

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)**

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

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Page
Independent auditor's report	1 - 5
Statement of financial position	6
Statement of income and other comprehensive income	7
Statement of changes in shareholders' equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 44



KPMG Professional Services Company

Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Quara Finance Company

Opinion

We have audited the financial statements of Quara Finance Company ("the Company"), which comprise the statement of financial position as at 31 December 2025, the statements of income and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting 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 that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, as applicable to the audits of the financial statements of public interest entities. We have also 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.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Quara Finance Company (continued)

Key Audit Matter (continued)	
Key audit matter	How the matter was addressed in our audit
<p>Expected credit loss allowance against Murabaha receivables</p> <p>As at 31 December 2025, the Murabaha receivables before impairment were SR 855 million, against which an expected credit loss ("ECL") allowance of SR 53.8 million was maintained.</p> <p>We considered this as a key audit matter, as the determination of the ECL involves significant estimation and management judgement, and this has a material impact on the financial statements of the Company. The key areas of judgement include:</p> <p>1. Categorisation of Murabaha receivables into Stages 1, 2 and 3 based on the identification of:</p> <p>a) exposures with a significant increase in credit risk ("SICR") since their origination; and b) impaired / default exposures.</p> <p>2. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including, but not limited to assessment of expected future cash flows and developing and incorporating forward looking assumptions, macroeconomic factors and the associated scenarios and expected probability weightages.</p> <p>Application of these judgements and estimates have given rise to greater estimation uncertainty and the associated audit risk around the ECL calculations as at 31 December 2025.</p> <p><i>Refer to the summary of material accounting policies note 3.15 for impairment of financial assets; note 4 which contains the disclosure of critical accounting estimates and judgements relating to impairment losses on Murabaha receivables and the impairment assessment methodology used by the Company; note 6 which contains the disclosure of impairment against Murabaha receivables; and note 21 (i) which contains the credit quality analysis and key assumptions and factors considered in determination of the ECL.</i></p>	<p>In this area our audit procedures included:</p> <ul style="list-style-type: none"> ▪ We obtained and updated our understanding of management's assessment of the ECL allowance against Murabaha receivables, including the relevant accounting policy and model methodology, as well as any key changes during the year. ▪ We compared the Company's accounting policy for the ECL allowance and the ECL methodology with the requirements of IFRS 9. ▪ We assessed the design and implementation and tested the operating effectiveness of key controls over: <ul style="list-style-type: none"> • the ECL model, including governance over the model, and any model updates performed during the period, including approval of the respective oversight committee of key inputs, assumptions and post model adjustments; • the classification of borrowers into various stages and timely identification of SICR and the determination of default / impaired exposures; and • the integrity of data inputs used in the ECL model. ▪ For a sample of customers, we assessed: <ul style="list-style-type: none"> • the appropriateness of staging as identified by management; • the internal ratings determined by management based on the Company's internal rating model and considered these assigned ratings in light of Company's ECL methodology and available industry information. We also assessed that these were consistent with the ratings used as input in the ECL model; and • management's computation of the ECL. ▪ We assessed the appropriateness of the Company's criteria for the determination of SICR and identification of "default" or "impaired exposures"; and their classification into stages. Furthermore, for a sample of exposures, we assessed the appropriateness of the staging classification of the Company's financing portfolio. ▪ We assessed the reasonableness of underlying assumptions used by the Company in the ECL model including forward looking assumptions. ▪ We tested the completeness and accuracy of data supporting the ECL calculations as at 31 December 2025 by checking reconciliations and sample testing of key data inputs.



Independent Auditor's Report

To the Shareholders of Quara Finance Company (continued)

Key Audit Matter (continued)	
Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none">▪ Where required, we involved our specialists to assess the ECL model calculations, evaluating inter-related inputs (including PDs, LGDs and EADs) and assessing the reasonableness of assumptions used in the ECL model particularly around macroeconomic variables, forecasted macroeconomic scenarios and probability weightages.▪ We assessed the adequacy of disclosures in the financial statements.

Other matter – Comparative information

The financial statements of the Company as at and for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those financial statements on 04 March 2025.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Company's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Independent Auditor's Report

To the Shareholders of Quara Finance 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 IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, 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 has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



Independent Auditor's Report

To the Shareholders of Quara Finance Company (continued)

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

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 of Quara Finance Company ("the Company").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Professional Services Company

Saleh Mohammed S Mostafa
License No: 524

Riyadh: 08 Ramadan 1447 H
Corresponding to 25 February 2026



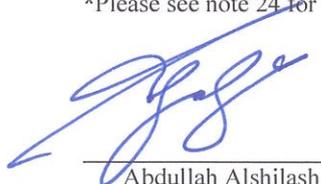
Public

QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Notes	31 December 2025	31 December 2024*
Assets			
Cash and cash equivalents	5	151,772,796	64,818,672
Murabaha receivables, net	6	801,803,537	771,654,615
Prepayments and other receivables	7	28,730,156	22,478,818
Property and equipment, net	8	2,165,607	4,314,589
Intangibles	9	13,986,557	11,167,110
Total assets		998,458,653	874,433,804
Liabilities and shareholders' equity			
Liabilities			
Term loans	10	413,320,976	288,298,037
Loan from a related party	11	89,066,274	81,186,517
Accrued and other liabilities	12	24,301,706	32,672,431
Provision for zakat	13	2,358,803	11,272,234
Employees' termination benefits	14	2,161,200	1,753,200
Total liabilities		531,208,959	415,182,419
Shareholders' equity			
Share capital	15	300,000,000	300,000,000
Statutory reserve	16	12,542,513	12,542,513
Retained earnings		120,361,837	112,363,528
Equity contribution on related party loan	11	34,345,344	34,345,344
Total shareholders' equity		467,249,694	459,251,385
Total liabilities and shareholders' equity		998,458,653	874,433,804

The notes from 1 to 26 form an integral part of these financial statements.

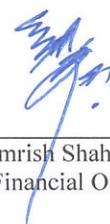
*Please see note 24 for details.



Abdullah Alshilash
Chairman



Faisal Al Alshaikh
Chief Executive Officer



Amrish Shah
Chief Financial Officer

QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025	2024*
Murabaha income		259,323,027	187,347,928
Finance income		2,004,957	1,160,623
Financial charges	10	(36,751,753)	(15,218,140)
		<u>224,576,231</u>	<u>173,290,411</u>
General and administrative expenses	18	(96,440,903)	(60,305,076)
Provision for expected credit losses	6.8	(87,300,232)	(28,265,511)
Salaries and employee related expenses		(33,943,523)	(35,985,813)
Other income		3,254,820	4,185,654
Net income for the year before zakat		<u>10,146,393</u>	<u>52,919,665</u>
Zakat charge	13	(2,029,279)	(9,673,279)
Net income for the year after zakat		<u>8,117,114</u>	<u>43,246,386</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement loss on employees' termination benefits		(118,805)	-
Total comprehensive income		<u>7,998,309</u>	<u>43,246,386</u>
Basic and Diluted Earnings per share			
		<u>0.27</u>	<u>1.44</u>
Weighted average number of shares	15	<u>30,000,000</u>	<u>30,000,000</u>

The notes from 1 to 26 form an integral part of these financial statements.

*Please see note 24 for details.



Abdullah Alshilash
Chairman



Faisal Al Alshaikh
Chief Executive Officer



Amrsh Shah
Chief Financial Officer

Public

QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Share capital	Statutory reserve	Retained earnings	Equity contribution on related party loan	Total
1 January 2025		300,000,000	12,542,513	112,363,528	34,345,344	459,251,385
Comprehensive income:						
Net income for the year after zakat		-	-	8,117,114	-	8,117,114
Other comprehensive income						
Remeasurement of defined benefit liability	14	-	-	(118,805)	-	(118,805)
Total comprehensive income for the year		-	-	7,998,309	-	7,998,309
31 December 2025		300,000,000	12,542,513	120,361,837	34,345,344	467,249,694
1 January 2024		300,000,000	12,542,513	69,117,142	10,862,676	392,522,331
Comprehensive income:						
Net income for the year after zakat		-	-	43,246,386	-	43,246,386
Other comprehensive income						
Total comprehensive income for the year		-	-	43,246,386	-	43,246,386
Equity contribution on related party loan						
31 December 2024	11	-	-	-	23,482,668	23,482,668
		300,000,000	12,542,513	112,363,528	34,345,344	459,251,385

The notes from 1 to 26 form an integral part of these financial statements.


Abdullah Alshilash
Chairman


Faisal Al Alshaikh
Chief Executive Officer


Amrisha Shah
Chief Financial Officer

Public

QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025	2024
Cash flow from operating activities			
Net income for the year before zakat		10,146,393	52,919,665
Adjustments for non-cash items:			
Depreciation and amortisation	8 & 9	4,108,025	4,041,797
Financial charges		36,751,753	15,218,140
Provision for expected credit losses	6.8	101,707,087	46,942,886
Provision for employees' termination benefits	14	710,636	193,340
Loss on sale repossessed assets		-	142,785
Changes in working capital			
Murabaha receivables, net		(131,856,010)	(114,496,470)
Prepayments and other receivables		(5,697,118)	(20,572,369)
Accrued and other liabilities		(8,370,724)	(123,505)
Zakat paid	13	(10,942,710)	(11,231,925)
Employees' termination benefits paid	14	(421,441)	(159,240)
Financial charges paid	10	(28,380,358)	(8,148,726)
Net cash used in operating activities		(32,244,467)	(35,273,622)
Cash flow from investing activities			
Purchase of property and equipment and intangibles	8 & 9	(4,778,490)	(6,728,448)
Proceeds from sale of repossessed assets		-	1,500,000
Net cash used in investing activities		(4,778,490)	(5,228,448)
Cash flow from financing activities			
Proceeds from loans	10	362,632,738	188,000,000
Payment of term loans	10	(238,655,657)	(124,488,487)
Net cash generated from financing activities		123,977,081	63,511,513
Net cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	5	86,954,124	23,009,443
Cash and cash equivalents at the end of the year	5	64,818,672	41,809,229
Murabaha income received during the year		274,655,447	192,778,449

The notes from 1 to 26 form an integral part of these financial statements.


Abdullah Alshilash
Chairman


Faisal Al Alshaikh
Chief Executive Officer


Amrish Shah
Chief Financial Officer

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

1 GENERAL INFORMATION

Quara Finance Company (the "Company") is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under commercial registration number 1010262141 issued in Riyadh on 9 Safar 1430H (corresponding to 4 February 2009).

As per the Saudi Central Bank ("SAMA") license number 45/HA/201605 dated 2 Sha'ban 1437H (corresponding to 9 May 2016), the Company is authorized to provide lease finance, consumer finance and small and medium enterprise finance in the Kingdom of Saudi Arabia.

The Company's registered office is located in Riyadh at the following address:

Quara Finance Company
P.O. Box 8246, Riyadh 12622
Kingdom of Saudi Arabia

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS Accounting 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") and in compliance with the applicable requirements of the Regulations for Companies and the Company's By-laws.

2.2 Basis of measurement and presentation

These financial statements have been prepared on a going concern basis under the historical cost convention except for the measurement at fair value of defined benefit obligations.

The statement of financial position is stated in order of liquidity.

2.3 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('Saudi Riyals' ("SR")). The financial statements are presented in SR, which is the Company's functional and presentation currency.

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies used in the preparation of these financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2024. Based on the adoption of new standard and in consideration of current economic environment, the following accounting policies are applicable effective 1 January 2025 replacing, amending, or adding to the corresponding accounting policies set out in 2024 annual financial statements.

3.1 Adoption of new standards and amendments

The following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB), have been effective from 1 January 2025 and accordingly adopted by the Company. The Company has assessed that the amendments have no significant impact on the Company's financial statements, as applicable:

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTNUED)

a) *New standards, interpretations and amendments thereof, adopted by the Company:*

Standard / interpretation	Description	Effective from periods beginning on or after
Amendment to IAS 21 – Lack of exchangeability	IASB amended IAS 21 to add requirements to help in determining whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not exchangeable. Amendment set out a framework under which the spot exchange rate at the measurement date could be determined using an observable exchange rate without adjustment or another estimation technique.	1 January 2025

The Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting the standard.

b) *Standards issued but not yet effective:*

Standards issued but not yet effective up to the date of issuance of the Company's annual financial statements are listed below. The Company intends to adopt these standards when they become effective and these standards will not have any material impact on the financial statements of the company.

Standard / interpretation	Description	Effective from periods beginning on or after
Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Partial gain or loss recognition for transactions between an investor and its associate or joint venture only apply to the gain or loss resulting from the sale or contribution of assets that do not constitute a business as defined in IFRS 3 Business Combinations and the gain or loss resulting from the sale or contribution to an associate or a joint venture of assets that constitute a business as defined in IFRS 3 is recognized in full.	Effective date deferred indefinitely
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures	Under the amendments, certain financial assets including those with ESG-linked features could now meet the SPPI criterion, provided that their cash flows are not significantly different from an identical financial asset without such a feature. The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system.	1 January 2026.
Annual improvements to IFRS Accounting – Volume 11	Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; IFRS 9 Financial Instruments; IFRS 10 Consolidated Financial Statements; and IAS 7 Statement of Cash Flows.	1 January 2026.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTIUED)

3.1 Adoption of new standards and amendments: (continued)

b) *Standards issued but not yet effective:*

Standard / interpretation	Description	Effective from periods beginning on or after
IFRS 18, Presentation and Disclosure in Financial Statements	IFRS 18 provides guidance on items in statement of profit or loss classified into five categories: operating; investing; financing; income taxes and discontinued operations It defines a subset of measures related to an entity's financial performance as 'management-defined performance measures' ('MPMs'). The totals, subtotals and line items presented in the primary financial statements and items disclosed in the notes need to be described in a way that represents the characteristics of the item. It requires foreign exchange differences to be classified in the same category as the income and expenses from the items that resulted in the foreign exchange differences.	1 January 2027
IFRS 19, Subsidiaries without Public Accountability: Disclosures	IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date it does not have public accountability and its parent produces consolidated financial statements under IFRS Accounting Standards.	1 January 2027

3.2 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and other short-term highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Company to manage its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.3 Murabaha receivables, net

Murabaha receivables originated by the Company, are initially recognized at fair value including transaction costs when cash is advanced to customers. Subsequently, these financial assets are measured at amortized cost. For presentation purposes, the unearned finance income and provision for impairment are deducted from gross receivables.

3.4 Property and equipment

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

If significant parts of an items of property and equipment have different useful lives, then they are accounted for as separate items of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognized within other income or general and administrative expenses in the statement of income and other comprehensive income.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTIUED)

3.4 Property and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are expensed to the statement of income and other comprehensive income as incurred.

Depreciation is calculated using the straight-line method to allocate their cost less their estimated residual values under the straight line method over their estimated useful lives and is recognized in the statement of income and other comprehensive income. The estimated useful life of the assets are as follows:

	<u>Number of years</u>
Vehicles	5 years
Furniture and fixtures	5 years
Information technology equipment	5 years
Leasehold improvements	4 - 5 years or over the lease term whichever is shorter

3.5 Intangible assets and capital work in progress

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the statement of income and other comprehensive income as it is incurred.

Intangible assets are amortized on a straight line basis over its estimated useful life from the date when it is available for use. The estimate useful life for the intangible assets for the current and the comparative year is 5 years.

Capital work in progress (CWIP) includes costs incurred mainly for the development, enhancement and upgrades of the Company's core systems, including the addition of new features, and the development of new applications and software technology platforms.

Expenditure on internally developed assets is recognized as an asset only when the Company is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and that it can reliably measure the costs to complete the development.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

3.6 Provisions

Provisions are recognized when the Company has an present obligation (legal or constructive) arising from past events, and the costs to settle the obligation are both probable and may be measured reliably. Provisions are not recognized for future operating losses. Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

3.7 Contingencies

Contingent assets are not recognized as an asset until realization becomes virtually certain. Contingent liabilities are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably measured.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Employees' termination benefits

The Company operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made at the present value of expected future payments in respect of services provided by the employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The benefit payments obligation is discharged as and when it falls due. Remeasurements (actuarial gains / losses) as a result of experience adjustments and changes in actuarial assumptions are recognized in the statement of income and other comprehensive income.

3.9 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized within accrued for the amounts 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 amount can be reliably measured.

3.10 Zakat

In accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"), the Company is subject to zakat attributable to the Saudi shareholders. Zakat is computed on the Saudi shareholders' share of equity or net income using the basis defined under the Zakat regulations. Zakat is accrued on a quarterly basis and charged directly to the statement of income and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

3.11 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amount of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is determined. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are recognized in the statement of income and other comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of other assets in the CGU on a pro rata basis.

Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of income and other comprehensive income.

3.12 Revenue recognition

Income from Murabaha is recognized based on the effective profit rate basis on the outstanding balances over the term of the contract. The effective profit rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of the financial asset.

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

For Murabaha receivables that become credit impaired subsequent to the initial recognition, murabaha income is calculated by applying the effective profit rate to the amortized cost of the asset. If the asset is no longer credit impaired, the calculation of murabaha income reverts back to the gross basis.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13 General and administrative expenses

General and administrative expenses are those arising from Company's efforts underlying the administrative activities.

3.14 Short term and low value leases

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of income and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

3.15 Financial instruments

The Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

IFRS 9 contains three principal classification categories for financial assets. The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (FVOCI)
- those to be measured subsequently at fair value through profit or loss (FVTPL) and
- those to be measured at amortized cost.

At initial recognition, the Company measures financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition of financial asset. Transactions cost of financial assets carried at fair value through profit or loss (FVTPL) are expensed in statement of income and other comprehensive income.

Subsequent measurement of debt instrument depends on the Company's business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories into which the Company classifies its debt instruments:

- i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and profit (SPPP) are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of the hedging relationship is recognized in statement of comprehensive income when the asset is derecognized or impaired. Profit from these financial assets is calculated the effective yield method. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of resources, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement, including the impact of prepayment and early termination features of the contract. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.
- ii) Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (OCI), except for the recognition of impairment gains or losses, profit on financial instrument (revenue) and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of comprehensive income and recognised in other gains / (losses). Profit from these financial assets is included in finance income using the effective yield method.
- iii) Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of comprehensive income and presented net in the statement of comprehensive income within other gains / (losses) in the period in which it arises. Profit from these financial assets is included in the finance income.

Currently, the Company does not hold any equity instruments; therefore, the related accounting policies have not been presented.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Financial instruments (continued)

The Company assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortized cost. The Company recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Incorporation of forward-looking information

The Company has used GDP growth rate, import and export, and inflation as their key macroeconomic factors. The macro-economic factors has been updated based on the latest available information (for GDP forecast as issued by International Monetary Fund, and for inflation rate as available on the www.stats.gov.sa).

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 advice from economic experts and consideration of a variety of forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by the International Monetary Fund.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at the year-end included the following ranges of key indicator:

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Financial instruments (continued)

Economic Indicators	31 December 2025	31 December 2024
Gross domestic product	Upside 30% Base case 40% Downside 30%	Upside 30% Base case 40% Downside 30%
Imports & Exports	Upside 30% Base case 40% Downside 30%	Upside 30% Base case 40% Downside 30%
KSA inflation rate	Upside 30% Base case 40% Downside 30%	Upside 30% Base case 40% Downside 30%

Probability weightings

The Company considered the probability weightings to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Company's credit portfolios in determining them.

Probability weighting of each scenario is determined by the management considering the risks and uncertainties surrounding the base case economic scenario. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data.

Economic indicators	Forecast calendar years used in 2025 ECL model			Forecast calendar years used in 2024 ECL model		
	2026	2027	2028	2025	2026	2027
Gross domestic product	4.4%	3.6%	3.5%	4.6%	4.4%	3.6%
KSA inflation rate	2.0%	2.0%	2.0%	1.7%	1.9%	2.0%
Imports	5.5%	3.4%	2.8%	8.15%	5.5%	3.4%
Exports	8.6%	4.5%	4.9%	8.39%	8.6%	4.5%

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;
- the borrower is classified in default category as per internal credit grade (applicable for corporate and high net worth individuals); or
- the borrower is past due more 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
- quantitative e.g. overdue status and non-payment on another obligation of the same issuer to Company

Financial assets shall be 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 recovery of amounts due.

The Company uses three categories for murabaha receivables which reflect their credit risk and how the loss provision is determined for each of those categories.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.15 Financial instruments (continued)

Probability weightings (continued)

<u>Category</u>	<u>Company definition of category</u>	<u>Basis for recognition of expected credit loss provision</u>
Stage 1	Financial asset(s) that have not significantly deteriorated in credit quality since origination. Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage 2	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are from 30 past due.	Lifetime expected losses
Stage 3	Interest and/or principal repayments above 90 days past due	Lifetime expected losses

Credit-impaired Murabaha receivables

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or lease by the Company on terms that the Company would not consider otherwise; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

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

Curing period

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period time. A customer needs to demonstrate consistently good payment behaviour (more than 1 repayment) over a period of time before the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to a 12-month ECL (Stage 1) for measurement at an amount equal to Lifetime ECL (Stage 2 and 3)

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

3 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.16 Financial liabilities

Financial liabilities are classified and subsequently measured at amortized cost using the effective yield method. The related cost of borrowing is charged to statement of income and other comprehensive income. The effective yield rate is the rate that discounts the estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Company derecognizes a financial liability (or a part of a financial liability) from its statement of balance sheet when, and only when, the obligation specified in the contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in statement of income and other comprehensive income.

3.17 Derecognition of financial instruments

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income and other comprehensive income.

3.18 Modifications of financial assets and financial liabilities

a. 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 derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized 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 recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income and other comprehensive income.

b. Financial liabilities

The Company derecognizes 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 recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of income and other comprehensive income.

3.19 Government grant

The Company recognizes a government grant related income, if there is a reasonable assurance that it will be received, and the Company will comply with the conditions associated with the grant. The benefit of a government loan at a below-market rate of interest is treated as a government grant related income. The below-market rate grant is recognized and measured in accordance with IFRS 9 - Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the grant determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognized in the statement of comprehensive income on a systematic basis over the periods in which, the Company recognizes as expenses, the related costs which the grants is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Company. Where the customer is the ultimate beneficiary, the Company only records the respective receivable and payable amounts.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Critical accounting judgement

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. Significant area where management has used estimates, assumptions or exercised judgements include:

i. *Provision for doubtful debts (note 3.15 and note 6)*

ii. *SPPI Test:*

Management has assessed the prepayment and early termination features of the contract which require the customers to pay certain compensation in addition to the outstanding principal and accrued profit. However, management believes that such additional amounts represent reasonable compensation for the reinvestment costs.

Furthermore, the contractual provisions also stipulate that in the event of default the Company pursues legal action to recover its outstanding dues and the amounts to be recovered from the customer, representing the outstanding principal and profit is determined by the outcome of the legal action. Accordingly, management believes that the contractual cashflows of investment in Murabaha financing contracts meet the SPPI test.

iii. *Present value of employees' termination benefits (note 3.8 and note 14)*

5 CASH AND CASH EQUIVALENTS

	Note	<u>As at 31 December</u>	
		<u>2025</u>	<u>2024</u>
Current accounts with banks	5.1	55,351,428	64,818,672
Short-term deposit	5.2	96,421,368	-
		<u>151,772,796</u>	<u>64,818,672</u>

5.1 This represents balance held in current accounts with several commercial banks operating in the Kingdom of Saudi Arabia having credit ratings from A1 to A2 as per Moody's.

5.2 Short-term deposit is placed with a commercial bank operating in Kingdom of Saudi Arabia having a credit rating of A1 as per Moody's. The term deposits have an original maturity of less than three months bearing profit rate of 5.05% - 5.45% per annum. (31 December 2024: Nil).

6 MURABAHA RECEIVABLES, NET

	<u>As at 31 December</u>	
	<u>2025</u>	<u>2024</u>
Murabaha receivables	1,231,808,965	1,151,438,575
Unearned revenue	(376,186,419)	(344,675,391)
Gross carrying value of Murabaha receivables	855,622,546	806,763,184
Provision for expected credit losses	(53,819,009)	(35,108,569)
Murabaha receivables, net	<u>801,803,537</u>	<u>771,654,615</u>
Current portion of Murabaha receivables	453,846,635	449,830,355
Non-current portion of Murabaha receivables	401,775,911	356,932,829
Gross carrying value of Murabaha receivables	855,622,546	806,763,184
Provision for expected credit losses	(53,819,009)	(35,108,569)
Murabaha receivables, net	<u>801,803,537</u>	<u>771,654,615</u>

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

6 MURABAHA RECEIVABLES, NET (CONTINUED)

6.1 Reconciliation between gross and net Murabaha receivables

	31 December 2025		
	Retail	SME financing	Total
Murabaha receivables	1,211,886,361	19,922,604	1,231,808,965
Unearned revenue	(375,564,230)	(622,189)	(376,186,419)
Gross carrying value of Murabaha receivables	836,322,131	19,300,415	855,622,546
Provision for expected credit losses	(52,886,629)	(932,380)	(53,819,009)
Murabaha receivables, net	783,435,502	18,368,035	801,803,537
Current portion of Murabaha receivables	435,080,611	18,766,024	453,846,635
Non-Current portion of Murabaha receivables	401,241,520	534,391	401,775,911
Gross carrying value of Murabaha receivables	836,322,131	19,300,415	855,622,546
Provision for expected credit losses	(52,886,629)	(932,380)	(53,819,009)
Murabaha receivables, net	783,435,502	18,368,035	801,803,537
	31 December 2024		
	Retail	SME financing	Total
Murabaha receivables	1,089,275,541	62,163,034	1,151,438,575
Unearned revenue	(342,863,578)	(1,811,813)	(344,675,391)
Gross carrying value of Murabaha receivables	746,411,963	60,351,221	806,763,184
Provision for expected credit losses	(33,819,390)	(1,289,179)	(35,108,569)
Murabaha receivables, net	712,592,573	59,062,042	771,654,615
Current portion of Murabaha receivables	390,950,691	58,879,664	449,830,355
Non-Current portion of Murabaha receivables	355,461,272	1,471,557	356,932,829
Gross carrying value of Murabaha receivables	746,411,963	60,351,221	806,763,184
Provision for expected credit losses	(33,819,390)	(1,289,179)	(35,108,569)
Murabaha receivables, net	712,592,573	59,062,042	771,654,615

The net carrying amount of Murabaha receivables, and thus the maximum exposure to loss, is as follows:

	31 December 2025		
	Retail	SME financing	Total
Stage 1	669,413,118	522,564	669,935,682
Stage 2	47,741,213	-	47,741,213
Stage 3	119,167,800	18,777,851	137,945,651
Gross carrying value of Murabaha receivables	836,322,131	19,300,415	855,622,546
Provision for expected credit losses	(52,886,629)	(932,380)	(53,819,009)
Murabaha receivables, net	783,435,502	18,368,035	801,803,537
	31 December 2024		
	Retail	SME financing	Total
Stage 1	613,735,937	18,165,098	631,901,035
Stage 2	48,310,291	3,528,986	51,839,277
Stage 3	84,365,735	38,657,137	123,022,872
Gross carrying value of Murabaha receivables	746,411,963	60,351,221	806,763,184
Provision for expected credit losses	(33,819,390)	(1,289,179)	(35,108,569)
Murabaha receivables, net	712,592,573	59,062,042	771,654,615

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

6 MURABAHA RECEIVABLES, NET (CONTINUED)

6.2 Stage wise analysis of Murabaha receivables is as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
31 December 2025				
Murabaha receivables	989,620,710	67,626,098	174,562,157	1,231,808,965
Unearned revenue	(319,685,029)	(19,884,885)	(36,616,505)	(376,186,419)
Provision for expected credit losses	(3,900,517)	(1,591,140)	(48,327,352)	(53,819,009)
Murabaha receivables, net	<u>666,035,164</u>	<u>46,150,073</u>	<u>89,618,300</u>	<u>801,803,537</u>
31 December 2024				
Murabaha receivables	927,138,638	73,176,319	151,123,618	1,151,438,575
Unearned revenue	(294,918,270)	(21,360,108)	(28,397,013)	(344,675,391)
Provision for expected credit losses	(1,262,379)	(1,110,600)	(32,735,590)	(35,108,569)
Murabaha receivables, net	<u>630,957,989</u>	<u>50,705,611</u>	<u>89,991,015</u>	<u>771,654,615</u>

6.3 Stage wise analysis of Murabaha receivables – retail segment is as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
31 December 2025				
Murabaha receivables	989,075,717	67,626,098	155,184,546	1,211,886,361
Unearned revenue	(319,662,599)	(19,884,885)	(36,016,746)	(375,564,230)
Provision for expected credit losses	(3,899,005)	(1,591,140)	(47,396,484)	(52,886,629)
Murabaha receivables, net	<u>665,514,113</u>	<u>46,150,073</u>	<u>71,771,316</u>	<u>783,435,502</u>
31 December 2024				
Murabaha receivables	908,478,248	69,575,320	111,221,973	1,089,275,541
Unearned revenue	(294,422,979)	(21,288,095)	(27,152,504)	(342,863,578)
Provision for expected credit losses	(1,240,822)	(1,068,340)	(31,510,228)	(33,819,390)
Murabaha receivables, net	<u>612,814,447</u>	<u>47,218,885</u>	<u>52,559,241</u>	<u>712,592,573</u>

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

6 MURABAHA RECEIVABLES, NET (CONTINUED)

6.4 Stage wise analysis of Murabaha receivables – SME segment is as follows:

	Stage 1	Stage 2	Stage 3	Total
31 December 2025				
Murabaha receivables	544,994	-	19,377,610	19,922,604
Unearned revenue	(22,430)	-	(599,759)	(622,189)
Provision for expected credit losses	(1,513)	-	(930,867)	(932,380)
Murabaha receivables, net	521,051	-	17,846,984	18,368,035
31 December 2024				
Murabaha receivables	18,660,389	3,600,999	39,901,646	62,163,034
Unearned revenue	(495,291)	(72,013)	(1,244,509)	(1,811,813)
Provision for expected credit losses	(21,557)	(42,260)	(1,225,362)	(1,289,179)
Murabaha receivables, net	18,143,541	3,486,726	37,431,775	59,062,042

6.5 The movement in provision for expected credit losses is as follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
1 January 2025	1,262,379	1,110,600	32,735,590	35,108,569
Charge for the year	2,638,138	480,540	98,588,409	101,707,087
Written off during the year	-	-	(82,996,647)	(82,996,647)
31 December 2025	3,900,517	1,591,140	48,327,352	53,819,009
	2024			
	Stage 1	Stage 2	Stage 3	Total
1 January 2024	628,959	2,143,444	17,783,844	20,556,247
Charge for the year	633,420	(1,032,844)	47,342,310	46,942,886
Written off during the year	-	-	(32,390,564)	(32,390,564)
31 December 2024	1,262,379	1,110,600	32,735,590	35,108,569

As of 31 December 2025, the receivables amount written off amounts to **SR 71.9 million** (31 December 2024: SR 32.4 million).

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

6 MURABAHA RECEIVABLES, NET (CONTINUED)

6.6 The movement in provision for expected credit losses of retail segment is as follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
1 January 2025	1,240,822	1,068,340	31,510,228	33,819,390
Charge for the year	2,658,183	522,800	84,282,641	87,463,624
Written off during the year	-	-	(68,396,385)	(68,396,385)
31 December 2025	3,899,005	1,591,140	47,396,484	52,886,629
	2024			
	Stage 1	Stage 2	Stage 3	Total
1 January 2024	601,190	1,567,570	14,061,743	16,230,503
Charge for the year	639,632	(499,230)	49,839,049	49,979,451
Written off during the year	-	-	(32,390,564)	(32,390,564)
31 December 2024	1,240,822	1,068,340	31,510,228	33,819,390

6.7 The movement in provision for expected credit losses of SME segment is as follows:

	2025			
	Stage 1	Stage 2	Stage 3	Total
1 January 2025	21,557	42,260	1,225,362	1,289,179
Charge for the year	(20,044)	(42,260)	14,305,768	14,243,464
Written off during the year	-	-	(14,600,263)	(14,600,263)
31 December 2025	1,513	-	930,867	932,380
	2024			
	Stage 1	Stage 2	Stage 3	Total
1 January 2024	27,769	575,874	3,722,101	4,325,744
Charge for the year	(6,212)	(533,614)	(2,496,739)	(3,036,565)
Written off during the year	-	-	-	-
31 December 2024	21,557	42,260	1,225,362	1,289,179

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

6 MURABAHA RECEIVABLES, NET (CONTINUED)

6.8 Reconciliation for provision for expected credit losses with statement of income and other comprehensive income

	As at 31 December	
	2025	2024
Expected credit losses charge for the year	101,707,087	46,942,886
Recoveries from written off customers	(14,406,855)	(18,677,375)
	<u>87,300,232</u>	<u>28,265,511</u>

6.9 The analysis of movements the gross carrying amount of Murabaha receivables and the expected credit loss allowance on Murabaha receivables is as follows:

(i) Retail segment

Retail	For the year ended 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	623,485,711	41,432,808	81,493,444	746,411,963
New financial assets originated	695,198,629	-	-	695,198,629
Transferred from Stage 1	(143,113,108)	56,483,485	86,629,623	-
Transferred from Stage 2	7,219,701	(36,145,809)	28,926,108	-
Transferred from Stage 3	1,192,289	458,592	(1,650,881)	-
Repayments and settlements	(514,570,104)	(14,487,863)	(7,834,110)	(536,892,077)
Write-offs	-	-	(68,396,384)	(68,396,384)
Gross carrying amount as 31 December 2025	<u>669,413,118</u>	<u>47,741,213</u>	<u>119,167,800</u>	<u>836,322,131</u>

Retail	For the year ended 31 December 2025			
	(Stage 1)	(Stage 2)	(Stage 3)	Total
Loss allowance as at 1 January 2025	1,240,822	1,068,340	31,510,228	33,819,390
New financial assets originated	2,620,448	-	-	2,620,448
Transfer from stage 1	(305,050)	76,092	228,958	-
Transfer from stage 2	89,098	(870,833)	781,735	-
Transfer from stage 3	494,305	164,562	(658,867)	-
Remeasurement of loss allowance	303,826	1,313,750	86,276,058	87,893,634
Financial assets – settled	(544,444)	(160,771)	(2,345,244)	(3,050,459)
Write-off during the year	-	-	(68,396,384)	(68,396,384)
Loss allowance as at 31 December 2025	<u>3,899,005</u>	<u>1,591,140</u>	<u>47,396,484</u>	<u>52,886,629</u>

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

6 MURABAHA RECEIVABLES, NET (CONTINUED)

6.9 The analysis of movements the gross carrying amount of Murabaha receivables and the expected credit loss allowance on Murabaha receivables is as follows (continued)

(i) Retail segment (continued)

Retail	For the year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	417,932,861	72,314,291	26,654,264	516,901,416
New financial assets originated	703,719,953	-	-	703,719,953
Transferred from Stage 1	(49,753,322)	15,951,452	33,801,870	-
Transferred from Stage 2	21,708,238	(45,423,996)	23,715,758	-
Transferred from Stage 3	1,329,498	417,329	(1,746,827)	-
Repayments and settlements	(481,201,291)	5,051,215	34,331,234	(441,818,842)
Write-offs	-	-	(32,390,564)	(32,390,564)
Gross carrying amount as 31 December 2024	613,735,937	48,310,291	84,365,735	746,411,963

Retail	For the year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2024	601,190	1,567,570	14,061,743	16,230,503
New financial assets originated	769,299	-	-	769,299
Transfer from stage 1	(45,502)	16,119	29,383	-
Transfer from stage 2	450,136	(883,331)	433,195	-
Transfer from stage 3	727,267	204,318	(931,585)	-
Remeasurement of loss allowance	(934,804)	761,173	52,117,832	51,944,201
Financial assets – settled	(326,764)	(597,509)	(1,809,776)	(2,734,049)
Write-off during the year	-	-	(32,390,564)	(32,390,564)
Loss allowance as at 31 December 2024	1,240,822	1,068,340	31,510,228	33,819,390

(ii) SME segment

SME financing	For the year ended 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2025	18,165,098	3,528,986	38,657,137	60,351,221
Transferred from Stage 1	(211,525)	-	211,525	-
Transferred from Stage 2	-	(549,538)	549,538	-
Transferred from Stage 3	-	-	-	-
Repayments and settlements	(17,431,009)	(2,979,448)	(6,040,086)	(26,450,543)
Write-offs	-	-	(14,600,263)	(14,600,263)
Gross carrying amount as 31 December 2025	522,564	-	18,777,851	19,300,415

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

6 MURABAHA RECEIVABLES, NET (CONTINUED)

6.9 The analysis of movements the gross carrying amount of Murabaha receivables and the expected credit loss allowance on Murabaha receivables is as follows: (continued)

(ii) SME segment (continued)

SME financing	For the year ended 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2025	21,557	42,260	1,225,362	1,289,179
Transfer from stage 1	(8)	-	8	-
Transfer from stage 2	-	(19,153)	19,153	-
Transfer from stage 3	-	-	-	-
Remeasurement of loss allowance	1,356	-	14,401,629	14,402,985
Financial assets – settled	(21,392)	(23,107)	(115,022)	(159,521)
Write-off during the year	-	-	(14,600,263)	(14,600,263)
Loss allowance as at 31 December 2025	1,513	-	930,867	932,380

SME financing	For the year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	99,925,611	38,416,200	42,288,473	180,630,284
Transferred from Stage 1	(7,642,570)	5,669,294	1,973,276	-
Transferred from Stage 2	6,723,578	(27,427,854)	20,704,276	-
Transferred from Stage 3	1,170,214	-	(1,170,214)	-
Repayments and settlements	(82,011,735)	(13,128,654)	(25,138,674)	(120,279,063)
Write-offs	-	-	-	-
Gross carrying amount as at 31 December 2024	18,165,098	3,528,986	38,657,137	60,351,221

SME financing	For the year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2024	27,769	575,874	3,722,101	4,325,744
Transfer from stage 1	(1,010)	790	220	-
Transfer from stage 2	38,319	(311,031)	272,712	-
Transfer from stage 3	46,809	-	(46,809)	-
Remeasurement of loss allowance	(70,400)	(35,684)	(2,297,794)	(2,403,878)
Financial assets – settled	(19,930)	(187,689)	(425,068)	(632,687)
Write-off during the year	-	-	-	-
Loss allowance as at 31 December 2024	21,557	42,260	1,225,362	1,289,179

Refer note 20(i) for details of the credit quality of Murabaha receivables based on past due days.

7 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2025	2024
Other receivables from supplier	18,277,775	18,019,765
Prepaid expenses	9,813,678	3,749,542
Employee loans and advances	638,703	709,511
	28,730,156	22,478,818

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

8

PROPERTY AND EQUIPMENT, NET

	Vehicles	Furniture and fixtures	Information technology equipment	Leasehold improvements	Total
<u>2025</u>					
Cost					
1 January 2025	265,300	2,957,017	15,662,821	6,010,704	24,895,842
Additions during the year	-	-	125,005	-	125,005
31 December 2025	265,300	2,957,017	15,787,826	6,010,704	25,020,847
Accumulated depreciation					
1 January 2025	265,296	2,829,703	11,619,697	5,866,557	20,581,253
Charge for the year	-	81,500	2,100,094	92,393	2,273,987
31 December 2025	265,296	2,911,203	13,719,791	5,958,950	22,855,240
Net book value at 31 December 2025	4	45,814	2,068,035	51,754	2,165,607
<u>2024</u>					
Cost					
1 January 2024	265,300	2,957,017	15,540,735	5,968,159	24,731,211
Additions during the year	-	-	122,086	42,545	164,631
31 December 2024	265,300	2,957,017	15,662,821	6,010,704	24,895,842
Accumulated depreciation					
1 January 2024	265,296	2,665,350	9,151,293	5,340,075	17,422,014
Charge for the year	-	164,353	2,468,404	526,482	3,159,239
31 December 2024	265,296	2,829,703	11,619,697	5,866,557	20,581,253
Net book value at 31 December 2024	4	127,314	4,043,124	144,147	4,314,589

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

9

INTANGIBLES

2025	Software solutions	Capital WIP	Total
<u>Cost</u>			
As at 1 January 2025	4,435,909	8,001,489	12,437,398
Additions during the year	6,553,479	4,653,485	11,206,964
Capitalized during the year	-	(6,553,479)	(6,553,479)
As at 31 December 2025	<u>10,989,388</u>	<u>6,101,495</u>	<u>17,090,883</u>
<u>Accumulated amortisation</u>			
As at 1 January 2025	1,270,288	-	1,270,288
Amortisation during the year	1,834,038	-	1,834,038
As at 31 December 2025	<u>3,104,326</u>	<u>-</u>	<u>3,104,326</u>
Net book value as at 31 December 2025	<u>7,885,062</u>	<u>6,101,495</u>	<u>13,986,557</u>

2024	Software solutions	Capital WIP	Total
<u>Cost</u>			
As at 1 January 2024	4,339,757	1,533,824	5,873,581
Additions during the year	96,152	6,467,665	6,563,817
As at 31 December 2024	<u>4,435,909</u>	<u>8,001,489</u>	<u>12,437,398</u>
<u>Accumulated amortisation</u>			
As at 1 January 2024	387,730	-	387,730
Amortisation during the year	882,558	-	882,558
As at 31 December 2024	<u>1,270,288</u>	<u>-</u>	<u>1,270,288</u>
Net book value as at 31 December 2024	<u>3,165,621</u>	<u>8,001,489</u>	<u>11,167,110</u>

10

TERM LOANS

	Note	As at 31 December	
		2025	2024
Term loan – Monsha'at	10.1	-	7,229,717
Term loan – SAMA – funding for lending	10.2	3,063,364	68,296,697
Loan from Banks and financial institution	10.3	410,257,612	212,771,623
		<u>413,320,976</u>	<u>288,298,037</u>

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10 TERM LOANS (CONTINUED)

10.1 Term loan – Monsha’at

	Note	As at 31 December	
		2025	2024
Opening balance		7,229,717	24,207,819
Financial charges for the year		151,214	815,612
Principal repayment during the year		(7,226,624)	(17,556,553)
Financial charges paid during the year		(154,307)	(815,612)
		-	6,651,266
Deferred income on interest-free loans	10.1.1	-	578,451
Closing balance		-	7,229,717
Current portion		-	7,229,717
Non-current portion		-	-
		-	7,229,717

10.1.1 Deferred income on interest-free loans

	As at 31 December	
	2025	2024
Opening balance	578,451	1,933,435
Amortization of deferred income on interest free loans	(578,451)	(1,354,984)
Closing balance	-	578,451

Since 2018, the Company has received eight interest-free loans from Social Development Bank to finance small and medium sized entities in the Kingdom of Saudi Arabia amounting SR 245 million for three years. These loans carried a fixed special commission rate that was significantly lower than the prevailing market rate. These loans provided to the Company carried a number of conditions, one of which was that these loans were to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of “lower than market value” loan obtained by the Company has been identified and accounted for in accordance with IFRS 9. Such benefit is being recognised in the statement of income and other comprehensive income of the Company on a systematic basis as the expense for which such loan is intended to compensate, is recognised.

10.2 Term loan – SAMA – funding for lending

	As at 31 December	
	2025	2024
Opening balance	68,296,697	160,428,631
Principal repayment during the year	(65,233,333)	(92,131,934)
Closing balance	3,063,364	68,296,697
Current portion	3,063,364	65,233,333
Non-current portion	-	3,063,364
	3,063,364	68,296,697

During the year 2020, the Company entered into SAMA’s Funding for Lending Program, whereby Kafala (SME financing guarantee program) has guaranteed up to 95% of the financing amount to the SME customers. The financing tenure of the loan was thirty-six months. The Company has not received any additional financing since May 2023 and is set to repay the remaining balance within three months from the year end.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

10 TERM LOANS (CONTINUED)

10.3 Loan from Banks and other financial institutions

	As at 31 December	
	2025	2024
Opening balance	212,771,623	40,618,919
Loans obtained during the year	362,632,738	185,169,722
Financial charges for the year	29,275,002	8,104,188
Principal repayment during the year	(166,195,700)	(14,800,000)
Financial charges paid during the year	(28,226,051)	(6,321,206)
Closing balance	<u>410,257,612</u>	<u>212,771,623</u>
Current portion	107,923,249	47,371,764
Non-current portion	<u>302,334,363</u>	<u>165,399,859</u>
	<u>410,257,612</u>	<u>212,771,623</u>

The Company has multiple short and medium-term borrowing facilities from local banks with credit ratings of A1–A2, for the purpose of funding the Company's lending operations. These facilities are repayable in quarterly instalments. All facilities carry finance charges at prevailing market borrowing costs plus SIBOR, except for a loan from a financial institution which bears a fixed interest rate of 10.99% p.a. per annum.

Under the agreements with banks and financial institutions, the Company has an aggregate maximum borrowing limit of SR 650 million (31 December 2024: SR 350 million). The Company's term loans are subject to certain financial and non-financial covenants that are required to be complied with on a quarterly basis. These include the assignment of a portfolio ranging between 120% – 135% of the loan amount. The Company was also required is also required to maintain a current ratio of at least 1.5 and a financial leverage ratio of not more than 2.0.

As at 31 December 2025, the Company has maintained a current ratio of 4.54 and a leverage ratio of 1.81 and thus complying with the covenants of the financing arrangements. Furthermore, the Company is expected to comply with the covenants of the arrangements in the next 12 months.

11. Loan from a related party

	As at 31 December	
	2025	2024
Opening balance	81,186,517	98,027,769
Financial charges accrued during the year	7,879,757	6,641,416
Equity Contribution on interest-free loan	-	(23,482,668)
Closing balance	<u>89,066,274</u>	<u>81,186,517</u>

During 2021, the Company obtained loan amounting to SR 100 million in 4 equal tranches for a period of 3 years. These loans were interest free and were recorded at fair value. In April 2024, the Company renewed the facility for another 3 years and as a result an equity contribution by the shareholders has been recognised in the statement of changes in shareholder's equity to reflect the benefit of the interest-free terms. The loan does not carry any covenants and is repayable in full on maturity in March 2027. Refer note 23 for details of loan from related party.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

	As at 31 December	
	2025	2024
Murabaha related payables	19,134,053	26,867,534
Accrued expenses	2,819,161	3,963,677
VAT and GOSI payable	323,010	289,182
Others	2,025,482	1,552,038
	<u>24,301,706</u>	<u>32,672,431</u>

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

13 PROVISION FOR ZAKAT

13.1 The movement in the zakat provision is as follows:

	<u>As at 31 December</u>	
	<u>2025</u>	<u>2024</u>
Opening balance	11,272,234	12,830,880
Charge during the year	2,029,279	9,673,279
Payments made during the year	<u>(10,942,710)</u>	<u>(11,231,925)</u>
Closing balance	<u>2,358,803</u>	<u>11,272,234</u>

13.2 Status of assessments

The Company has filed its zakat returns with the Zakat, Tax and Customs Authority (ZATCA) for the years until 2024. The Company has received the final zakat certificate until the year 2024.

14 EMPLOYEES' TERMINATION BENEFITS

	<u>As at 31 December</u>	
	<u>2025</u>	<u>2024</u>
Opening balance at the beginning of the year	1,753,200	1,719,100
Current service cost	710,636	193,340
End of service payments during the year	(421,441)	(159,240)
Actuarial losses on remeasurement of employees' termination benefits	<u>118,805</u>	<u>-</u>
Closing balance at the end of the year	<u>2,161,200</u>	<u>1,753,200</u>

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

	<u>As at 31 December</u>	
	<u>2025</u>	<u>2024</u>
Discount rate	4.75%	4.8%
Salary increment	2.5%	2.5%
Retirement age	65	65

14.2 Charge for the year

	<u>As at 31 December</u>	
	<u>2025</u>	<u>2024</u>
Current service cost	632,578	699,240
Past service cost	-	(505,900)
Finance Cost	<u>78,058</u>	<u>-</u>
	<u>710,636</u>	<u>193,340</u>

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

14 EMPLOYEES' TERMINATION BENEFITS (CONTINUED)

14.3 Sensitivity analysis

Reasonably possible changes as to one of the relevant actuarial assumptions, holding other assumptions constant, the amount of defined benefit obligations would have been:

	31 December 2025		31 December 2024	
	Increase	Decrease	Increase	Decrease
Salary growth rate (1%) movement	2,265,802	2,064,162	1,838,055	1,674,481
Discount rate (1%) movement	2,071,726	2,259,318	1,680,618	1,832,795
Retirement age rate (10%) movement	2,115,166	2,210,259	1,715,857	1,792,998

Risks associated with defined benefit plans

Salary increase risk:

The retirement benefit of the Company is one where the benefit is linked with final salary. The risk arises when the actual salary increases are higher than expectation and impacts the liability accordingly.

Longevity risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

15 SHARE CAPITAL

As at 31 December 2025, the Company's authorised, issued and paid-up share capital was SR 300 million (31 December 2024: SR 300 million) divided into 30 million shares (31 December 2024: 30 million shares) with a nominal value of SR 10 each.

On 7 March 2024, the Company completed its Initial Public Offering ("IPO") and its ordinary shares (8.83% amounting to 2.65 million shares) were listed on the Nomu - Parallel Market (Saudi Arabia). During the year ended 31 December 2024, the Company paid initial public offer (IPO) costs amounting to 8.7 million on behalf of the shareholders in their respective ownership. These costs were settled by the shareholders during the year ended 2024.

16 STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the issued Company's articles of association, the Company was required to transfer 10% of its net income for the year to the statutory reserve until such reserve equals 30% of its share capital. However, after the issuance of new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023), the requirement to transfer net income to the reserve has become voluntary. The management has amended their articles of association and have removed the requirement of transfer of net income to the reserve. The statutory reserve will be transferred to retained earnings after approval of the shareholders in the annual general meeting.

17 COMMITMENTS

Capital commitments

As of 31 December 2025 and 31 December 2024, there were no capital commitments outstanding against the Company.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

18 GENERAL AND ADMINISTRATIVE EXPENSES

	<u>Note</u>	<u>2025</u>	<u>2024</u>
Subscriptions	18.1	45,839,005	28,638,939
Information technology		14,957,903	3,416,035
Bank charges		6,812,150	5,357,919
Marketing expenses		5,786,145	1,711,300
Professional fees	18.2	5,439,433	2,672,176
Depreciation and amortisation	8 & 9	4,108,023	4,041,797
Medical insurance		3,087,196	4,024,712
Collection incentives		2,976,798	3,027,418
Utilities		2,063,915	1,576,645
Employee termination benefits		1,188,764	455,856
Rent expense		909,025	953,115
Committee allowances		462,000	280,000
Office stationery and post office		338,168	223,931
Other expenses		2,472,378	3,925,233
		<u>96,440,903</u>	<u>60,305,076</u>

18.1 This represents costs incurred for performing customer onboarding and due diligence procedures on applications that did not result in approved accounts or transactions.

18.2 Auditor's remuneration:

	<u>For the year ended 31 December</u>	
	<u>2025</u>	<u>2024</u>
Fee for statutory audit and interim reviews	908,500	892,975
Fee for other statutory and related certifications	184,000	132,250
	<u>1,092,500</u>	<u>1,025,225</u>

19 OPERATING SEGMENTS

Operating segments are identified based on internal reports about components of the Company that are regularly reviewed by the Company's Board of Directors in its function as the Chief Operating Decision Maker to allocate resources to segments and to assess their performance. Performance is measured based on net income of the segment, as management believes that this indicator is the most relevant in evaluating the results of segments relative to other entities that operate within these sectors.

The Company's operations are in the Kingdom of Saudi Arabia and the Company currently provides financing to Saudi individuals from government and private sectors and to SMEs. Accordingly, the Company's operations represent the following operating segments. No single customer of the Company generates more than 10% of the revenue.

The Company's reportable segments are as follows:

- 1) Retail (Personal financing): This represents financing provided to the retail sector. Products included in retail segment are digital loans and invoice loans.
- 2) SME financing: This represents financing provided to the small and medium enterprises. Product included in SME financing segment are term loans.

The Company does not have any major customers through which the Company generates more than 10% of its income.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

19 OPERATING SEGMENTS (CONTINUED)

For the year ended 31 December 2025	Retail	SME financing	Total
Murabaha income	258,805,852	517,175	259,323,027
Revenue			
Finance charges	(37,154,759)	403,006	(36,751,753)
Expenses			
General and administrative expenses	(60,837,742)	(473,168)	(61,310,910)
Provision for expected credit losses	(74,244,894)	(13,055,339)	(87,300,233)
Salaries and employee related expenses	(33,943,523)	-	(33,943,523)
Other income	3,149,818	-	3,149,818
	55,774,752	(12,608,326)	43,166,426
Unallocated income*			2,109,957
Unallocated expenses**			(35,129,990)
Net income before zakat			10,146,393
For the year ended 31 December 2024	Retail	SME financing	Total
Murabaha income	178,978,291	8,369,637	187,347,928
Revenue	178,978,291	8,369,637	187,347,928
Finance charges	(15,052,825)	(165,315)	(15,218,140)
Expenses			
General and administrative expenses	(57,067,037)	(3,238,039)	(60,305,076)
Provision for expected credit losses	(32,218,342)	3,952,831	(28,265,511)
Salaries and employee related expenses	(14,218,515)	-	(14,218,515)
Other income	3,233,193	-	3,233,193
	63,654,765	8,919,114	72,573,879
Unallocated income*			2,113,084
Unallocated expenses**			(21,767,298)
Net income before zakat			52,919,665

* Unallocated income mainly includes interest on short-term deposits.

** Unallocated other general and administrative expenses are common expenses which mainly include bank charges, depreciation, taxes and other common expenses which are not relevant to a particular segment.

For the year ended 31 December 2025	Retail	SME financing	Total
Murabaha receivables, net	783,435,502	18,368,035	801,803,537
Unallocated assets			196,655,116
Total assets			998,458,653
Loans	499,323,886	3,063,364	502,387,250
Unallocated liabilities			28,821,709
Total liabilities			531,208,959
For the year ended 31 December 2024	Retail	SME financing	Total
Murabaha receivables, net	685,466,995	59,062,042	744,529,037
Unallocated assets			132,735,045
Total assets			877,264,082
Loans	293,958,140	75,526,414	369,484,554
Unallocated liabilities			45,697,865
Total liabilities			415,182,419

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

20 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants 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 the Company.

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of Murabaha receivables and due from related party. Financial liabilities consist of loans from a related party and long term loans. Fair value of all financial assets and financial liabilities that are measured at amortized cost approximate their fair value.

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

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

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

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. For other financial assets and liabilities, the carrying values were determined to be a reasonable approximation of fair value due to their short-term nature. Cash at bank is classified at Level 1, whereas short term deposits has been classified at Level 2 as per the fair value hierarchy and has been determined using observable input parameters derived from comparable markets.

Financial assets and liabilities classified as level 3 as per the fair value hierarchy presented in the table below have been determined by using expected cash flows discounted at relevant current effective profit rate.

There have been no transfers between levels of the fair value hierarchy during the current and prior year.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

20

FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Valuation models (continued)

The following table shows the carrying amount and fair values of financial assets and financial liabilities where fair value is different from carrying value or where the financial assets and liabilities are recorded at fair value, including their levels in the fair value hierarchy.

31 December 2025	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets as amortised cost:</u>					
Murabaha receivables, net	801,803,537	-	-	822,686,599	822,686,599
<u>Financial liabilities at amortised cost:</u>					
Loan from a related party	89,066,274	-	-	92,389,152	92,389,152
Term loan	412,616,601	-	-	412,616,601	412,616,601
31 December 2024					
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets as amortised cost:</u>					
Murabaha receivables, net	779,637,606	-	-	809,344,895	809,344,895
<u>Financial liabilities at amortised cost:</u>					
Loan from a related party	81,186,517	-	-	86,364,477	86,364,477
Term loan	288,298,037	-	-	288,298,037	288,298,037

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21 FINANCIAL RISK MANAGEMENT

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and supervising the Company's risk management framework. The Board of Directors has established the Risk Management Committee, to oversee the development and maintenance of risk management processes, policies, strategies, risk methodologies and reporting them to the Board.

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

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents with banks and financial institutions, as well Murabaha receivables, including outstanding receivables. For details of credit risk in Murabaha receivables please refer note 6.

Cash and cash equivalents are maintained with local banks approved by the management. Accordingly, as a pre-requisite, the banks with whom cash and cash equivalents are maintained are required to have a minimum acceptable security rating level affirming their financial strength. Murabaha receivables are also exposed to significant credit risk. The Company has established procedures to manage credit exposure including robust process regarding evaluation of credit worthiness which includes obtaining formal credit approvals and assignment of risk-based credit limits. The compliance with credit limits by Murabaha receivables customers is regularly monitored by line management.

The overall decision to lend to a particular customer is based on the following key parameters:

- Dual credit score i.e. Saudi Credit Bureau (SIMAH) and internal risk acceptance criteria;
- Minimum income level and maximum debt burden of the borrower; and
- Loan repayment history with other financial institutions sourced from SIMAH; and
- Collateral evaluation in case of SME financing.

At the inception of the contract, internal credit risk ratings are allocated to each exposure. These credit risk grades are defined using a variety of qualitative and quantitative factors including income levels, employment segment, nationality etc.

A significant number of customers are Government sector employees. The Company generally receives repayments through variable channels such as SADAD and bank transfers. The Company has approved collection policies and procedures establishing a collection strategy to follow up with the delinquent customers. In order to monitor exposure to credit risk, reports are reviewed by the risk committee on a quarterly basis. Furthermore, the Company has also strengthened its legal department in order to be actively involved in the collection process of delinquent customers. The Company regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions. For SME customers, the Company may obtain security in the form of guarantees, or collaterals which can be called upon if the counterparty is in default under the terms of the agreement.

Amounts arising from ECL – Significant increase in credit risk

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

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Amounts arising from ECL – Significant increase in credit risk (continued)

In determining whether credit risk has increased significantly since initial recognition, the Company assesses past due information.

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

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

Stage 3: Receivables considered credit-impaired. The Company records an allowance for the Lifetime ECL.

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

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modelling, the remaining lifetime PD is determined to have increased significantly.

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

For SME and retail portfolio, apart from the customers whose receivables are restructured due to deterioration in credit worthiness, as a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

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

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default; and
- the criteria do not align with the point in time when an asset becomes 30 days past due.

Collateral

The Company in the ordinary course of financing activities hold collaterals as security to mitigate credit risk in the Murabaha receivables. These collaterals mostly include real estate and financial guarantees from Kafala. The collaterals are held against the SME Murabaha receivables and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk. As on 31 December 2025, the fair value of collateral held against those Murabaha financing amount to SR 59.15 million (31 December 2024: 48.92 million).

The Company does not hold any collateral/ guarantee in respect of retail exposures.

The amount of collateral held as security for SME Murabaha receivables that are credit impaired as at 31 December are as follows:

	31 December 2025	31 December 2024
Less than 50% collateral	-	-
51-80% collateral	-	-
More than 80% collateral	17,048,310	38,634,838
Total	<u>17,048,310</u>	<u>38,634,838</u>

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) *Credit risk (continued)*

Concentration of Murabaha receivables according to segment

As at 31 December 2025	Murabaha receivables	ECL	Total
Retail – Government sector employees	351,951,228	(9,805,478)	342,145,750
Retail – Private sector employees	484,370,903	(43,081,151)	441,289,752
SME – Construction	6,755,158	(313,756)	6,441,402
SME - Non-Construction	12,545,257	(618,624)	11,926,633
Total	855,622,546	(53,819,009)	801,803,537

As at 31 December 2024	Murabaha receivables	ECL	Total
Retail – Government sector employees	316,155,256	(3,300,446)	312,854,810
Retail - Private sector employees	428,156,932	(30,518,944)	397,637,988
SME - Construction	24,652,689	(281,437)	24,371,252
SME - Non-Construction	37,798,307	(1,007,742)	36,790,565
Total	806,763,184	(35,108,569)	771,654,615

Credit quality of Murabaha receivables based on past due days is as follows:

Retail - 2025	Murabaha receivables	ECL	Total
0 – 30	685,391,944	(6,771,993)	678,619,951
31 - 60	25,508,840	(1,424,287)	24,084,553
61 - 90	16,584,619	(1,531,646)	15,052,973
91 - 180	10,304,202	(4,429,574)	5,874,628
181 - 270	28,378,980	(11,722,183)	16,656,797
271 - 360	29,775,161	(11,664,498)	18,110,663
361 – 450	40,378,385	(15,342,448)	25,035,937
Above 450	-	-	-
	836,322,131	(52,886,629)	783,435,502

Retail - 2024	Murabaha receivables	ECL	Total
0 – 30	624,185,478	(2,238,228)	621,947,250
31 – 60	21,071,175	(619,784)	20,451,391
61 – 90	19,873,436	(719,795)	19,153,641
91 – 180	18,454,586	(6,354,073)	12,100,513
181 - 270	26,341,877	(10,441,422)	15,900,455
271 - 360	28,891,209	(10,875,703)	18,015,506
361 - 450	7,594,202	(2,570,385)	5,023,817
Above 450	-	-	-
	746,411,963	(33,819,390)	712,592,573

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) *Credit risk (continued)*

Credit quality of Murabaha receivables based on past due days is as follows (continued):

SME - 2025	Murabaha receivables	ECL	Total
0 – 30	522,564	(1,513)	521,051
31 – 60	-	-	-
61 – 90	-	-	-
91 – 180	-	-	-
181 – 270	184,054	(9,123)	174,931
271 – 360	2,116,637	(109,933)	2,006,704
361 – 720	2,921,874	(135,331)	2,786,543
Above 720	13,555,286	(676,480)	12,878,806
	19,300,415	(932,380)	18,368,035

SME - 2024	Murabaha receivables	ECL	Total
0 – 30	18,931,821	(39,159)	18,892,662
31 – 60	2,100,343	(29,652)	2,070,691
61 – 90	3,509,135	(73,701)	3,435,434
91 – 180	4,339,143	(206,078)	4,133,065
181 – 270	2,191,746	(65,357)	2,126,389
271 – 360	1,225,947	(18,386)	1,207,561
361 – 720	16,545,351	(309,437)	16,235,914
Above 720	11,507,735	(547,409)	10,960,326
	60,351,221	(1,289,179)	59,062,042

Credit quality of Gross carrying value of Murabaha receivables on a product basis is as follows:

2025	Stage 1	Stage 2	Stage 3	Total	PD ranges
High risk	79,956,636	7,554,052	25,166,599	112,677,287	4.2% - 100%
Medium risk	408,278,186	27,165,049	64,364,783	499,808,018	3.7% - 100%
Low risk	141,259,452	3,759,202	6,068,685	151,087,339	1.4% - 100%
No score	55,897,673	3,615,156	13,236,658	72,749,487	5.6% - 100%
SME	522,564	-	18,777,851	19,300,415	10.4% - 100%
	685,914,511	42,093,459	127,614,576	855,622,546	

2024	Stage 1	Stage 2	Stage 3	Total	PD ranges
High risk	79,249,851	7,412,145	18,823,986	105,485,983	4.0% - 100%
Medium risk	365,084,142	24,601,003	46,388,120	436,073,265	3.3% - 100%
Low risk	158,234,858	9,015,709	16,281,338	183,531,904	1.1% - 100%
No score	20,916,860	403,951	-	21,320,811	5.1% - 100%
SME	18,931,821	5,597,526	35,821,874	60,351,221	9.3% - 100%
	642,417,532	47,030,334	117,315,319	806,763,184	

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Measurement of ECL

The Company applies the IFRS 9 general approach to measuring expected credit losses which uses a 12-month or lifetime expected loss allowance as applicable for Murabaha receivable contracts. The Company's ECL model is sensitive to macroeconomic variables such as expected movements of import, export, inflation and GDP scenario weightings. Management evaluates changes in such macroeconomic factors on a periodic basis and has recognised the corresponding impact on the calculation of ECL as at 31 December 2025. The assessment of credit risk in Murabaha receivables requires further estimations of credit risk using ECL which is derived by Probability of default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

The Company measures an ECL at a contract level considering the EAD, PD and LGD. PD estimates are estimates at a certain date, based on the term structures as provided below. For LGD estimates, the Company uses present value of recoveries for loss accounts adjusted by the forward-looking information. For retail and SME financing products LGD ranges from 5% to 60%. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract i.e. contractual repayments. For discounting, the Company has used each contract's effective profit rate. The Company's management believes that adequate ECL allowance has been made, where required to address the credit risk.

Generating the term structure of PD

PD is determined based on the historical loss experience of an entity. This historic PD is then adjusted by a factor, determined by reviewing the historic relationship between key economic parameters and PD. Forward looking macro-economic information is then considered and the calculated historical PD is adjusted.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when the receivables is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Qualitative factors considered include restructuring and rescheduling status of receivables. All facilities that have been restructured in the past due to credit risk related factors or which were non performing loans in the past 12 months are to be considered Stage 2.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that the criteria are capable of identifying significant increases in credit risk before an exposure is in default.

Incorporation of forward-looking information

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 an extensive exercise carried out by the management, it had concluded that the GDP was the macroeconomic factor with the highest correlation to the historical collection and default trends. The Company measures the ECL as either a probability-weighted 12-month ECL (Stage 1) or a probability-weighted lifetime ECL (Stage 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weightings of 30%, 40% and 30% for "upturn", "baseline" and "downturn" scenarios respectively. Management updates the inputs with respect to macroeconomic factors to their ECL model on a periodic basis based on the latest available information. For details of macroeconomic factors used please refer note 3.15.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) **Sensitivity analysis**

An increase or decrease of 1% in the GDP growth rate weightings with all other variables held constant will result in an increase/decrease of SR 57,037 in the ECL allowance.

An increase or decrease of 1% in the inflation rate weightings with all other variables held constant will result in an increase/decrease of SR 9,776 in the ECL allowance.

An increase or decrease of 1% in the export rate weightings with all other variables held constant will result in an increase or decrease of SR 17,688 in the ECL allowance.

An increase or decrease of 1% in the import rate weightings with all other variables held constant will result in an increase or decrease of SR 2,064 in the ECL allowance.

Cash and cash equivalents and other receivables

The Company believes that it has a low credit risk on these financial assets and the loss allowance would not be material for the Company. The Bank balances are held with several commercial banks operating in the Kingdom having credit ratings from A1 to A2 as per Moody's. Hence, currently the Company is not exposed to any significant credit risk. Other receivables are not significant and not exposed to significant credit risk.

(ii) **Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities and monitors future cash flows and liquidity on a daily basis.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Total unused credit facilities available to the Company as at 31 December 2025 were approximately SR 175 million (31 December 2024: SR: 125 million).

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) *Liquidity risk (continued)*

The Company has also complied with the liquidity ratios requirement. The contractual maturities of liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Company's availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained. The table below summarizes the maturity profile of the Company's liabilities based on contractual undiscounted cash flows. Maturity profile of financial assets and liabilities are as follows:

2025	Less than 3 months	3 to 12 months	1 to 10 years	Total 2025
Financial assets – commission bearing				
Murabaha receivables	210,134,023	427,957,151	588,182,900	1,226,274,074
Financial assets – non commission bearing				
Cash and cash equivalents	151,772,796	-	-	151,772,796
Other receivables	18,916,478	-	-	18,916,478
	380,823,297	427,957,151	588,182,900	1,396,963,348
Financial liabilities – commission bearing				
Loan from a related party	-	-	100,000,000	100,000,000
Term loan	38,320,672	104,159,374	344,893,006	487,373,052
Financial liabilities – non commission bearing				
Accrued and other liabilities	19,134,053	-	-	19,134,053
	57,454,725	104,159,374	444,893,006	606,507,105
Liquidity gap	323,368,572	323,797,777	143,289,894	790,456,243
2024	Less than 3 months	3 to 12 months	1 to 10 years	Total 2024
Financial assets – commission bearing				
Murabaha receivables	180,805,090	472,704,977	470,802,930	1,124,312,997
Financial assets – non commission bearing				
Cash and cash equivalents	64,818,672	-	-	64,818,672
Other receivables	18,729,276	-	-	18,729,276
	264,353,038	472,704,977	470,802,930	1,207,860,945
Financial liabilities – commission bearing				
Loan from a related party	-	-	100,000,000	100,000,000
Term loan	37,010,691	94,958,461	197,332,792	329,301,944
Financial liabilities – non commission bearing				
Accrued and other liabilities	26,867,534	-	-	26,867,534
	63,878,225	94,958,461	297,332,792	456,169,478
Liquidity gap	200,474,813	377,746,516	173,470,138	751,691,467

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Commission rate risk

Commission rate risk is the impact on future earnings of the Company resulting from an increase in the market 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. All of the Company's profit bearing assets carry profit at fixed rates and therefore, management believes that the Company is not exposed to any risk in respect of these assets.

The following table depicts the sensitivity to a reasonable possible change in rates, with other variables held constant, on the Company's profit or loss relating to the floating rate borrowings for which the Company does not use derivatives for hedging. The sensitivity of the income is the effect of the assumed changes in profit rates on the net financing income for one year, based on such floating rate borrowings held as at the reporting date.

	<u>31 December 2025</u>		<u>31 December 2024</u>	
	<u>Change in basis points</u>	<u>Impact on net income</u>	<u>Change in basis points</u>	<u>Impact on net income</u>
Increase	+50	(1,638,401)	+50	(453,835)
Decrease	-50	1,638,401	-50	453,835

iv) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign currency exchange rates. All the transactions of the Company are in Saudi Arabian Riyals.

22 CAPITAL MANAGEMENT

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital. For the purpose of the Company's capital management, capital includes share capital, and all other equity reserves attributable to the shareholders.

The Company's objective when managing capital are to safeguard Company's ability to continue as a going concern in order to provide returns for the shareholders and benefits to other stakeholders and to maintain optimal capital structure to reduce the cost of capital. The Company is in compliance with maintaining an equity to net receivable (excluding expected credit losses) ratio as per approved limits.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of Murabaha financing, and the advantages and security afforded by a sound capital position. In relation to the capital structure of the Company, management closely monitors the compliance with regulations and debt covenants. As at the statement of financial position date the Company was in compliance with the prescribe requirements. At financial position date, the management analysis of gearing ratio was as follows:

Debt to equity ratio	<u>2025</u>	<u>2024</u>
Debt	502,387,250	369,484,554
Shareholders' equity	467,249,694	459,251,385
Debt to equity Ratio	1.08	0.80
Net receivables to equity ratio	<u>2025</u>	<u>2024</u>
Net receivables (excluding ECL)	855,622,546	806,763,184
Shareholders' equity	467,249,694	459,251,385
Net receivables to equity ratio	1.83	1.76

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

23 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, the Board of Directors and key management personnel. Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly and comprise the directors as well as the senior management executives including the Chief Executive Officer and the Chief Financial Officer of the Company. The Company transacts with its related parties in the ordinary course of business. The nature and balances resulting from such transactions are as follows:

	<u>As at 31 December 2025</u>	<u>As at 31 December 2024</u>
<i>Major Shareholders with significant influence:</i>		
Interest free loan from the shareholder	<u>100,000,000</u>	<u>100,000,000</u>
<i>Key Management Personnel</i>		
Salaries and other short-term employee benefits	7,746,711	7,689,620
End of service benefits – paid	116,969	-
End of service benefits – accrued	728,161	411,054
Compensation and allowances to the Board and other committees	398,000	280,000
Loans to key management personnel of the Company	71,213	20,173
	<u>9,061,054</u>	<u>8,400,847</u>

24 RECLASSIFICATIONS

During the year, the Company has made the following reclassifications.

- Transaction cost on Murabaha receivables: During the year, the Company reassessed the accounting presentation of certain incremental transaction costs to ensure compliance with the requirements of IFRS 9 – Financial Instruments. Transaction costs that are incremental and directly attributable to the acquisition of Murabaha receivables measured at amortised cost were previously classified under Prepayments and other receivables. These amounts have now been reclassified to Murabaha receivables, as such costs form an integral part of the financial asset's carrying amount and are included in the calculation of the effective profit rate in accordance with IFRS 9. Furthermore, transaction costs relating to accepted Murabaha loans that were previously recognised within General and administrative expenses have been reclassified to Murabaha income. These reclassifications have been made to enhance the accuracy, consistency, and comparability of the financial statements in line with IFRS 9.
- Management fee charged on Term loans: Management has reassessed the accounting treatment of transaction costs incurred in connection with financial liabilities (Term loans) measured at amortised cost. Such costs were previously presented within Prepayments and other receivables. In accordance with IFRS 9 – Financial Instruments, transaction costs that are directly attributable to obtaining financial liabilities are required to be recognised as an adjustment to the initial carrying amount of the related borrowings and subsequently amortised over the term of the facility using the effective interest rate method. Accordingly, these transaction costs have been reclassified from Prepayments and other receivables and are now presented as a deduction from the carrying amount of the respective borrowings. The amortisation of these costs is recognised within finance costs over the tenure of the facilities. This reclassification enhances the accuracy, consistency, and compliance of the financial statement presentation in line with IFRS 9.

**QUARA FINANCE COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

24 RECLASSIFICATIONS (CONTINUED)

The following table shows the impact on each statement of financial position caption affected by the reclassification as at 1 January 2024:

Financial statement caption	1 January 2024 (before reclassification)	Transaction cost on Murabaha receivables	1 January 2024 (after reclassification)
Murabaha receivables, net	676,975,453	15,374,580	692,350,033
Prepayments and other receivables	31,862,305	(15,374,580)	16,487,725

The following table shows the impact on each statement of financial position caption affected by the reclassification as of 31 December 2024:

Financial statement caption	31 December 2024 (before reclassification)	Transaction cost on Murabaha receivables	Management fee charged on Term loans	31 December 2024 (after reclassification)
<u>ASSETS</u>				
Murabaha receivables, net	744,529,037	27,125,578	-	771,654,615
Prepayments and other receivables	52,434,674	(27,125,578)	(2,830,278)	22,478,818
Total Assets	877,264,082	-	(2,830,278)	874,433,804
<u>LIABILITIES & SHAREHOLDERS' EQUITY</u>				
Term loans	291,128,315	-	(2,830,278)	288,298,037
Total Liabilities and shareholders' equity	877,264,082		(2,830,278)	874,433,804

The following table shows the impact on each statement of comprehensive income caption affected by the reclassification as of the comparative prior period:

	31 December 2024 (before reclassification)	Subscription and Marketing expense	31 December 2024 (after reclassification)
Murabaha income	206,169,499	(18,821,571)	187,347,928
General and administrative expenses	79,126,647	(18,821,571)	60,305,076

The above reclassifications caused the cashflows from operating activities to increase by SR 2.8 million and the cashflows from financing activities to decrease by SR 2.8 million and were made to conform to the current period presentation.

The reclassifications do not have any impact on the Company's basic and diluted earnings per share.

25 SUBSEQUENT EVENTS

There were no events subsequent to the audited financial position date which required adjustments to or disclosure in these audited financial statements

26 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on **17 February 2026** (corresponding to 29 Shaban 1447H).