

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL
STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020

<u>Table of Contents</u>	<u>Page</u>
Independent Auditor's Review Report on the Interim Condensed Financial Statements	1
Interim Statement of Financial Position	2
Interim Statement of Comprehensive (Loss) / Income	3
Interim Statement of Changes in Equity	4
Interim Statement of Cash Flows	5
Notes to the Interim Condensed Financial Statements	6-14

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

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

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Saudi Finance Company (the "Company") as at 30 June 2020 and the related interim statement of comprehensive (loss) / income for the three-month and six-month periods then ended, and the interim statement of changes in equity and interim statement of 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.



Ahmed Abdulmajeed Mohandis
Certified Public Accountant
License No. 477



07 Dhul Hijjah 1441H
28 July 2020G
Riyadh, Kingdom of Saudi Arabia

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Cash and cash equivalents		57,549,835	43,208,272
Prepayments and other receivables		4,259,626	1,821,305
Due from a related party	6	28,007	-
Net investment in Islamic financings	7,11	584,286,498	510,146,422
Investment carried at FVOCI		892,850	892,850
Assets repossessed held for sale		5,616,454	5,616,454
Restricted cash deposit		7,045,993	5,460,377
Property and equipment		6,705,499	4,957,662
Intangible assets		6,923,080	4,428,622
Right-of-use assets		4,174,876	5,125,858
TOTAL ASSETS		677,482,718	581,657,822
EQUITY AND LIABILITIES			
EQUITY			
Share capital	8	100,000,000	100,000,000
Statutory reserve		8,400,375	8,400,375
Retained earnings		72,965,937	79,118,421
Actuarial gain on employees' post-employment benefits		154,474	154,474
TOTAL EQUITY		181,520,786	187,673,270
LIABILITIES			
Trade payables		14,928,738	4,311,298
Other payables and accruals		9,032,698	11,278,869
Lease Liabilities		5,842,484	5,729,272
Provision for zakat	9	11,635,162	10,667,912
Shari'a alternatives for financial derivative instruments		1,212,079	487,538
Financial facilities	10,6	450,224,239	358,744,576
Employees' post-employment benefits		3,086,532	2,765,087
TOTAL LIABILITIES		495,961,932	393,984,552
TOTAL EQUITY AND LIABILITIES		677,482,718	581,657,822

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE (LOSS) / INCOME
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the three-month period ended		For the six-month period ended	
		30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
INCOME FROM ISLAMIC FINANCING OPERATING (EXPENSES) / INCOME		22,116,936	21,050,019	45,272,549	42,062,137
Finance cost		(3,021,951)	(3,309,234)	(5,979,951)	(6,352,684)
General and administrative expenses		(9,282,471)	(9,914,389)	(19,548,274)	(19,221,433)
Selling and marketing expenses		(2,432,753)	(2,625,096)	(5,233,373)	(5,376,887)
Impairment on Islamic financing, net	11	(2,322,950)	(1,248,490)	(4,119,334)	(2,536,942)
Unrealized loss on shari'a alternatives for financial derivative instruments		(26,386)	(250,970)	(724,541)	(385,812)
Other (expenses) / income, net	12	(15,192,176)	513,119	(14,852,310)	1,080,013
(LOSS) / INCOME BEFORE ZAKAT		(10,161,751)	4,214,959	(5,185,234)	9,268,392
Zakat	9	-	(791,499)	(967,250)	(2,016,998)
(LOSS) / INCOME FOR THE PERIOD		(10,161,751)	3,423,460	(6,152,484)	7,251,394
Other Comprehensive Income		-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(10,161,751)	3,423,460	(6,152,484)	7,251,394

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

For the six-month period ended

<u>30 June 2019</u>	Share capital	Statutory reserve	Retained Earnings	Actuarial gain on post-employment benefits	Total equity
Balance as at 1 January 2019 – (Audited)	100,000,000	6,323,372	60,425,394	195,576	166,944,342
Comprehensive income for the period	-	-	7,251,394	-	7,251,394
Balance as at 30 June 2019 (Unaudited)	<u>100,000,000</u>	<u>6,323,372</u>	<u>67,676,788</u>	<u>195,576</u>	<u>174,195,736</u>

For the six-month period ended

<u>30 June 2020</u>	Share capital	Statutory reserve	Retained Earnings	Actuarial gain on post-employment benefits	Total equity
Balance as at 1 January 2020 (Audited)	100,000,000	8,400,375	79,118,421	154,474	187,673,270
Comprehensive loss for the period	-	-	(6,152,484)	-	(6,152,484)
Balance as at 30 June 2020 (Unaudited)	<u>100,000,000</u>	<u>8,400,375</u>	<u>72,965,937</u>	<u>154,474</u>	<u>181,520,786</u>

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the six-month period ended	
		30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income before zakat		(5,185,234)	9,268,392
Adjustments for:			
Depreciation of right of use assets		950,982	950,982
Depreciation of property and equipment		984,106	963,807
Amortization of intangible assets		711,137	602,161
Finance cost		5,979,951	6,352,684
Impairment on Islamic financing, net	11	4,119,334	2,536,942
Net loss on modification of financial instruments	7.1,10.5	15,930,696	-
Loss on the fair value of financial assets	7.2	8,459,730	-
Government grant for SAMA funding for lending program	10.4	(8,146,461)	-
Unrealized loss on shari'a alternatives for financial derivative instruments		724,541	385,812
Provision for employees' post-employment benefits		540,000	625,826
(Increase) / decrease in operating assets			
Prepayments and other receivables		(2,438,321)	(1,132,036)
Due from a related party		(28,007)	168,915
Net investment in Islamic financing		(106,678,706)	(29,452,144)
Restricted cash deposit		(1,585,616)	(4)
(Decrease)/increase in operating liabilities			
Trade payables		10,617,440	8,382,788
Other payables and accruals		(2,246,171)	(843,084)
Due to a related party		-	(98,460)
Cash used in operations		<u>(77,290,599)</u>	<u>(1,287,419)</u>
Zakat paid	9	-	(2,464,902)
Employees' post-employment benefits paid		<u>(218,555)</u>	<u>(233,738)</u>
Net cash used in operating activities		<u>(77,509,154)</u>	<u>(3,986,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(2,731,943)	(251,352)
Purchase of intangible assets		<u>(3,205,595)</u>	<u>(648,736)</u>
Net cash used in investing activities		<u>(5,937,538)</u>	<u>(900,088)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial facilities		323,909,468	198,000,000
Repayment of financial facilities		(218,752,495)	(205,413,803)
Finance cost paid		<u>(7,368,718)</u>	<u>(8,591,378)</u>
Net cash generated from / (used in) financing activities		<u>97,788,255</u>	<u>(16,005,181)</u>
Net increase / (decrease) in cash and cash equivalents		<u>14,341,563</u>	<u>(20,891,328)</u>
Cash and cash equivalents at beginning of the period		<u>43,208,272</u>	<u>50,298,496</u>
Cash and cash equivalents at end of the period		<u><u>57,549,835</u></u>	<u><u>29,407,168</u></u>

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

Saudi Finance Company (formerly known as “Saudi Installment House Company”) (the “Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 1010078374 dated 23 Muharram 1411H (corresponding to 14 August 1990).

The Company is engaged in leasing, commercial financing, small and medium business financing, and retail financing in accordance with the Saudi Arabian Monetary Authority (“SAMA”) approval number 351000071328 dated 3 Jumad Thani 1435H and license number 114102 dated 27 Muharram 1436H.

Pursuant to the Ministry of Commerce and Investment Resolution numbered 291 dated 4 Muharram 1436H (corresponding to 28 October 2014), the Company has been converted from a Limited Liability Company to a Saudi Closed Joint Stock Company and changed its name from “Saudi Installment House Company” to “Saudi Finance Company”.

The activities of the Company are conducted in accordance with Islamic Shari’a, which prohibits usury as determined by the Shari’a Supervisory Board of the Company. The Company carries out financing activities through various Shari’a-compliant instruments.

The Company’s Head Office is located at the following address:

Saudi Finance Company
 Khurais Street, Makkah Road
 P.O. Box 18331
 Riyadh 11415
 Kingdom of Saudi Arabia

The Company has the following branches

S. No	Branch	C.R. No.	Date
1	Olaya, Riyadh	1010366245	23 Rabi Thani 1434H
2	Khurais, Riyadh	1010137723	17 Rabi Thani 1416H
3	Buraidah	1131013974	26 Dhul-Hijjah 1417H
4	Dammam	2051026306	24 Rabi Awal 1423H
5	Jeddah	4030242129	23 Rabi Thani 1434H
6	Al-Ahsa	2251056896	16 Jumad Awal 1435H
7	Medina	4650073124	11 Sha’aban 1435H
8	Hail	3350042118	11 Sha’aban 1435H
9	Badiya Riyadh	1010391633	23 Dhul-Hijjah 1434H

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 Certified Public Accountants (“SOCPA”).

The results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s financial statements for the year ended 31 December 2019.

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2. BASIS OF MEASUREMENT

These interim condensed financial statements are prepared under the historical cost method except for the following:

- a) Shari'a alternatives for financial derivative instruments measured at fair value;
- b) Investments measured at fair value;
- c) Assets repossessed held for sale measured at lower of carrying value and fair value less cost to sell; and
- d) Employees' post-employment benefits are recognized at the present value of future obligations using the Projected Unit Credit Method.

2.3. FUNCTIONAL AND PRESENTATION CURRENCY

These interim condensed 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 POLICIES

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements as at 31 December 2019, except for the policy explained below:

3.1. Government Grant

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in the interim statement of comprehensive (loss) / income on a systematic basis over the periods in which the Company recognizes the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable. The benefit of a government loan at a below-market rate of profit is treated as a government grant, measured as the difference between proceeds received and the fair value of the financing based on prevailing market profit rates.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

In preparing these interim condensed financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. 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 are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS
(Continued)

IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES (“ECL”)

On 11 March 2020, the World Health Organization (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia, in particular, has implemented closure of borders, released social distancing guidelines, and enforced countrywide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The economic impacts of the above events, though the scale and duration of which remains uncertain, primarily include:

- Significant business interruption arising from hindrance in generating new originations travel restrictions and unavailability of personnel etc.;
- Deterioration in the creditworthiness of customers in particular to those working or involved in ‘highly exposed sectors’ such as transportation, tourism, hospitality, entertainment, construction and retail; and
- A significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a general decline in interest rates globally.

Collectively, these current events and the prevailing conditions require the Company to analyze the likely impact of these events on the Company’s business operations. The Company has adjusted the macroeconomic factors in the ECL model on the basis of the available data on 30 June 2020 but the same will be subject to change in the quarter ended 30 September 2020. The Board of Directors and the management of the Company have evaluated the current situation and accordingly, have activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance. Under the current situation, the scale and duration of this outbreak and its impact on credit, market and operational risks remain uncertain and the board of directors and management of the Company is continuously evaluating the evolving situation in liaison with the regulatory authorities and the related quantification of impact cannot be ascertained at this point.

5. NEW AMENDED STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE:

There are no new standards issued, however, there are a number of amendments to standards that are effective from 1 January 2020, but they do not have a material effect on the Company’s interim condensed financial statements.

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

6. RELATED PARTY TRANSACTIONS AND BALANCES

<u>Transactions during the period</u>			<u>For the six-month period ended</u>	
<u>Names of Related Party</u>	<u>Nature of Relationship</u>	<u>Nature of transactions</u>	<u>30 June 2020 (Unaudited)</u>	<u>30 June 2019 (Unaudited)</u>
Abu Dhabi Islamic Bank (ADIB), UAE	Affiliate	Financial facilities obtained	158,000,000	168,000,000
		Financial facilities repaid	(188,000,000)	(178,000,000)
		Finance cost	2,882,699	3,225,044
		Reimbursed for expenses paid on behalf of associates	194,438	226,798
		Expenses paid on behalf of associates	(222,445)	(57,833)
Abdullah Ibrahim Al Khorayef Sons Company, KSA	Shareholder	Rent expense	81,000	111,000
		Collection on behalf of a shareholder	14,000	38,100
		Repaid to shareholder	(14,000)	(136,560)

	<u>For the six-month period ended</u>	
	<u>30 June 2020 (Unaudited)</u>	<u>30 June 2019 (Unaudited)</u>
<u>Key management personnel</u>		
Salaries and other short-term employee benefits	5,868,709	4,750,303

<u>Balances as at the period-end</u>	<u>30 June 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
	<u>Due from a related party</u>	
ADIB, UAE	28,007	-
<u>Financial Facilities</u>		
ADIB, UAE	138,000,000	168,000,000
Accrued finance cost	1,476,963	4,611,419
	<u>139,476,963</u>	<u>172,611,419</u>

6.1. Net Investment in Islamic Financings

<u>Nature of Relationship</u>	<u>Profit rate</u>	<u>Tenure</u>	<u>30 June 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
Key management	9%-9.2%	36 – 60 months	174,099	128,580
			<u>174,099</u>	<u>128,580</u>

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

7. NET INVESTMENT IN ISLAMIC FINANCINGS

	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
Gross investment in Islamic financings	804,037,527	715,350,569
Unearned / deferred Islamic financing income	(199,510,493)	(190,163,611)
Net investment in Islamic financings before provision for impairment	604,527,034	525,186,958
Less: Provision for impairment	(20,240,536)	(15,040,536)
Net investment in Islamic financings	<u>584,286,498</u>	<u>510,146,422</u>

7.1. In response to Covid-19, SAMA launched the Private Sector Financing Support Program (“PSFSP”) in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises (“MSME”) as per the definition issued by SAMA. As part of the Deferred Payment Program (“DPP”), the Company has deferred payments for 6 months to contracts that qualify as MSME with extending the tenure of the facility. The accounting impact of these changes in terms of the net investment in Islamic Financing has been assessed and account for as per the requirements of IFRS 9 as a modification in terms of the arrangements (see note 12). Modification loss has been recognized under other income / (expenses) in interim statement of comprehensive (loss) / income.

7.2. During the period, the Company has provided financing amounting to SR 97.792 million to Small and Medium-Sized Entities (SME) that qualify for the facility under SAMA funding for lending program on profit rates below-market. These facilities are 95% secured under the Kafala program and these facilities are repayable in 30 monthly installments with the first installment is due after 6 months’ grace period from the date of the contract, which are discounted using average market prevailing profit rates for similar financing facilities to determine the fair value. The fair value of these amounts to SR 89.332 million. The difference between financing provided and its fair value is recorded in the interim statement of comprehensive (loss) / income as per the requirements of IFRS 9 (see Note 12).

7.3. The movement in the provision for impairment of Islamic financings during the period is as follows:

	For the six-month period ended 30 June 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Balance at beginning of the period / year	15,040,536	10,861,091
Provided during the period / year	5,200,000	7,968,382
Written off during the period / year	-	(3,788,937)
Balance at the end of the period / year	<u>20,240,536</u>	<u>15,040,536</u>

7.4. Investment in Islamic financing includes financing facilitates provided to key management (see Note 6.1).

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

8. 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:

Shareholders	30 June 2020 and 31 December 2019		
	Holding %	No. of Shares	Amount
ADIB Two Financial Invest LLC, U.A.E	51%	5,100,000	51,000,000
Abdullah Ibrahim Al Khorayef Sons Company, K.S.A	46%	4,600,000	46,000,000
Mohamed Abdullah Al Khorayef	1%	100,000	1,000,000
Saad Abdullah Al Khorayef	1%	100,000	1,000,000
Hamad Abdullah Al Khorayef	1%	100,000	1,000,000
	100%	10,000,000	100,000,000

9. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the six-month period ended 30 June 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Balance at the beginning of the period / year	10,667,912	10,017,032
Provided during the period / year	967,250	3,636,798
Payment during the period / year	-	(2,985,918)
Balance at the end of the period / year	11,635,162	10,667,912

STATUS OF ASSESSMENTS

During 2016, zakat assessments have been raised by the GAZT for the year's 2005 to 2007 assessing additional zakat of SR 2,621,509 against which the Company has filed an appeal. No provision has been recorded in these financial statements in this respect, as the Company is confident of a favorable outcome on this matter. During 2018 the Company received certain queries related to appeal filed for 2005 to 2007 and the response was submitted to GAZT.

Additionally, during the year ended 31 December 2019, GAZT provided a settlement assessment for the year 2014 to 2017 with zakat liability of SR 3,256,349 based on the methodology of 10% zakat calculated on the net profit before zakat. This has resulted in the reversal of the excess zakat provision of SR 12,382,326 held by the Company for these years.

There has been no assessment rendered to the Company by GAZT from the years 2008 to 2013.

The Company has submitted its Zakat declaration to GAZT for the year ended 31 December 2019 and has obtained the certificate valid until 18 Ramadan 1442H corresponding to 30 April 2021.

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

10. FINANCIAL FACILITIES

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Short-term financial facilities	6	138,000,000	168,000,000
Long-term financial facilities	10.1	310,544,988	185,762,503
Finance Cost payable		1,679,251	4,982,073
		<u>450,224,239</u>	<u>358,744,576</u>

10.1. Long-term financial facilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current portion		
Long-term financial facilities	72,099,626	77,331,907
Non-current portion		
Long-term financial facilities	238,445,362	108,430,596
	<u>310,544,988</u>	<u>185,762,503</u>

10.2. The Company obtained bank financial facilities from local Islamic banks for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates and also have restricted cash deposits.

10.3. The Company has obtained long-term financial facilities amounting to SR 120 million from Social Development Bank (“SDB”), a Saudi Government-owned financial institution. The facilities obtained by the Company from Social Development Bank are in accordance with the provision of Islamic Sharia and according to the approval of the Sharia supervisory board of the Company. The Company is also required to pay an administrative fee of SR 2.505 million over the period of the financial facility which has been incorporated in 36 equal monthly installments commencing from March 2019. The terms of the financial facility require the management to disburse the amount to its customer which meets the criteria defined in the facility agreement with Social Development Bank. During the period, SDB has rescheduled the repayments of the facilities by deferring and extending the tenure of the facilities by 12-months. The accounting impact of these changes in terms of the Financial Facilities has been assessed and account for as per the requirements of IFRS 9 as a modification in terms of the arrangements (see Note 12). Modification gain has been recognized under other income in the interim statement of comprehensive (loss) / income.

10.4. During the period, the Company has obtained government financing amounting to SR 100.434 million from SAMA at a zero-profit rate to finance the Small and Medium-Sized Entities (SME) under SAMA funding for a lending program. These financings are repayable in 30 monthly installments with the first installment is due after 6 months’ grace period from the date of the contract, which is discounted using average market prevailing profit rates for similar financing facilities. The present value of these amounts to SR 92.287 million. The difference between financing received and its present value is recorded as a government grant and has been accounted for as per the requirements of IFRS.

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

10. FINANCIAL FACILITIES (Continued)

10.5. During the period, in accordance with the instructions of SAMA, Banks have rescheduled the repayments of the financial facilities by deferring and extending the tenure of the facilities by 6-months. The accounting impact of these changes in terms of the financial facilities has been assessed and account for as per the requirements of IFRS 9 as a modification in terms of the arrangements (see Note 12). Modification gain has been recognized under other income in the interim statement of comprehensive (loss) / income.

10.6. The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 30 June 2020, the Company was not in compliance with certain covenants of the financing agreements. However, the management has secured the necessary waiver from the respective bank and accordingly believes that the financiers will not exercise their right to demand accelerated / immediate payment of the outstanding balance from the Company.

11. IMPAIRMENT ON ISLAMIC FINANCING, NET

	Note	For the six-month period ended	
		30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Impairment on Islamic financing	7.3	5,200,000	5,518,382
Write-off recoveries		(1,080,666)	(2,981,440)
		<u>4,119,334</u>	<u>2,536,942</u>

12. OTHER (EXPENSES) / INCOME, NET

	Note	For the six-month period ended	
		30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Government grant on SAMA funding for lending program	10.4	8,146,461	-
Modification gain on financial liabilities	10.5	4,028,870	-
Management fees and other income		1,391,655	1,080,013
Modification loss on financial assets	7.1	(19,959,566)	-
Loss on the fair value of financial assets	7.2	(8,459,730)	-
		<u>(14,852,310)</u>	<u>1,080,013</u>

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

14. SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-ended that would require additional disclosure or adjustment in these interim condensed financial statements (see Note 3).

15. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorized for issue on 28 July 2020G (corresponding to 7 Dhual-Hijja 1441H) by the Board of Directors of the Company.