NATIONAL FINANCE HOUSE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022
AND
INDEPENDENT AUDITOR'S REVIEW REPORT

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Ibrahim Ahmed Al-Bassam & Co
Certified Public Accountants - Al-Bassam & Co.
(member firm of PKF International)

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF NATIONAL FINANCE HOUSE COMPANY

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of National Finance House Company (the "Company") as at 30 June 2022 and the related interim statement of comprehensive income for the three-month and six-month periods then ended, and the interim statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.

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NATIONAL FINANCE HOUSE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	30 June 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	6	**71,597,856**	92,569,539
Prepayments and other receivables	7	**2,902,862**	1,395,761
Net investment in islamic financing	8	**26,006,620**	2,326,166
Property and equipment		**278,748**	270,350
Right-of-use Asset		**96,166**	160,277
Intangible assets		**6,023,282**	5,811,062
TOTAL ASSETS		**106,905,534**	102,533,155
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**100,000,000**	100,000,000
Accumulated losses		**(5,229,537)**	(1,497,962)
TOTAL EQUITY		**94,770,463**	98,502,038
LIABILITIES			
Other payables and accruals	9	**10,504,427**	2,503,245
Due to a related party	10.2	**1,235,712**	1,235,712
Lease liabilities		**203,787**	200,212
Provision for zakat		**12,426**	5,319
Employees' post-employment benefits		**178,719**	86,629
TOTAL LIABILITIES		**12,135,071**	4,031,117
TOTAL EQUITY AND LIABILITIES		**106,905,534**	102,533,155

The accompanying notes 1 to 15 form part of these interim condensed financial statements

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE (LOSS)
FOR THE THREE-MONTHS AND SIX-MONTHS PERIOD ENDED 30 JUNE 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	*For the three-months period ended*		*For the six-months period ended*	
		30 June 2022	**30 June 2021**	**30 June 2022**	**30 June 2021**
		(Unaudited)	**(Unaudited) and (Unreviewed)**	**(Unaudited)**	**(Unaudited) and (Unreviewed)**
REVENUE					
Income from Islamic financing		**557,320**	**-**	**743,900**	**-**
Other income		**267,978**	**-**	**471,260**	**-**
		825,298	**-**	**1,215,160**	**-**
OPERATING EXPENSES					
Finance cost on lease liabilities		**(1,655)**	**-**	**(3,575)**	**-**
General and administrative expenses	12	**(2,485,712)**	(212,053)	**(4,235,565)**	(1,015,469)
Impairment on Islamic financing	8	**(534,172)**	-	**(694,946)**	-
NET OPERATING LOSS BEFORE ZAKAT		**(2,196,241)**	(212,053)	**(3,718,926)**	(1,015,469)
Zakat		**(12,649)**	-	**(12,649)**	-
NET LOSS FOR THE PERIOD		**(2,208,890)**	(212,053)	**(3,731,575)**	(1,015,469)
OTHER COMPREHENSIVE INCOME		**-**	-	**-**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(2,208,890)**	(212,053)	**(3,731,575)**	(1,015,469)

The accompanying notes 1 to 15 form part of these interim condensed financial statements

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2022
(All amounts in Saudi Riyals unless otherwise stated)

For the six-months period ended 30 June 2022	**Share capital**	**Accumulated Losses**	**Total equity**
Balance as at 1 January 2022 – Audited	**100,000,000**	**(1,497,962)**	**98,502,038**
Comprehensive loss for the period	**-**	**(3,731,575)**	**(3,731,575)**
Balance as at 30 June 2022 (Unaudited)	**100,000,000**	**(5,229,537)**	**94,770,463**
For the six-months period ended 30 June 2021			
Balance as at 1 January 2021 – (Unaudited)	100,000,000	-	100,000,000
Comprehensive loss for the period	-	(1,015,469)	(1,015,469)
Balance as at 30 June 2021 (Unaudited)	100,000,000	(1,015,469)	98,984,531

The accompanying notes 1 to 15 form part of these interim condensed financial statements

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	*For the six-months period ended* 30 June 2022 (Unaudited)	*For the six-months period ended* 30 June 2021 (Unaudited) & (Unreviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating loss before zakat		**(3,718,926)**	(1,015,469)
Adjustments for:			
Depreciation of property and equipment	12	**49,282**	-
Depreciation of right-of-use asset	12	**64,111**	-
Amortization of intangibles	12	**19,836**	-
Impairment on Islamic financing	8	**694,946**	-
Finance cost on lease liabilities		**3,575**	-
Provision for employees’ post-employment benefits		**95,589**	16,264
		(2,791,587)	(999,205)
Increase in operating assets			
Prepayments and other receivables		**(1,507,101)**	(335,100)
Net investment in Islamic financing		**(24,375,400)**	-
Increase in operating liabilities			
Other payables and accruals		**8,001,182**	299,974
Due to a related party		**-**	2,842,372
Cash (used in) / generated from operating activities		**(20,672,906)**	1,808,041
Employees' post-employment benefits paid		**(3,499)**	-
Zakat paid		**(5,542)**	-
Net cash (used in) / generated from operating activities		**(20,681,947)**	1,808,041
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(232,056)**	(1,784,319)
Purchase of SAMA license		**-**	(200,000)
Purchase of property and equipment		**(57,680)**	(230,126)
Net cash used in investing activities		**(289,736)**	(2,214,445)
Net decrease in cash and cash equivalents		**(20,971,683)**	(406,404)
Cash and cash equivalents at beginning of the period		**92,569,539**	100,000,000
Cash and cash equivalents at end of the period	6	**71,597,856**	99,593,596

The accompanying notes 1 to 15 form part of these interim condensed financial statements

1. LEGAL STATUS AND OPERATIONS

National Finance House Company (the “Company") is a Saudi closed Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial registration No. 7008216371 on 27 Safar 1442H (corresponding to 14 October 2020) having obtained the necessary approval from the Ministry of Commerce (“MOC”) and the Notary Public.

In accordance with article 6 of the implementing regulations of the law of supervision of finance companies, the Company submitted its application to the Saudi Central Bank (“SAMA”) to obtain its license as a financing company. The Company obtained the license from SAMA number 202106/SA/59 on 25 Shawwal 1442H (corresponding to 06 June 2021), authorizing to engage in the finance lease activities. The principal activities of the Company include financial lease, financing to Small and Medium Enterprises (SMEs) and Consumer financing. The Company commenced its commercial operations in terms of investing in Islamic financing dated 28 July 2021.

The Company’s Head Office is located at the following address:
National Finance House Company
Liwan Building,
1st Floor King Abdullah Road Al Baghdadiyah Al Gharbiyah District,
P.O. Box 8584
Jeddah 22234
Kingdom of Saudi Arabia

The Company’s activities as per the commercial registration of the Company includes Financial Lease.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

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

The results for the period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2.2. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared under the historical cost method except for Employees' post-employment benefits that are recognized at the present value of future obligations using the Projected Unit Credit Method.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in SR has been rounded to the nearest SR unless otherwise mentioned.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS.

The preparation of financial statements is in conformity with the IFRS which require management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates is recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

3.1 Determination of discount rate for present value calculations

Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the tenure of the agreement and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Company.

3.2 Useful lives of Property and equipment and Intangibles

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

Intangible assets that have a finite useful life are amortized over their estimated useful life. Determining the estimated useful life of these intangible assets requires an analysis of circumstances and judgment by the company's management. Intangible assets are assessed for indications of impairment at the period end or more frequently when events or circumstances suggest that impairment indications are present and if so, these assets are subject to impairment review.

3.3 Business model assessment

Classification and measurement of financial assets depend on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS (CONTINUED)

3.4 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. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks, and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relates to the Company's core operations.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, these interim condensed financial statements have been prepared on a going concern basis.

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and the details of the same has been explained in annual financial statements for the year ended 31 December 2021, but they do not have a material effect on the Company's interim condensed financial statements.

5 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below. These accounting policies have been applied consistently to the period presented.

5.1 Cash and cash equivalents

Cash and cash equivalents may include cash in hand and at banks and other short-term highly liquid investments, with original maturities of three months or less from the purchase date, if any.

5.2 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

5.2.1 Financial Asset

Initial measurement

At initial recognition, the Company recognizes the financial asset at its fair value.

Subsequent measurement

After initial recognition financial assets can be measured at Amortized cost, Fair value through other comprehensive income ("FVOCI") or Fair value through profit and loss ("FVTPL").

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (Continued)

a) Financial Asset at amortized cost

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

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

b) Financial asset at FVOCI

Debt Instruments

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

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

Equity Instruments

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

c) Financial Asset at FVTPL

All other financial assets are classified as measured at FVTPL.

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

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

Business model assessment

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

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

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (Continued)

- the frequency, volume and timing of financings in prior years, the reasons for such financings and its expectations about future financing activities. However, information about financing activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic financing risks associated with the principal amount outstanding during a particular year and other basic financing costs (e.g., liquidity risk and administrative costs), along with profit margin.

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

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

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

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition) and
- the consideration received (including any new asset obtained less any new liability assumed)

is recognized in profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial instruments (Continued)

5.3.1 Financial assets (Continued)

Modification

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, The Company recalculates the gross carrying amount of the financial asset and recognize a modification gain or loss in the statement of profit or loss. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Reclassification

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

Impairment

The Company assesses on a forward-looking basis, the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For net investment in Islamic financing, the Company applies the three-stage model ('general model') for impairment based on changes in credit quality since initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL is the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition unless they have low credit risk at the reporting date, but that does not have objective evidence of impairment. For these assets, lifetime ECL is recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL is the ECL that result from all possible default events over the maximum contractual period during which the Company is exposed to credit risk. ECL is the weighted average credit losses, with the respective risks of a default occurring as the weights.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL is recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

The Company, when determining whether the credit risk on a financial instrument has increased significantly, considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. Other instruments are considered as low risk and the Company uses a provision matrix in calculating the expected credit losses.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial instruments (Continued)

5.3.1 Financial assets (Continued)

Measurement of ECL
ECL is a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Credit-impaired financial assets
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 a 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:

- the significant financial difficulty of the customer or issuer;
- a breach of contracts such as a default or past due event;
- the restructuring of financing or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the customer will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for security because of financial difficulties.

Financing that has been renegotiated due to deterioration in the customer’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, financing that is overdue for 90 days or more is considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL, for financial assets measured at amortized cost, are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

Write-off
Financial assets are written off only when:
(I) there is a recommendation by the collections department and approved by management and board members as per the policy, and
(ii) there is no reasonable expectation of recovery.

Write-off (Continued)

Where financial assets are written off, the Company continues to engage in enforcement activities to attempt to recover the lease receivable due. Where recoveries are made, after write-off, are recognized as other income in the statement of comprehensive income.

Regular way contracts
All regular way purchase and sales of financial assets are recognized and derecognized on the trade date i.e., the date on which the Company commits to purchase or sell the assets. Regular way purchase or sales of financial assets require delivery of those assets within the time frame generally established by regulation or convention in the market place.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial instruments (Continued)

5.3.1 Financial Liabilities

Classification of financial liabilities

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

These amounts represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Initial measurement

At initial recognition, the Company recognizes the financial liability at its fair value.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

De-recognition of financial liabilities

Financial liabilities are derecognized when the obligations specified in the contract is discharged, canceled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment.

Modification

For financial liabilities, if an exchange or change in the terms of a debt instrument does not qualify for de-recognition it is accounted for as a modification of the financial liability. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

5.3.2 Effective interest method

The effective interest method is a method of calculating the amortized cost of financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(All amounts in Saudi Riyals unless otherwise stated)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.4 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the statement of profit or loss during the reporting period in which they are incurred.

Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated useful lives of the principal classes of assets are as follows:

	Years
Computer Hardware	3-5
Furniture and fixture	3-5
Office equipment	3-5

Depreciation on additions is charged from the month the assets are available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains/losses on disposal of property and equipment, if any, are taken to the profit and loss account in the year in which they arise.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

5.5 General and Administrative expenses and Selling and marketing expenses

Selling and marketing expenses principally comprised of costs incurred in the sale and marketing of the Company's products/services. All other expenses are classified as general and administrative expenses.

6. CASH AND CASH EQUIVALENTS

	Note	**30 June 2022 (Unaudited)**	**31 December 2021 (Audited)**
Cash at bank	**6.1**	**21,594,871**	92,569,539
Time deposit	**6.2**	**50,000,000**	-
Cash in hand		**2,985**	-
		71,597,856	92,569,539

6.1. The Company does not earn profit on current accounts with banks.

6.2. Time deposit have a maturity of less than three months with an average interest rate of 1.27%.

(All amounts in Saudi Riyals unless otherwise stated)

7. PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Good on hands	**1,698,220**	326,900
VAT receivables	**1,123,491**	753,562
Government fee	**57,218**	173,158
Other receivables	**23,933**	142,141
	2,902,862	1,395,761

8. NET INVESTMENT IN ISLAMIC FINANCINGS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Gross investment in Islamic financings	**37,267,825**	3,245,223
Unearned / Deferred Islamic financing income	**(10,535,310)**	(888,108)
Net investment in Islamic financings before provision for impairment	**26,732,515**	2,357,115
Less: Provision for impairment	**(725,895)**	(30,949)
Net investment in Islamic financings	**26,006,620**	2,326,166

9. OTHER PAYABLES AND ACCRUALS

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Payable to suppliers (Note 10.2)	**9,430,447**	2,001,892
Accrued expenses	**1,073,980**	501,353
	10,504,427	2,503,245

10. RELATED PARTY TRANSACTIONS AND BALANCES

10.1 Transactions during the period

Names of Related Parties	Nature of Relationship	Nature of transactions	*For the six-months period ended* 30 June 2022 (Unaudited)
Balubaid Automotive Company	Affiliate	Purchases for Islamic Financing	**(2,883,615)**
Key Management Personnel	Executives	Salaries and other short-term employee benefits	**190,399**
	Shariah Committee	Remuneration	**30,000**
Board of Director	Audit Committee	Remuneration	**4,000**

(All amounts in Saudi Riyals unless otherwise stated)

10. RELATED PARTY TRANSACTIONS AND BALANCES

Balances as at the period-end

10.2 Due to related parties

Related party	Nature of relationship	Note	30 June 2022 (Unaudited)	31 Decmeber 2021 (Audited)
Omar Abu Bakr Balubaid Company	Affiliate		**1,235,712**	1,235,712
Due to a related party – other payable and accruals				
Balubaid Automotive Company	Affiliate	9	**4,699,860**	1,816,245

11 SHARE CAPITAL

The Company's subscribed and paid-up share capital of SR. 100,000,000 is divided into 10,000,000 equity shares of SR. 10 each fully subscribed and paid, and distributed among shareholders as follows:

	As at 30 June 2022 (Unaudited) & 31 December 2021 (Audited)		
Shareholders	**Holding %**	**No. of Shares**	**Amount**
Khaled Omar Abu Bakar Balubaid	0.25%	25,000	250,000
Ahmed Omar Abu Bakar Balubaid	0.25%	25,000	250,000
Saeed Omar Abu Bakar Balubaid	0.25%	25,000	250,000
Mohammed Omar Abu Bakar Balubaid	0.25%	25,000	250,000
Hassan Omar Abu Bakar Balubaid	0.25%	25,000	250,000
Abu Bakar Omar Abu Bakar Balubaid	0.25%	25,000	250,000
Sameera Omar Abu Bakar Balubaid	0.13%	12,500	125,000
Azeeza Omar Abu Bakar Balubaid	0.13%	12,500	125,000
Najaat Omar Abu Bakar Balubaid	0.13%	12,500	125,000
Amaal Omar Abu Bakar Balubaid	0.13%	12,500	125,000
Balubaid Holding Company limited	98.00%	9,800,000	98,000,000
	100%	10,000,000	100,000,000

(All amounts in Saudi Riyals unless otherwise stated)

12 GENERAL AND ADMINISTRATIVE EXPENSES

	For the six-months period ended	*For the six-months period ended*
	30 June 2022 (Unaudited)	**30 June 2021 (Unreviewed) / (Unaudited)**
Salaries and allowances	**2,764,645**	421,865
Professional and consultancy fees	**464,243**	130,000
Governmental expenses	**372,353**	7,652
Sales commission	**203,583**	-
IT related expenses	**167,312**	65,240
Utilities	**96,689**	38,115
Depreciation on right-of-use asset	**64,111**	-
Depreciation on property and equipment	**49,282**	-
Amortization of intangibles	**19,836**	-
Bank charges	**6,355**	-
Rent	**-**	137,342
Pre-operation expense	**-**	187,436
Others	**27,156**	27,819
	4,235,565	1,015,469

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company’s financial assets consist of cash and bank balances, net investment in Islamic financing and other receivables, its financial liabilities consist of trade payables, due to related party and other liabilities.

Tfhe Company’s management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement

All financial assets and liabilities are measured at amortized cost. The carrying amounts of all financial assets and financial liabilities measured at amortized cost approximate to their fair values.

14 SUBSEQUENT EVENTS

There have been no other significant subsequent events since the period-ended that would require additional disclosure or adjustment in these interim condensed financial statements.

15 DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were approved and authorized for issue on 03 August 2022G (corresponding to 04 Muharram 1444H) by the Board of Directors of the Company.