ANNUAL AUDIT REPORT

SHAHY KHAZANA MICROFINANCIAL SERVICES COMPANY (SKMI)

AUDIT FOR THE YEAR 2025

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AUDITORS & ADVISORS

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of
Shahy Khazana Microfinancial Services Company (SKMI)

Opinion

We have audited the accompanying financial statements of Shahy Khazana Microfinancial Services Company (the "Company", SKMI), which comprise the Statement of Financial Position as at 31 December 2025, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, together with the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Shahy Khazana Microfinancial Services Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and AAOIFI Financial Accounting Standards, as adopted by the Company.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 applicable ethical requirements relevant to our audit of the financial statements and have fulfilled our other ethical responsibilities in accordance with those requirements.

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 6 to the financial statements, which explains that this is the Company's first year of operations. Accordingly, comparative financial information for the preceding year has not been presented.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework adopted by the Company 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 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 ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- 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.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matter
Shahy Khazana Microfinancial Services Company conducts its financing activities through Sharia-compliant Islamic financing products, including Murabaha, Ijara, Qard Hasan, and other Islamic financing arrangements in accordance with its approved policies. Our audit was conducted for the purpose of expressing an opinion on the financial statements as a whole. We do not express an opinion on the Company's compliance with Sharia principles unless specifically engaged to perform such an assurance engagement.

For and on behalf of

Credence Auditors and Advisors (CAA)
Name of Engagement Partner: Syed Moiz Khan
Professional Qualification: ACCA
Membership No: 1931056
Signature:
Credence Auditors & Advisors CAA
Kabul, Afghanistan
Date of the Auditor's Report: 2026/7/13

SHAHY KHAZANA MICROFINANCIAL SERVICES COMPANY (SKMI)
AUDIT FOR THE YEAR 2025
CREDENCE AUDITORS & ADVISORS (CAA)

AUDITED FINANCIAL STATEMENTS

SHAHY KHAZANA MICROFINANCIAL SERVICES COMPANY (SKMI)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2025

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	Note	2025 AFN
ASSETS		
Current Assets		
Cash and Bank Balances	8	10,838,348
Murabaha Receivables	9	48,636,646
Total Current Assets		59,474,994
Non-Current Assets		
Property, Plant and Equipment	8	634,539
Total Non-Current Assets		634,539
TOTAL ASSETS		60,109,532
LIABILITIES		
Current Liabilities		
Accounts Payable	10	9,102,561
Donor Funding (Qard-e-Hassan)	11	30,000,000
Total Current Liabilities		39,102,561
Total Non-Current Liabilities		-
TOTAL LIABILITIES		39,102,561
EQUITY / FUND BALANCE		
Shareholders' Capital	SOCE	25,089,450
Retained Surplus (2025)	SOCE	(4,082,478)
TOTAL EQUITY		21,006,972
TOTAL LIABILITIES + EQUITY		60,109,532

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The annexed notes form an integral part of these financial statements.

Chief Executive Officer | **Chief Finance Officer**

SHAHY KHAZANA MICROFINANCE

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SHAHY KHAZANA MICROFINANCIAL SERVICES COMPANY (SKMI)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 AFN
INCOME		
Murabaha Profit Income	12	2,219,084
Murabaha Accrual Income and EIR	12	1,492,306
Total Operating Income		**3,711,390**
EXPENSES		
General & Admin Expenses	13	7,615,231
Provision for ECL	10	178,638
Total Expenses		**7,793,868**
Operating Profit / (Loss)		**(4,082,478)**
OTHER INCOME		-
Profit/(Loss Before Tax)		**(4,082,478)**
Provision for income tax		-
PROFIT/(LOSS AFTER TAX)		**(4,082,478)**

The annexed notes form an integral part of these financial statements.

Chief Executive Officer

Chief Finance Officer

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SHAHY KHAZANA MICROFINANCIAL SERVICES COMPANY (SKMI)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025

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Particulars	Partner Capital	Retained Earnings	Total
Opening Balance as at 01 January 2025	-	-	-
Initial Capital Injection	**25,089,450**	-	**25,089,450**
Net Profit/ (Loss) for the year (2025)	-	**(4,082,478)**	**(4,082,478)**
Closing Balance as at 31 December 2025	**25,089,450**	**(4,082,478)**	**21,006,972**

The annexed notes form an integral part of these financial statements.

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Chief Executive Officer

SHAHY KHAZANA MICROFINANCE
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Chief Finance Officer

SHAHY KHAZANA MICROFINANCIAL SERVICES COMPANY (SKMI)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

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	Note	2025 AFN
Operating Activities		
Net Profit/(Loss)		(4,082,478)
Depreciation	8	142,244
		(3,940,234)
Changes in Working Capital:		
Increase in Murabaha Portfolio	10	(48,636,646)
Increase in Payables & Accruals	11	9,102,561
Increase in Donor Funding	12	30,000,000
		(9,534,085)
Net Cash Used in Operations		(13,474,320)
Investing Activities		
Purchase of Fixed Assets	8	(776,783)
		(776,783)
Financing Activities		
Partners Capital	SOCE	25,089,450
		25,089,450
Net Increase in Cash		10,838,348
Opening Cash at 01 Jan 2025		-
Closing Cash Balance at 31 Dec 2025		10,838,348

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The annexed notes form an integral part of these financial statements.

شاهی خزانه
SHAHY KHAZANA MICROFINANCE

Chief Executive Officer

Chief Finance Officer

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1. General Information

The Shahy Khazana Micorfinancial Services Company (SKM) is a microfinance entity operating in Afghanistan, registered with Ministry of Industry and Commerce (MOIC), Afghanistan through business registration number 97211. Shahy Khazana Microfinancial Services Company ("the Company"), commonly referred to in its licence issued by Da Afghanistan Bank (DAB) as "Shahy Khazana", is a company incorporated in Afghanistan under the laws of Afghanistan and licensed by Da Afghanistan Bank through licnese number MFI-N/0007 to carry out Islamic microfinance activities. It is providing Sharia-compliant financial services including Murabaha, Ijara, and Qard Hasan financing. The entity commenced operations in 2025 and its registered office is located in 7th Street, Qala-e-Fatih Ullah Kabul, Afghanistan.

2. Basis of Preparation

The financial statements have been prepared in accordance with **International Financial Reporting Standards (IFRS) and AAOFI standards** as applicable in Afghanistan

Measurement basis: Historical cost
Functional currency: AFN
First-year adoption: No comparatives presented

3. Significant Accounting Policies

3.1 Revenue Recognition

Murabaha income recognized on accrual basis
Ijara income recognized over lease term
Service charges recognized when earned

3.2 Financial Instruments

Accounted under **IFRS 9**

Financing classified at amortized cost
ECL model applied

3.3 Expected Credit Loss (ECL)

Stage 1: Performing assets
Stage 2: Significant increase in credit risk
Stage 3: Credit-impaired

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3.4 Donor Funds

Recognized as liability when received
Recognized as income when utilized

3.5 Property and Equipment

Measured at cost less depreciation
Straight-line method

3.5 Cash and Bank Balances

Includes unrestricted and restricted donor funds.

4. Financing Portfolio

Breakdown:

Murabaha	**60,539,789**
Ijara	-
Qard-e-Hasan	-
	60,539,789

Gross portfolio	**60,539,789**
ECL allowance	**178,638**
Net portfolio	**46,788,582**

5. Credit Risk Disclosure

Portfolio at risk (PAR)	Nill
Aging analysis	Nill
Concentration risk	Nill

6. First-Year Disclosure

"This being the first year of operations, no comparative figures are presented."

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7. Property, Plant & Equipment

	Computers	Furniture & Fixtures	Office Equipment	Total
Cost				
Opening Balance as at 01 January 2025	-	-	-	-
Addition during the year	**365,600**	**199,695**	**211,488**	**776,783**
Disposal during the year	-	-	-	-
Closing Balance as at 31 December 2025	**365,600**	**199,695**	**211,488**	**776,783**
Accumulated Depreciation				
Opening Balance as at 01 January 2025	-	-	-	-
Addition during the year	**73,489**	**35,394**	**33,361**	**142,244**
Disposal during the year	-	-	-	-
Closing Balance as at 31 December 2025	**73,489**	**35,394**	**33,361**	**142,244**
WDV as at 31 December 2025	**292,111**	**164,301**	**178,127**	**634,539**
Depreciation Rates	**33.33%**	**20%**	**20%**	

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		Note	2025 AFN
8	**Cash & Bank**		
	Cash at Bank		2,154,626
	Cash in Hand		8,683,722
			10,838,348
8.1	**Cash at Bank**		
	Azizi Bank AFN A/c # 000101115067437		2,087,550
	Azizi Bank AFN A/c # 000101114741577		11,706
	Azizi Bank USD A/C # 000101214741632		55,370
			2,154,626
8.1	**Cash in Hand**		
	Head Office		5,553,449
	Qala-e-Naw Branch		96,611
	Kisham Branch		2,992,900
	Dasht-e-Barchi Branch		40,762
			8,683,722
9	**Murabaha Receivables**		
	Murabaha Portfolio Receivables		38,468,957
	Murabaha Accrual Income and EIR		1,492,306
	Profit Receivables		8,319,697
	Other Receivables		534,323
	Provision for ECL		(178,638)
			48,636,646
10	**Accounts Payables**		
	Accounts Payables		782,864
	Deferred Income		8,319,697
			9,102,561
11	**Donor Funding (Qard-e-Hassan)**		
	Qard-Hassan from MISFA		30,000,000
			30,000,000
12	**Income**		
	Murabaha Profit Income		2,219,084
	Murabaha Accrual Income and EIR		1,492,306
			3,711,390

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	Note	2025
		AFN

13 General & Admin Expenses

HQ Salaries		2,638,298
Branches Salaries		2,233,323
Head Office and Branch Startup Cost (supplies/repairs etc.)		317,160
Telephone		138,950
Internet		72,142
Transport Allowances		120,955
Food Allowance		203,895
Equipment (IT and Logistics)		395,527
Banking fees		14,050
Office Supplies		379,322
Head Office and Branch Rent		547,295
Other expenses		197,835
Utilities		32,592
Exchange Gain/(Loss)		85
Depreciation and amortization expenses		142,244
Miscellaneous		181,558
		7,615,231

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Chief Executive Officer

SHAHY KHAZANA MICROFINANCE
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Chief Finance Officer

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14 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

14.1 FINANCIAL ASSETS AND LIABILITIES

2025	Mark - up / Interest bearing		Non mark - up / Non interest bearing		Total
	Maturity		Maturity		
	Within one year	One year to	Within one year	One year to	
	Afn		Afn		Afn
Financial assets					
Cash and Bank Balances	-	-	10,838,348	-	10,838,348
Murabaha Receivables	-	-	48,636,646	-	48,636,646
	-	-	**59,474,994**	-	**59,474,994**
Financial liabilities					
Trade and other payables	-	-	9,102,561	-	9,102,561
Donor Funding(Qard-e-Hasan)	-	-	30,000,000	-	30,000,000
	-	-	**39,102,561**	-	**39,102,561**
Net financial assets / (Liabilities) 2025	-	-	**20,372,433**	-	**20,372,433**
CONTINGENCIES 2025	-	-	-	-	-

Effective interest rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

14.2 RISK MANAGEMENT

a. LIQUIDITY RISK

Prudent liquidity risk management implies sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out the market positions due to dynamic nature of the business. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements

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b. CONCENTRATION OF CREDIT RISK

The management monitors and limits the company's exposure to credit risk through monitoring of client's credit exposure. The Company's credit risk is primarily attributable to its contract receivables and its balances at banks. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high

SHAHY KHAZANA MICROFINANCE شاهی خزانه

c INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of interest / mark-up bearing financial assets and liabilities, the respective notes indicate their effective interest / mark-up rates at the balance sheet date. The management regularly monitors interest rate fluctuations and maturities of various assets and liabilities to maintain the

d. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions in foreign currency. As the Company's reporting currency is AFN which is the functional currency of the company, so its risk is restricted to the bank balances, trade debts and payables and all other transactions in the foreign currency (other than

14.3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximates their fair values as reflected in the financial statements.

15 GENERAL

These financial statements have been prepared for the period of 12 months starting from January 01, 2025 to December 31, 2025.

All the figures have been rounded off to the nearest of AFN.

These financial statements have been approved for issuance by the management of the company on April 30, 2026

SHAHY KHAZANA MICROFINANCE

Chief Executive Officer

Chief Finance Officer

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