NATIONAL FINANCE HOUSE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTHS ENDED 31 MARCH 2022
AND
INDEPENDENT AUDITOR'S REVIEW REPORT

Table of Contents	**Page**

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

TO THE SHAREHOLDERS OF NATIONAL FINANCE HOUSE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim statement of financial position of National Finance House Company (the "Company") as at 31 March 2022, and the related interim statements of profit or loss and other comprehensive income for the three-month periods then ended, and the interim statement of changes in equity, and cash flows for the three-month period then ended, and other explanatory notes (the "interim condensed financial statements"). The Company's management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard No. 34 *"Interim Financial Reporting"* ("IAS 34") as 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 Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* as 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 as endorsed in the Kingdom of Saudi Arabia.

Other matter

The Company did not prepare interim condensed financial statements for the period ended 31 March 2021. Accordingly, no review report has been issued for the period ended 31 March 2021.

For Al-Bassam & Co.
P. O. Box 69658
Riyadh 11557
Kingdom of Saudi Arabia

البسام وشركاؤه
محاسبون قانونيون
رقم الترخيص ٥٢٠/١١/٣٢٣
C.R.1010385804
License 520/11/323
Al-Bassam & Co.
Certified Public Accountants

Ahmed Abdulmajeed Mohandis
Certified Public Accountant
License No. 477

28 Ramadan 1443
28 April 2022

NATIONAL FINANCE HOUSE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Cash and cash equivalents	6	**85,779,418**	**92,569,539**
Prepayments and other receivables	7	**1,653,523**	**1,395,761**
Net investment in islamic financing	8	**10,261,675**	**2,326,166**
Property and equipment		**267,262**	**270,350**
Right-of-use Asset		**128,222**	**160,277**
Intangible assets		**5,953,199**	**5,811,062**
TOTAL ASSETS		**104,043,299**	**102,533,155**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**100,000,000**	**100,000,000**
Accumulated losses		**(3,020,646)**	**(1,497,962)**
TOTAL EQUITY		**96,979,354**	**98,502,038**
LIABILITIES			
Other payables and accruals	9	**5,489,599**	**2,503,245**
Due to a related party	10.2	**1,235,712**	**1,235,712**
Lease liabilities		**202,132**	**200,212**
Provision for zakat		**5,319**	**5,319**
Employees' post-employment benefits		**131,183**	**86,629**
TOTAL LIABILITIES		**7,063,945**	**4,031,117**
TOTAL EQUITY AND LIABILITIES		**104,043,299**	**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 PERIOD ENDED 31 MARCH 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	*For the three-months period ended* 31 March 2022 (Unaudited)	*For the three-months period ended* 31 March 2021 (Unaudited)
REVENUE			
Income from Islamic financing		**186,580**	**-**
Other income		**203,282**	**-**
		389,862	**-**
OPERATING EXPENSES			
Finance cost on lease liabilities		**(1,920)**	**-**
General and administrative expenses	12	**(1,749,853)**	**(212,053)**
Impairment on Islamic financing	8	**(160,773)**	**-**
NET OPERATING LOSS BEFORE ZAKAT		**(1,522,684)**	**(212,053)**
Zakat		**-**	**-**
NET LOSS FOR THE YEAR		**(1,522,684)**	**(212,053)**
OTHER COMPREHENSIVE INCOME		**-**	**-**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(1,522,684)**	**(212,053)**

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 THREE-MONTHS PERIOD ENDED 31 MARCH 2022
(All amounts in Saudi Riyals unless otherwise stated)

For the three-months period ended 31 March 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	**-**	**(1,522,684)**	**(1,522,680)**
Balance as at 31 March 2022 (Unaudited)	**100,000,000**	**(3,020,646)**	**96,979,354**
For the three-months period ended 31 March 2021			
Balance as at 1 January 2021 – (Unaudited)	**100,000,000**	**100,000,000**	**100,000,000**
Comprehensive loss for the period	**-**	**(212,053)**	**(212,053)**
Balance as at 31 March 2021 (Unaudited)	**100,000,000**	**(212,053)**	**99,787,947**

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 THREE-MONTHS PERIOD ENDED 31 MARCH 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	*For the three-months period ended* 31 March 2022 (Unaudited)	*For the three-months period ended* 31 March 2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating loss before zakat		**(1,522,684)**	**(212,053)**
Adjustments for:			
Depreciation of property and equipment	12	**22,939**	**-**
Depreciation of right-of-use asset	12	**32,055**	**-**
Amortization of intangibles	12	**9,863**	**-**
Impairment on Islamic financing	8	**160,773**	**-**
Finance cost on lease liabilities		**1,920**	**-**
Provision for employees' post-employment benefits		**44,554**	**-**
		(1,250,580)	**(212,053)**
Increase in operating assets			
Prepayments and other receivables		**(257,762)**	**(212,171)**
Net investment in Islamic financing		**(8,096,282)**	**-**
Increase in operating liabilities			
Other payables and accruals		**2,986,354**	**3,158**
Due from a related party		**-**	**(657,944)**
Due to a related party		**-**	**616,680**
Net cash used in operating activities		**(6,618,270)**	**(462,330)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		**(152,000)**	**(976,491)**
Purchase of property and equipment		**(19,851)**	**(218,366)**
Net cash used in investing activities		**(171,851)**	**(1,194,857)**
Net decrease in cash and cash equivalents		**(6,790,121)**	**(1,657,187)**
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	**85,779,418**	**98,342,813**

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 31 March 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 Leases

Lease arrangements where the Company is a lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Ijara receivables

Ijara finance is an agreement wherein gross amounts due under originated Ijara (finance) includes the total of future payments on Ijara finance, plus estimated residual amounts receivable (by an option to purchase the asset at the end of the respective financing term through an independent sale contract). The difference between the ijara contracts receivable and the cost of the ijara assets is recorded as unearned Ijara finance income and for presentation purposes, is deducted from the gross amounts due under Ijara finance.

5 SIGNIFICANT ACCOUNTING POLICIES

5.3 Financial instruments

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

5.3.1 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").

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (Continued)

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
- 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

5.3.1. Financial assets (Continued)

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.

De-recognition of 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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial instruments (Continued)

5.3.1 Financial assets (Continued)

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).

Impairment
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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial instruments (Continued)

5.3.1 Financial assets (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.

5.3.2 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.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial instruments (Continued)

5.3.2 Financial liabilities (Continued)

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.

5.3.3 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.5 Intangible assets

Costs associated with maintaining software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Intangible assets having definite lives are stated at cost less accumulated amortization and accumulated impairment losses if any. Amortization is charged applying the straight-line method over the useful lives of 5 years.

Amortization is charged from the month in which the asset is available for use. The residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Subsequent costs are included in the asset's carrying amounts 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.

5.6 Impairment of non-financial assets

At each statement of financial position date, the carrying amounts of non-financial assets are reviewed regularly to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the assets or cash-generating unit is reduced to its recoverable amount. The impairment loss is recognized as an expense in the statement of profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does 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 year. The reversal of an impairment loss is recognized in the statement of profit or loss immediately.

5.7 Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.8 Trade payables

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

5.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation to its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5.10 Zakat

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Custom Authority (ZATCA) in the Kingdom of Saudi Arabia and on the accrual basis. Zakat charge for the year is charged directly to the statement of profit or loss with a corresponding liability recognized in the statement of financial position. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

5.11 Financial facilities

Financial facilities are initially recognized at fair value, net of transaction costs incurred. Financial facilities are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of profit or loss of the period of the financial facilities using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Financial facilities are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the

Difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Financial facilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.12 End of service indemnities

This represents the end of service indemnities. End of service indemnities as required by the Saudi Arabian Labour Law are required to be provided based on the employees' length of service. The Company's net obligations in respect of defined benefit plans (Post-employment benefits) ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value and any unrecognized past service costs. The discount rate used is the market yield on government Sukuk at the reporting date that has maturity dates approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation.

The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognized and any unrecognized actuarial gains/losses. Currently, there are no past service costs. There are also no unrecognized re-measurement gains and losses as the entire re-measurement gains and losses are recognized as income or expense in other comprehensive income during the year in which they arise.

5.12 Contingent liabilities

The Company receives legal claims through its normal cycle. Management has to make estimates and judgments about the possibility to set aside a provision to meet claims. The end of the legal claims date and the amount to be paid is uncertain. The timing and costs of legal claims depend on statutory procedures.

5.13 Revenue recognition - Finance lease and other operating income

(i) Income from finance lease

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e., net of the expected credit loss)

(ii) Processing fee

Processing fees and other operating income represent administration fees which include leases initiation and customer risk assessment. Processing fee income is recognized over the period of the lease using the effective rate method, which results in a constant periodic rate of return on the net investment outstanding.

Other operating income is recorded as when incurred.

5.14 Proposed dividend and transfer between reserves

Dividends and appropriations to reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are recorded in the financial statements in accordance with the requirements of IAS 10, 'Events after the Reporting Year' in the year in which they are approved / transfers are made.

5.15 Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(All amounts in Saudi Riyals unless otherwise stated)

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.16 Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at exchange rates prevailing at the date of the transaction and the resulting gain/loss recognized in the statement of profit or loss Monetary assets and liabilities in foreign currencies are translated at the rates of exchange that are prevailing on the statement of financial position date. Gains and losses on translation are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

5.17 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	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Cash at bank	6.1	85,773,418	92,569,539
Cash in hand		6,000	-
		85,779,418	92,569,539

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

7. PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
VAT receivables	859,153	753,562
Advance to employees	4,945	14,085
Good on hands	512,200	326,900
Government fee	141,438	173,158
Other receivables	135,787	128,056
	1,653,523	1,395,761

8. NET INVESTMENT IN ISLAMIC FINANCINGS

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Gross investment in Islamic financings	14,453,727	3,245,223
Unearned / Deferred Islamic financing income	(4,000,330)	(888,108)
Net investment in Islamic financings before provision for impairment	10,453,397	2,357,115
Less: Provision for impairment	(191,722)	(30,949)

(All amounts in Saudi Riyals unless otherwise stated)

Net investment in Islamic financings	**10,261,675**	**2,326,166**

9. OTHER PAYABLES AND ACCRUALS

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Payable to suppliers (Note 10.2)	**4,762,446**	**2,001,892**
Accrued expenses	**727,153**	**501,353**
	5,489,599	**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	Note	*For the three-months period ended* 31 March 2022 (Unaudited)
Balubaid Automotive Company	Affiliate	Purchases for Islamic Financing		**(3,630,935)**
Key Management Personnel	Executives	Salaries and other short-term employee benefits		**181,126**
	Shariah Committee	Remuneration		**20,000**
Board of Director	Audit Committee	Remuneration		**8,000**

Balances as at the period-end

10.2 Due to related parties

Related party	Nature of relationship	Note	31 March 2022 (Unaudited)
Omar Abu Bakr Balubaid Company	Affiliate		**1,235,712**
Due to a related party – other payable and accruals			
Balubaid Automotive Company	Affiliate	9	**3,630,935**

(All amounts in Saudi Riyals unless otherwise stated)

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:

	31 March 2022 (Unaudited)		
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

	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 three-months period ended 31 March 2022 (Unaudited)	*For the three-months period ended* 31 March 2021 (Unaudited)
Salaries and allowances	**1,266,962**	**1,557**
Governmental expenses	**126,016**	**-**
IT related expenses	**83,517**	**-**
Professional and consultancy fees	**75,214**	**-**
Utilities	**66,788**	**1,600**
Sales commission	**55,346**	**-**
Marketing expenses	**-**	**20,800**
Depreciation on right-of-use asset	**32,055**	**-**
Depreciation on property and equipment	**22,939**	**-**
Amortization of intangibles	**9,863**	**-**
Pre-operation expense	**-**	**185,836**
Bank charges	**1,053**	**-**
Others	**11,153**	**2,260**
	1,749,853	**212,053**

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.

The 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 28 April 2022G (corresponding to 27 Ramadan 1443H) by the Board of Directors of the Company.