

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH AND
NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 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 30 September 2021 and the related interim statement of comprehensive income / (loss) for the three-month and nine-month periods ended, and the interim statements of changes in equity and cash flows for the nine-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



22 Rabi' al Awwal 1443H
28 October, 2021
Riyadh, Kingdom of Saudi Arabia

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	30 September 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Cash and cash equivalents		42,363,743	30,714,105
Prepayments and other receivables		3,577,712	2,363,764
Net investment in Islamic financings	7,13	1,038,048,556	887,422,510
Investment carried at FVOCI		892,850	892,850
Assets repossessed held for sale	8	5,897,514	5,897,514
Restricted cash deposit	11	5,856,307	5,764,210
Property and equipment		7,799,027	8,772,059
Intangible assets		5,989,655	6,917,038
Right-of-use assets		7,078,001	9,555,215
TOTAL ASSETS		<u>1,117,503,365</u>	<u>958,299,265</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	100,000,000	100,000,000
Statutory reserve		9,352,352	9,352,352
Retained earnings		113,169,144	87,686,215
Actuarial gain on employees' post-employment benefits		51,278	51,278
TOTAL EQUITY		<u>222,572,774</u>	<u>197,089,845</u>
LIABILITIES			
Trade payables		14,845,737	14,533,093
Other payables and accruals		13,778,029	12,231,563
Due to related party	6	70,295	-
Lease liabilities		10,018,773	11,536,049
Provision for zakat	10	11,087,633	8,975,505
Shari'a alternatives for financial derivative instruments		296,535	734,262
Financial facilities	11,6	841,396,160	710,019,520
Employees' post-employment benefits		3,437,429	3,179,428
TOTAL LIABILITIES		<u>894,930,591</u>	<u>761,209,420</u>
TOTAL EQUITY AND LIABILITIES		<u>1,117,503,365</u>	<u>958,299,265</u>

The accompanying notes 1 to 17 form part of these interim condensed financial statements

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE INCOME / (LOSS)
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended		For the nine-month period ended	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
INCOME FROM ISLAMIC FINANCING		33,615,250	27,119,544	98,534,394	72,392,093
OPERATING (EXPENSES) / INCOME					
Finance cost	12	(8,008,689)	(4,901,149)	(24,108,436)	(10,881,100)
General and administrative expenses		(11,402,433)	(11,686,615)	(31,958,062)	(31,234,889)
Selling and marketing expenses		(3,391,251)	(2,497,199)	(9,301,099)	(7,730,572)
Impairment on Islamic financing, net	13	(1,554,667)	(1,159,259)	(4,039,490)	(5,278,593)
Unrealized gain / (loss) on shari'a alternatives for financial derivative instruments		115,698	281,904	437,727	(442,637)
Other (expenses) / income, net	14	<u>(136,232)</u>	<u>(4,129,190)</u>	<u>509,906</u>	<u>(18,981,500)</u>
INCOME / (LOSS) BEFORE ZAKAT		9,237,676	3,028,036	30,074,940	(2,157,198)
Zakat	10	<u>(2,030,442)</u>	-	<u>(4,592,011)</u>	<u>(967,250)</u>
INCOME / (LOSS) FOR THE PERIOD		7,207,234	3,028,036	25,482,929	(3,124,448)
Other Comprehensive Income		-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		<u>7,207,234</u>	<u>3,028,036</u>	<u>25,482,929</u>	<u>(3,124,448)</u>

The accompanying notes 1 to 17 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

For the nine-month period ended

<u>30 September 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	-	-	(3,124,448)	-	(3,124,448)
Balance as at 30 September 2020 (Unaudited)	<u>100,000,000</u>	<u>8,400,375</u>	<u>75,993,973</u>	<u>154,474</u>	<u>184,548,822</u>

For the nine-month period ended

<u>30 September 2021</u>	Share capital	Statutory reserve	Retained Earnings	Actuarial gain on post-employment benefits	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	-	-	25,482,929	-	25,482,929
Balance as at 30 September 2021 (Unaudited)	<u>100,000,000</u>	<u>9,352,352</u>	<u>113,169,144</u>	<u>51,278</u>	<u>222,572,774</u>

The accompanying notes 1 to 17 form part of these interim condensed financial statement

SAUDI FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	For the nine-month period ended	
		30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss) before zakat		30,074,940	(2,157,198)
Adjustments for:			
Depreciation of right of use assets		2,477,214	1,765,868
Depreciation of property and equipment		1,664,424	1,519,165
Amortization of intangible assets		1,560,315	1,132,126
Finance cost	12	24,108,436	10,881,100
Impairment on Islamic financing	13	8,179,558	5,278,593
Net loss on modification of financial instruments	7.1,11.5	2,324,359	18,881,448
Loss on the fair value of financial assets	7.2	22,520,189	23,523,845
Government grant for SAMA funding for lending program and liquidity support	11.4,11.6	(23,513,207)	(20,485,903)
Unrealized loss on shari'a alternatives for financial derivative instruments		(437,727)	442,637
Provision for employees' post-employment benefits		881,045	810,000
Increase in operating assets			
Prepayments and other receivables		(1,213,948)	(2,424,147)
Net investment in Islamic financing		(185,004,861)	(286,133,258)
Restricted cash deposit		(92,097)	(1,433,773)
Increase in operating liabilities			
Trade payables		312,644	35,749,337
Other payables and accruals		1,546,466	316,189
Due to a related party		70,295	83,817
Cash used in operations		(114,541,955)	(212,250,154)
Zakat paid	10	(2,479,883)	(3,644,499)
Employees' post-employment benefits paid		(623,044)	(262,806)
Net cash used in operating activities		(117,644,882)	(216,157,459)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(926,835)	(3,562,421)
Purchase of intangible assets		(397,489)	(5,808,096)
Net cash used in investing activities		(1,324,324)	(9,370,517)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial facilities		362,132,452	476,061,468
Repayment of financial facilities		(225,690,901)	(238,752,495)
Finance cost paid		(4,091,707)	(8,022,950)
Lease liabilities paid		(1,731,000)	-
Net cash generated from financing activities		130,618,844	229,286,023
Net increase in cash and cash equivalents		11,649,638	3,758,047
Cash and cash equivalents at beginning of the period		30,714,105	43,208,272
Cash and cash equivalents at end of the period		42,363,743	46,966,319

The accompanying notes 1 to 17 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	Buraidah	7012640483	26 Dhul-Hijjah 1417H
3	Dammam	7011934028	24 Rabi Awal 1423H
4	Jeddah	7006393552	23 Rabi Thani 1434H
5	Al-Ahsa	7007700193	16 Jumad Awal 1435H
6	Medina	7006257864	11 Sha’aban 1435H

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 nine-month period ended 30 September 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
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(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) Equity 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 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 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.

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.

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FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021
(All amounts in Saudi Riyals unless otherwise stated)

6. RELATED PARTY TRANSACTIONS AND BALANCES

<u>Transactions during the period</u>			<u>For the nine-month period ended</u>	
<u>Names of Related Party</u>	<u>Nature of Relationship</u>	<u>Nature of transactions</u>	<u>30 September 2021 (Unaudited)</u>	<u>30 September 2020 (Unaudited)</u>
		Financial facilities obtained	71,000,000	158,000,000
		Financial facilities repaid	(78,000,000)	(208,000,000)
Abu Dhabi Islamic Bank (ADIB), UAE	Affiliate	Finance cost	1,572,931	3,936,586
		Reimbursed for expenses paid on behalf of associates	70,125	222,445
		Expenses paid on behalf of associates	(70,125)	(222,445)
		Rent expense	-	106,500
Abdullah Ibrahim Al Khorayef Sons Company, KSA	Shareholder	Collection on behalf of a shareholder	90,295	97,817
		Repaid to shareholder	(20,000)	(14,000)

<u>Key management personnel</u>	<u>For the nine-month period ended</u>	
	<u>30 September 2021 (Unaudited)</u>	<u>30 September 2020 (Unaudited)</u>
Salaries and other short-term employee benefits	4,901,762	7,333,662

<u>Balance as at period-end</u>	<u>30 September 2021 (Unaudited)</u>	<u>31 December 2020 (Unaudited)</u>
	Due to a related party	
Abdullah Ibrahim Al Khorayef Sons Company, KSA	70,295	-

<u>Financial Facilities</u>	<u>30 September 2021 (Unaudited)</u>	<u>31 December 2020 (Audited)</u>
	ADIB, UAE	81,000,000
Accrued finance cost	1,253,988	1,844,155
	<u>82,253,988</u>	<u>89,844,155</u>

6.1. Net Investment in Islamic Financings

<u>Nature of Relationship</u>	<u>Product</u>	<u>Profit rate</u>	<u>Tenure</u>	<u>30 September 2021 (Unaudited)</u>	<u>31 December 2020 (Audited)</u>
Key management	Tawarruq	9.26%	3 years	21,946	33,471
				<u>21,946</u>	<u>33,471</u>

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7. NET INVESTMENT IN ISLAMIC FINANCINGS

	30 September 2021	31 December 2020
	(Unaudited)	(Audited)
Gross investment in Islamic financings	1,264,179,559	1,114,492,861
Unearned / deferred Islamic financing income	(201,898,390)	(211,017,296)
Net investment in Islamic financings before provision for impairment	1,062,281,169	903,475,565
Less: Provision for impairment	(24,232,613)	(16,053,055)
Net investment in Islamic financings	<u>1,038,048,556</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 6 months to contracts that qualify as MSME with extending the tenure of the facility.

During June 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 14). Modification loss has been recognized under other income / (expenses) in interim statement of comprehensive income / (loss).

- 7.2.** During the period, the Company has provided financing amounting to SR 278.53 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 256.01 million. The difference between financing provided and its fair value is recorded in the interim statement of comprehensive income / (loss) as per the requirements of IFRS 9 (see Note 14).

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

	For the nine-month period ended	For the year ended
	30 September 2021	31 December 2020
	(Unaudited)	(Audited)
Balance at beginning of the period / year	16,053,055	15,040,536
Provided during the period / year	8,179,558	6,399,431
Written off during the period / year	-	(5,386,912)
Balance at the end of the period / year	<u>24,232,613</u>	<u>16,053,055</u>

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

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8. ASSET REPOSSESSED HELD FOR SALE

During 2016, the Company acquired certain real estate properties in the satisfaction of a claim in order to achieve an orderly realization of a Murabaha receivable. The Company filed a legal case against the erstwhile owner for possession of the properties.

As of 30 September 2021, the case is still waiting for the final decision by the court and are expected to be sold immediately once the final decision is provided by the court.

9. 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 September 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

10. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the nine-month period ended 30 September 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	4,592,011	2,473,108
Payment during the period / year	(2,479,883)	(4,165,515)
Balance at the end of the period / year	<u>11,087,633</u>	<u>8,975,505</u>

STATUS OF ASSESSMENTS

During 2016, zakat assessments have been raised by the ZATCA 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 ZATCA.

During 2019, ZATCA 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).

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10. PROVISION FOR ZAKAT (Continued)

STATUS OF ASSESSMENTS (Continued)

Currently, there are open assessments from the years 2008 to 2013 by ZATCA, for which the Company has provided for additional provision amounting to SR 4,932,575. No demand from the ZATCA has been received till the date of these financial statements.

The Company has submitted its Zakat declaration to ZATCA for the year ended 31 December 2020 and has obtained the certificate valid until 29 Ramadan 1443H corresponding to 30 April 2022.

11. FINANCIAL FACILITIES

	Note	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Short-term financial facilities	6	81,000,000	88,000,000
Long-term financial facilities	11.1	727,407,996	608,834,361
Finance Cost payable		32,988,164	13,185,159
		841,396,160	710,019,520

11.1. Long-term financial facilities

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Current portion		
Long-term financial facilities	300,239,562	182,325,823
Non-current portion		
Long-term financial facilities	427,168,434	426,508,538
	727,407,996	608,834,361

11.2. Unsecured financial facilities at amortized cost

	Note	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Islamic financial facilities:			
-Murabaha	6	82,253,988	89,844,155
Non-profit bearing financing	11.4,11.6	654,930,580	501,979,685
		737,184,568	591,823,840

11.3. Secured financial facilities at amortized cost

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Islamic financial facilities:		
-Murabaha	15,339,325	17,321,368
-Tawarruq	88,872,267	100,874,312
	104,211,592	118,195,680

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11. FINANCIAL FACILITIES (Continued)

- 11.4.** During the period, the Company has obtained government financing amounting to SR 289.34 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 265.87 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.
- 11.5.** During March 2021 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 14). Modification gain has been recognized under other income in the interim statement of comprehensive income / (loss).
- 11.6.** During the period, the Company has received government financing amounting to SR 0.61 million from SAMA at a zero-profit rate under SAMA liquidity support program. These financings are repayable at the end of 18 months which is discounted using average market prevailing profit rates for similar financing facilities. The present value of these amounts to SR 0.04 million. The difference between financing received and its present value is recorded as a government grant.
- 11.7.** The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 30 September 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.

12. FINANCE COST

	For the nine-month period ended	
	30 September 2021	30 September 2020
	(Unaudited)	(Unaudited)
Islamic financial facilities:		
-Murabaha	2,174,231	4,319,273
-Tawarruq	4,251,106	3,720,126
- Non-profit bearing financing	17,469,375	2,622,707
Lease liabilities	213,724	218,994
	<u>24,108,436</u>	<u>10,881,100</u>

13. IMPAIRMENT ON ISLAMIC FINANCING, NET

		For the nine-month period ended	
	Note	30 September 2021	30 September 2020
		(Unaudited)	(Unaudited)
Impairment on Islamic financing	7.3	8,179,558	7,500,000
Write-off recoveries		(4,140,068)	(2,221,407)
		<u>4,039,490</u>	<u>5,278,593</u>

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14. OTHER INCOME / (EXPENSES), NET

	Note	For the nine-month period ended	
		30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Government grant on SAMA funding for lending program and liquidity support	11.4,11.6	23,513,207	20,485,903
Modification gain on financial liabilities	11.5	1,354,709	5,472,977
Management fees and other income		1,841,247	2,937,890
Modification loss on financial assets	7.1	(3,679,068)	(24,354,425)
Loss on the fair value of financial assets	7.2	(22,520,189)	(23,523,845)
		509,906	(18,981,500)

15. 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.

30 September 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	-	296,535	-	296,535
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

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15. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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

16. SUBSEQUENT EVENTS

Subsequent to the reporting date, SAMA has further extended PSFSP for additional 3 months for qualifying MSMEs.

17. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were approved and authorized for issue on 26 October 2021G (corresponding to 20 Rabi' al Awwal 1443H) by the Board of Directors of the Company.