Al-Zamanan	Shareholder	Financing	4,296,530	3,850,000	-	(446,530)
<b>Due from a related party</b>					-	9,750,000
<b>Due to a related party</b>					-	(446,530)

b) The terms of transactions and prices with related party has been approved from management.

c) The balances due from related parties are not subject to interest, and there is no specific timetable for repayment.

**10. Capital**

The company's capital is SR 10,000,000 divided into 1,000,000 equal shares, the value of each share is SR 10 the details of distributed the partner as follows:

The Shareholder	Percentage of ownership	Quantity of Shares	Value Share	Share Capital
	%		(SR)	(SR)
Ali bin Mahdi bin Mani Nach Al Zamanan	73	730,000	10	7,300,000
Abdullah Saleh bin Abdullah Al-Rassam	17	170,000	10	1,700,000
Saleh Rashid bin Hamad Al-Zamanan	10	100,000	10	1,000,000
<b>Total</b>	<b>100</b>	<b>100,000</b>		<b>10,000,000</b>

**11. Proposed Increase in Share Capital**

The Proposed Increase in Share Capital amount represents the amount received from Etihad Holding Technologies Company following the agreement concluded between Aoun Leading Company for Micro Consumer Finance and Etihad Holding Technologies Company for a 100% acquisition. However, as of the date of the financial statements, the legal procedures have not been completed.

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**12. Employees' benefits obligations**

This item consists of the following:

	2025	2024
	SR	SR
Balance at the beginning of the year	43,928	-
Charged during the year	309,117	43,928
<b>Total</b>	<b>353,045</b>	<b>43,928</b>

**13. Loan**

This item consists of the following:

	Balance at the beginning of the year (SR)	Guarantees	Recipient during the year (SR)	Paid during the year (SR)	Balance at the end of the year (SR)	The short-term part (SR)	The long-term part (SR)
Social Development Bank Loan (*)	336,142	Bail and Performance Guarantee	9,774	61,105	284,811	58,617	226,194
<b>Total</b>	<b>336,142</b>		<b>9,774</b>	<b>61,105</b>	<b>284,811</b>	<b>58,617</b>	<b>226,194</b>

(\*) On September 15, 2022, the company obtained a loan from the Social Development Bank in the amount of 5,000,000 Saudi Riyals, to be repaid in monthly installments of 5,555 Riyals for a period of 90 months, with the first installment starting on September 15, 2022, and the last installment ending on March 15, 2030.

**14. Accrued expenses and other credit balances**

This item consists of the following:

	2025	2024
	(SR)	(SR)
Accrued Expenses	793,915	190,638
Accrued professional fees	18,000	15,000
Withholding tax	16,171	8,211
<b>Total</b>	<b>828,086</b>	<b>213,849</b>

**15. Provision for Zakat**

a) The Movement of provision for zakat is as follows:

	2025	2024
	(SR)	(SR)
Provision for zakat at the beginning of the year	160,595	14,052
Paid during the year	(160,595)	(14,052)
<b>Net Zakat after settlements</b>	-	-
Provision for income tax for the current year	41,081	160,595
<b>Provision for income tax at the end of the year</b>	<b>41,081</b>	<b>160,595</b>

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b) The components of zakat base are as follows:

	<u>2025</u>	<u>2024</u>
	(SR)	(SR)
<b><u>Zakat Base</u></b>		
Net book loss	(9,304,003)	(2,656,082)
<b>Adjusted Zakat Loss Net</b>	<b>(9,304,003)</b>	<b>(2,656,082)</b>
<b><u>Additions</u></b>		
Equity	1,857,366	7,479,259
Obligations and Equivalents	5,084,233	1,140,173
<b>Total items which are subjected to zakat</b>	<b>6,941,599</b>	<b>8,619,432</b>
<b><u>Deductible</u></b>		
Net fixed assets and equivalent	5,347,890	2,406,246
<b>Total deductible items</b>	<b>5,347,890</b>	<b>2,406,246</b>
Zakat Base	1,593,709	6,213,186
<b>Total Zakat Due</b>	<b>41,081</b>	<b>58,511</b>

c) The company has filed zakat return to the General Authority for Zakat and Tax for the years ended December 31, 2024 and it have not obtained a zakat certificate for these years.

**16. General and administrative expenses**

This item consists of the following:

	<u>2025</u>	<u>2024</u>
	(SR)	(SR)
Salaries, wages and other benefits	6,161,941	1,194,250
Depreciation of property & equipment	699,093	127,430
Governmental expenses	619,165	604,343
Gosi	486,747	84,832
medical Insurance	448,570	29,078
Employees' benefits obligations	309,117	43,927
professional fees	235,309	309,527
Repairs & Maintenance	86,963	-
Stationary & Printing	34,983	50,015
Electricity, Water & Telecommunication	28,165	12,003
Hospitality and cleanliness	25,223	5,858
Employee benefits	-	7,180
Rent expense	-	55,325
Others	90,918	106,417
<b>Total</b>	<b>9,226,194</b>	<b>2,630,185</b>

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**17. Fair values for Financial instruments**

Fair value is the value that would be received in exchange for selling an asset or paid in exchange for transferring a liability in an orderly transaction between market participants on the measurement date. Financial instruments consist of financial assets and financial liabilities.

The company's financial assets consist of cash at the bank, contract assets and other trade receivables. Its financial liabilities consist of trade payables, accrued expenses, other liabilities, and due to related parties. The fair value of financial instruments differs materially from their book value.

**18. Financial risk management**

The company's financial assets consist of cash at the bank and trade and other receivables that result directly from its operations. The company's financial liabilities consist of trade payables, accrued expenses, other liabilities, and due to related parties.

The Company has exposure to the following risks arising from financial instruments:

- liquidity risk
- market risk

This clarification shows information related to the company's exposure to each of the above risks, the company's objectives, policies and procedures regarding measuring and managing risks, and managing the company's capital.

**Risk management framework**

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support the operations of its group. The Company's principal financial assets include trade and other receivables and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

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The sources of risks which the Company is exposed to and their management is given below:

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables). The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

**Market risk**

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**19. Capital Management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Company's approach to capital management during the year.

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company's capital management is to continue as a going concern while maximizing its returns to the shareholders.

The Company's net debt to adjusted equity ratio at the reporting date was as follows:

	<u>2025</u>	<u>2024</u>
	(SR)	(SR)
Total Liabilities	5,125,219	1,841,807
Deducts: Cash at banks	<u>414,625</u>	<u>176,005</u>
Net debt	<u>5,539,844</u>	<u>2,017,812</u>
Total Equity	<u>1,816,295</u>	<u>6,864,841</u>
Adjusted Equity	<u>1,816,295</u>	<u>6,864,841</u>
<b>Adjusted Net Debt to Adjusted Equity Ratio</b>	<b><u>3.1</u></b>	<b><u>0.29</u></b>

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**20. Subsequent events**

From management's point of view, no other significant subsequent events have arisen since the year ended December 31, 2025 that would materially affect the financial position stated in these financial statements.

**21. Approval of the Financial Statements**

The financial statements were approved for issuance by the Board of Directors on 17 Sha'ban 1447 AH, corresponding to 5 February 2026.

**22. General**

- a. The figures in the financial statements are rounded to the nearest Saudi Riyal.
- b. Certain comparative year figures have been reclassified to conform to the current year presentation.