

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD
ENDED 31 MARCH 2021 AND INDEPENDENT
AUDITOR'S REVIEW REPORT

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021

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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 31 March 2021 and the related interim statement of comprehensive income for the three-month period then ended, and the interim statements of changes in equity and cash flows for the three-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 A. Mohandis
Certified Public Accountant
License No. 477



16 Ramadan, 1442
 28 April, 2021
 Riyadh, Kingdom of Saudi Arabia

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | 31 March 2021 (Unaudited) | 31 December 2020 (Audited) |
|---|-------|------------------------------|-------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | | 32,353,093 | 30,714,105 |
| Prepayments and other receivables | | 3,183,600 | 2,363,764 |
| Net investment in Islamic financings | 7,11 | 907,481,793 | 887,422,510 |
| Investment carried at FVOCI | | 892,850 | 892,850 |
| Assets repossessed held for sale | | 5,897,514 | 5,897,514 |
| Restricted cash deposit | | 5,794,909 | 5,764,210 |
| Property and equipment | | 8,514,255 | 8,772,059 |
| Intangible assets | | 6,579,752 | 6,917,038 |
| Right-of-use assets | | 8,729,477 | 9,555,215 |
| TOTAL ASSETS | | 979,427,243 | 958,299,265 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 8 | 100,000,000 | 100,000,000 |
| Statutory reserve | | 9,352,352 | 9,352,352 |
| Retained earnings | | 97,898,405 | 87,686,215 |
| Actuarial gain on end of service indemnities | | 51,278 | 51,278 |
| TOTAL EQUITY | | 207,302,035 | 197,089,845 |
| LIABILITIES | | | |
| Due to a related party | 6 | 1,740 | - |
| Trade payables | | 3,709,852 | 14,533,093 |
| Other payables and accruals | | 11,461,261 | 12,231,563 |
| Lease liabilities | | 11,511,871 | 11,536,049 |
| Provision for zakat | 9 | 10,153,093 | 8,975,505 |
| Shari'a alternatives for financial derivative instruments | | 568,682 | 734,262 |
| Financial facilities | 10,6 | 731,713,605 | 710,019,520 |
| End of service indemnities | | 3,005,104 | 3,179,428 |
| TOTAL LIABILITIES | | 772,125,208 | 761,209,420 |
| TOTAL EQUITY AND LIABILITIES | | 979,427,243 | 958,299,265 |

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 INCOME
FOR THE THREE-MONTH ENDED 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | For the three-month period ended | |
|---|-------|----------------------------------|------------------------------|
| | | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| INCOME FROM ISLAMIC FINANCING | | 32,878,896 | 23,155,613 |
| OPERATING (EXPENSES) / INCOME | | | |
| Finance cost | | (8,078,150) | (2,958,000) |
| General and administrative expenses | | (9,902,915) | (10,265,803) |
| Selling and marketing expenses | | (2,791,566) | (2,800,620) |
| Impairment on Islamic financing, net | 11 | (441,437) | (1,796,384) |
| Unrealized gain / (loss) on shari'a alternatives for financial derivative instruments | | 165,580 | (698,155) |
| Other (expenses) / income, net | 12 | (440,630) | 339,866 |
| INCOME BEFORE ZAKAT | | 11,389,778 | 4,976,517 |
| Zakat | 9 | (1,177,588) | (967,250) |
| INCOME FOR THE PERIOD | | 10,212,190 | 4,009,267 |
| Other comprehensive income | | - | - |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 10,212,190 | 4,009,267 |

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 THREE-MONTH PERIOD ENDED 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

For the three-month period ended

| <u>31 March 2020</u> | Share capital | Statutory reserve | Retained Earnings | Actuarial gain on end of service indemnities | Total equity |
|---|----------------------|--------------------------|--------------------------|---|---------------------|
| Balance as at 1 January 2020 – (Audited) | 100,000,000 | 8,400,375 | 79,118,421 | 154,474 | 187,673,270 |
| Comprehensive income for the period | - | - | 4,009,267 | - | 4,009,267 |
| Balance as at 31 March 2020 (Unaudited) | <u>100,000,000</u> | <u>8,400,375</u> | <u>83,127,688</u> | <u>154,474</u> | <u>191,682,537</u> |

| <u>31 March 2021</u> | Share capital | Statutory reserve | Retained Earnings | Actuarial gain on end of service indemnities | Total equity |
|--|----------------------|--------------------------|--------------------------|---|---------------------|
| Balance as at 1 January 2021 (Audited) | 100,000,000 | 9,352,352 | 87,686,215 | 51,278 | 197,089,845 |
| Comprehensive income for the period | - | - | 10,212,190 | - | 10,212,190 |
| Balance as at 31 March 2021 (Unaudited) | <u>100,000,000</u> | <u>9,352,352</u> | <u>97,898,405</u> | <u>51,278</u> | <u>207,302,035</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 THREE-MONTH PERIOD ENDED 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

| | Notes | For the three-month period ended | |
|---|----------|----------------------------------|------------------------------|
| | | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income before zakat | | 11,389,778 | 4,976,517 |
| Adjustments for: | | | |
| Depreciation of right of use assets | | 825,738 | 469,530 |
| Depreciation of property and equipment | | 534,734 | 489,212 |
| Amortization of intangible assets | | 511,397 | 355,302 |
| Finance cost | | 8,078,150 | 2,958,000 |
| Impairment on Islamic financing | 11 | 2,100,000 | 2,700,000 |
| Net loss on modification of financial instruments | 7.1,10.4 | 1,936,629 | - |
| Loss on the fair value of financial assets | 7.2 | 3,227,543 | - |
| Government grant for SAMA funding for lending program | 10.3 | (4,124,413) | - |
| Unrealized (gain) / loss on shari'a alternatives for financial derivative instruments | | (165,580) | 698,155 |
| Provision for end of service indemnities | | 271,000 | 270,000 |
| (Increase) / decrease in operating assets | | | |
| Prepayments and other receivables | | (819,836) | (1,984,887) |
| Due from a related party | | - | (28,007) |
| Net investment in Islamic financing | | (28,678,164) | (20,804,671) |
| Restricted cash deposit | | (30,699) | (1,530,724) |
| (Decrease)/ increase in operating liabilities | | | |
| Trade payables | | (10,823,241) | 10,704,808 |
| Other payables and accruals | | (770,302) | (1,204,405) |
| Due to a related party | | 1,740 | - |
| Cash used in operations | | (16,535,526) | (1,931,170) |
| End of service indemnities paid | | (445,324) | (82,207) |
| Net cash used in operating activities | | (16,980,850) | (2,013,377) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (174,111) | (968,816) |
| Purchase of intangible assets | | (276,930) | (2,404,779) |
| Net cash used in investing activities | | (451,041) | (3,373,595) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from financial facilities | | 122,404,168 | 150,000,000 |
| Repayment of financial facilities | | (100,873,700) | (148,820,642) |
| Finance cost paid | | (2,359,589) | (6,014,423) |
| Lease liabilities paid | | (100,000) | - |
| Net cash generated from / (used in) financing activities | | 19,070,879 | (4,835,065) |
| Net increase / (decrease) in cash and cash equivalents | | 1,638,988 | (10,222,037) |
| Cash and cash equivalents at beginning of the period | | 30,714,105 | 43,208,272 |
| Cash and cash equivalents at end of the period | | 32,353,093 | 32,986,235 |

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 THREE-MONTH PERIOD ENDED 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

1. LEGAL STATUS AND OPERATIONS

Saudi Finance Company (the “Company”) is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 7001351779 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 Central Bank (“SAMA”) approval number 351000071328 dated 3 Jumad Thani 1435H and license number 114102 dated 27 Muharram 1436H.

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
 Sultan Center, Prince Sultan St, Alma’athar
 P.O. Box 18331
 Riyadh 11415
 Kingdom of Saudi Arabia

The Company has the following branches

| S. No | Branch | C.R. No. | Date |
|--------------|-----------------|-----------------|----------------------|
| 1 | Khurais, Riyadh | 7006384437 | 17 Rabi Thani 1416H |
| 2 | Badiya, Riyadh* | 1010391633 | 23 Dhul-Hijjah 1434H |
| 3 | Buraidah | 7012640483 | 26 Dhul-Hijjah 1417H |
| 4 | Dammam | 7011934028 | 24 Rabi Awal 1423H |
| 5 | Jeddah | 7006393552 | 23 Rabi Thani 1434H |
| 6 | Al-Ahsa | 7007700193 | 16 Jumad Awal 1435H |
| 7 | Medina | 7006257864 | 11 Sha’aban 1435H |

*The commercial registration of the branch has been expired. As of 31 March 2021, the Company is under process of completing the legal formalities of cancellation.

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”).

The results for the three-month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020.

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 THREE-MONTH PERIOD ENDED 31 MARCH 2021
(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) End of service indemnities 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 2020.

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 is 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.

5. NEW 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 2021 and the details of the same has been explained in annual Financial Statements for the year ended 31 December 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 THREE-MONTH PERIOD ENDED 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

6. RELATED PARTY TRANSACTIONS AND BALANCES

| <u>Transactions during the period</u> | | | For the three-month period ended | |
|--|-------------------------------|--|---|----------------------------------|
| Names of Related Party | Nature of Relationship | Nature of transactions | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| Abu Dhabi Islamic Bank (ADIB), UAE | Affiliate | Financial facilities obtained | 71,000,000 | 120,000,000 |
| | | Financial facilities repaid | (78,000,000) | (130,000,000) |
| | | Finance cost | 573,528 | 1,544,076 |
| | | Finance cost repaid | (2,163,098) | (4,488,727) |
| | | Reimbursed for expenses paid on behalf of associates | 46,500 | 194,438 |
| | | Expenses paid on behalf of associates | (46,500) | (222,445) |
| Abdullah Ibrahim Al Khorayef Sons Company, KSA | Shareholder | Rent expense | 33,579 | 55,500 |
| | | Collection on behalf of a shareholder | 1,740 | 14,000 |
| | | Repaid to shareholder | - | (14,000) |

| | For the three-month period ended | |
|---|---|----------------------------------|
| | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| <u>Key management personnel</u> | | |
| Salaries and other short-term employee benefits | 1,619,242 | 2,846,210 |

| | Balances as at the period-end | |
|--|--------------------------------------|-----------------------------------|
| | 31 March 2021 (Unaudited) | 31 December 2020 (Audited) |
| <u>Due to a related party</u> | | |
| Abdullah Ibrahim Al Khorayef Sons Company, KSA | 1,740 | - |

| | Financial Facilities | |
|----------------------|----------------------------------|-----------------------------------|
| | 31 March 2021 (Unaudited) | 31 December 2020 (Audited) |
| ADIB, UAE | 81,000,000 | 88,000,000 |
| Accrued finance cost | 254,585 | 1,844,155 |
| | <u>81,254,585</u> | <u>89,844,155</u> |

6.1. Net Investment in Islamic Financings

| Nature of Relationship | Profit rate | Tenure | 31 March 2021 (Unaudited) | 31 December 2020 (Audited) |
|-------------------------------|--------------------|----------------|----------------------------------|-----------------------------------|
| Key management | 8.7%-9.2% | 24 – 60 months | 31,618 | 130,324 |
| | | | <u>31,618</u> | <u>130,324</u> |

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

7. NET INVESTMENT IN ISLAMIC FINANCINGS

| | 31 March 2021 | 31 December 2020 |
|--|----------------------|-------------------------|
| | (Unaudited) | (Audited) |
| Gross investment in Islamic financings | 1,130,066,310 | 1,114,492,861 |
| Unearned / deferred Islamic financing income | (204,431,462) | (211,017,296) |
| Net investment in Islamic financings before provision for impairment | 925,634,848 | 903,475,565 |
| Less: Provision for impairment | (18,153,055) | (16,053,055) |
| Net investment in Islamic financings | <u>907,481,793</u> | <u>887,422,510</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 deferred payments for 3 months to contracts that qualify as MSME with extending the tenure of the facility.

During March 2021, SAMA further extended the same for additional 3 months for qualifying MSME. 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 income.

- 7.2.** During the period, the Company has provided financing amounting to SR 40.41 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 37.18 million. The difference between financing provided and its fair value is recorded in the interim statement of comprehensive 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 three-month period ended 31 March 2021 | For the year ended 31 December 2020 |
|---|---|--|
| | (Unaudited) | (Audited) |
| Balance at beginning of the period / year | 16,053,055 | 15,040,536 |
| Provided during the period / year | 2,100,000 | 6,399,431 |
| Written off during the period / year | - | (5,386,912) |
| Balance at the end of the period / year | <u>18,153,055</u> | <u>16,053,055</u> |

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

SAUDI FINANCE COMPANY
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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021
(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 | 31 March 2021 and 31 December 2020 | | |
|--|------------------------------------|-------------------|--------------------|
| | Holding % | No. of Shares | Amount |
| ADIB Two Financial Invest LLC, UAE | 51% | 5,100,000 | 51,000,000 |
| Abdullah Ibrahim Al Khorayef Sons Company, KSA | 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 three-month period ended 31 March 2021 (Unaudited) | For the year ended 31 December 2020 (Audited) |
|---|--|---|
| Balance at the beginning of the period / year | 8,975,505 | 10,667,912 |
| Provided during the period / year | 1,177,588 | 2,473,108 |
| Payment during the period / year | - | (4,165,515) |
| Balance at the end of the period / year | 10,153,093 | 8,975,505 |

STATUS OF ASSESSMENTS

During 2016, zakat assessments have been raised by the GAZT for the years 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.

During 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 resulted in the reversal of the excess zakat provision of SR 12,382,326 held by the Company for these years. During the year the Company has paid an installment amount of SR 521,016. As of 31 December 2020, the remaining installments amounted SR 1,563,047 (3 installments of SR 521,016 each).

Currently, there are open assessments from the years 2008 to 2013 by GAZT, for which the Company has provided for additional provision amounting to SR 4,939,350. No demand from the GAZT has been received till the date of these financial statements.

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
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(All amounts in Saudi Riyals unless otherwise stated)

10. FINANCIAL FACILITIES

| | Note | 31 March 2021 (Unaudited) | 31 December 2020 (Audited) |
|---------------------------------|------|------------------------------|-------------------------------|
| Short-term financial facilities | 6 | 81,000,000 | 88,000,000 |
| Long-term financial facilities | 10.1 | 631,885,707 | 608,834,361 |
| Finance Cost payable | | 18,827,898 | 13,185,159 |
| | | <u>731,713,605</u> | <u>710,019,520</u> |

10.1. Long-term financial facilities

| | 31 March 2021 (Unaudited) | 31 December 2020 (Audited) |
|--------------------------------|------------------------------|-------------------------------|
| Current portion | | |
| Long-term financial facilities | 223,780,430 | 182,325,823 |
| Non-current portion | | |
| Long-term financial facilities | 408,105,277 | 426,508,538 |
| | <u>631,885,707</u> | <u>608,834,361</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. During the period, the Company has obtained government financing amounting to SR 29.31 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 25.18 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.

10.4. During the period, in accordance with the instructions of SAMA, Banks rescheduled the repayments of the financial facilities by deferring and extending the tenure of the facilities by 3 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 income.

10.5. The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 31 March 2021, 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.

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

11. IMPAIRMENT ON ISLAMIC FINANCING, NET

| | Note | For the three-month period ended | |
|---------------------------------|------|----------------------------------|------------------------------|
| | | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| Impairment on Islamic financing | 7.3 | 2,100,000 | 2,700,000 |
| Write-off recoveries | | (1,658,563) | (903,616) |
| | | <u>441,437</u> | <u>1,796,384</u> |

12. OTHER (EXPENSES) / INCOME, NET

| | Note | For the three-month period ended | |
|--|------|----------------------------------|------------------------------|
| | | 31 March 2021 (Unaudited) | 31 March 2020 (Unaudited) |
| Government grant on SAMA funding for lending program | 10.3 | 4,124,413 | - |
| Modification gain on financial liabilities | 10.4 | 1,354,709 | - |
| Management fees and other income | | 599,129 | 339,866 |
| Modification loss on financial assets | 7.1 | (3,291,338) | - |
| Loss on the fair value of financial assets | 7.2 | (3,227,543) | - |
| | | <u>(440,630)</u> | <u>339,866</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.

All financial assets and liabilities are measured at amortized cost except investment carried at FVOCI and Shari'a alternatives for financial derivative instruments. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

| 31 March 2021 | Fair value Level | | | Total |
|---|------------------|---------|---------|---------|
| | 1 | 2 | 3 | |
| FINANCIAL ASSET | | | | |
| FVOCI designated | | | | |
| Investment carried at FVOCI | - | - | 892,850 | 892,850 |
| FINANCIAL LIABILITIES | | | | |
| FVTPL mandatorily | | | | |
| Shari'a alternatives for financial derivative instruments | - | 568,682 | - | 568,682 |

SAUDI FINANCE COMPANY
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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

13. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

| 31 December 2020 | Fair value Level | | | Total |
|---|------------------|---------|---------|---------|
| | 1 | 2 | 3 | |
| FINANCIAL ASSET | | | | |
| FVOCI designated | | | | |
| Investment carried at FVOCI | - | - | 892,850 | 892,850 |
| FINANCIAL LIABILITIES | | | | |
| FVTPL mandatorily | | | | |
| Shari'a alternatives for financial derivative instruments | - | 734,262 | - | 734,262 |

The above financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

| Financial assets / financial liabilities | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship and sensitivity of unobservable inputs to fair value |
|--|---|-----------------------------------|---|
| Investment carried at FVOCI | Cost | N/A | N/A |

Shari'a alternatives for financial derivative instruments classified as Level 2 comprise profit rate swaps. These derivatives are fair valued using widely recognized valuation models. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers.

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.

15. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were approved and authorized for issue on 27 April 2021G (corresponding to 15 Ramadan 1442H) by the Board of Directors of the Company.