

GULF 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

GULF 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 GULF FINANCE COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

INTRODUCTION

We have reviewed the accompanying interim statement of financial position of Gulf Finance Company (the "Company") as at 31 March 2021 and the related interim statement of comprehensive (Loss) / 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.

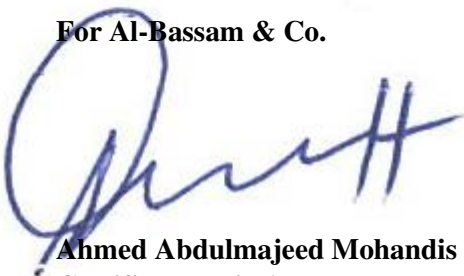
SCOPE OF REVIEW

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 Abdulmajeed Mohandis
Certified Public Accountant
License No. 477



24 Ramadan 1442H
06 May 2021G
Riyadh, Kingdom of Saudi Arabia

GULF 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)

	Note	31 March 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Cash and cash equivalents		4,837,861	10,759,206
Term Deposits		35,064,875	33,039,331
Prepayments and other receivables		929,082	1,164,382
Due from related party	5	8,538,882	8,348,882
Net investment in Islamic financing	6	185,268,223	188,127,000
Restricted cash deposits		355,720	355,720
Investment carried at FVOCI		892,850	892,850
Property and equipment		94,125	104,374
Intangible assets		75,000	80,000
Right-of-use assets		82,284	98,741
TOTAL ASSETS		236,138,902	242,970,486
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	100,000,000	100,000,000
Statutory reserve		994,257	994,257
Accumulated losses		(9,292,386)	(7,933,496)
Actuarial reserve on End-of-service indemnities		457,878	457,878
TOTAL EQUITY		92,159,749	93,518,639
LIABILITIES			
Other payables and accruals		2,769,465	3,452,799
Lease liabilities		67,009	102,009
Due to related parties	5	114,329	92,340
Provision for zakat	8	534,222	476,502
Financial facilities	9	138,758,442	143,667,099
End-of-service indemnities		1,735,686	1,661,098
TOTAL LIABILITIES		143,979,153	149,451,847
TOTAL EQUITY AND LIABILITIES		236,138,902	242,970,486
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The accompanying notes 1 to 14 form part of these interim condensed financial statements

GULF FINANCE COMPANY
(A Saudi Closed Joint Stock Company)
INTERIM STATEMENT OF COMPREHENSIVE (LOSS) / INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2021
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended	
		31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
INCOME FROM ISLAMIC FINANCING, NET		4,218,422	4,268,347
OPERATING (EXPENSES) / INCOME			
Finance cost		(1,131,964)	(362,552)
General and administrative expenses		(2,561,813)	(2,707,347)
Impairment on Islamic financing	6.2	(460,587)	(516,734)
Impairment on fair value measurement of assets repossessed held for sale		-	(183,000)
Other (Expenses) / Income, net	10	(1,365,228)	534,244
NET OPERATING (LOSS) / INCOME BEFORE ZAKAT		(1,301,170)	1,032,958
Zakat	8	(57,720)	(272,590)
NET (LOSS) / INCOME FOR THE PERIOD		(1,358,890)	760,368
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(1,358,890)	760,368

The accompanying notes 1 to 14 form part of these interim condensed financial statements

GULF 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)

<u>For the three-month period ended</u> <u>31 March 2020</u>	Share capital	Statutory reserve	Accumulated Losses	Actuarial reserve on End-of-service indemnities	Total equity
Balance as of 1 January 2020 – Audited	100,000,000	994,257	(2,510,478)	532,397	99,016,176
Comprehensive income for the period	--	-	760,368	-	760,368
Balance as of 31 March 2020 (Unaudited)	<u>100,000,000</u>	<u>994,257</u>	<u>(1,750,110)</u>	<u>532,397</u>	<u>99,776,544</u>
<u>For the three-month period ended</u> <u>31 March 2021</u>	Share capital	Statutory reserve	Accumulated Losses	Actuarial reserve on End-of-service indemnities	Total equity
Balance as of 1 January 2021 (Audited)	100,000,000	994,257	(7,933,496)	457,878	93,518,639
Comprehensive loss for the period	-	-	(1,358,890)	-	(1,358,890)
Balance as of 31 March 2021 (Unaudited)	<u>100,000,000</u>	<u>994,257</u>	<u>(9,292,386)</u>	<u>457,878</u>	<u>92,159,749</u>

The accompanying notes 1 to 14 form part of these interim condensed financial statements

GULF 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)

	Note	For the three-month period ended	
		31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating (loss) / income before zakat		(1,301,170)	1,032,958
Adjustments for:			
Depreciation of right of use assets		16,457	16,457
Depreciation of property and equipment		10,249	9,677
Amortization of intangibles		5,000	275,048
Impairment / (Reversal) on Islamic financing	6.2	460,587	516,734
Finance cost		1,131,964	362,552
Impairment on fair value measurement of assets repossessed held for sale		-	183,000
Profit on term deposits	10	(184,186)	-
Modification loss on financial assets		1,903,988	-
Provision for End-of-service indemnities		74,588	90,926
(Increase) / decrease in operating assets			
Prepayments and other receivables		235,300	(543,995)
Due from a related party		(190,000)	(169,480)
Net investment in Islamic financing		494,202	(15,989,785)
(Decrease) / increase in operating liabilities			
Other payables and accruals		(683,334)	(925,838)
Due to related parties		21,989	(71,267)
Net cash generated from / (used in) operating activities		1,995,634	(15,213,013)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of term deposits		(2,000,000)	-
Profit received on term deposits		158,642	-
Net cash used in investing activities		(1,841,358)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of financial facilities		(5,035,915)	(9,010,888)
Lease liabilities paid		(35,000)	(35,000)
Finance cost paid		(1,004,706)	(305,466)
Net cash used in financing activities		(6,075,621)	(9,351,354)
Net decrease in cash and cash equivalents		(5,921,345)	(24,564,367)
Cash and cash equivalents at beginning of the period		10,759,206	26,626,908
Cash and cash equivalents at end of the period		4,837,861	2,062,541

The accompanying notes 1 to 14 form part of these interim condensed financial statements

GULF 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

Gulf Finance Company ("the Company") is a Saudi closed Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial register under No. 7013624916 on 28 Dhul Qa'adah 1433H (corresponding to 14 October 2012). On 26 Sha'ban 1435H (corresponding to 24 September 2014), the shareholders resolved to convert the legal status of the Company from a limited liability company to a Closed Joint-Stock Company and obtained the necessary approval from the Ministry of Commerce & Investment (MOCI) and the Notary Public.

On 15 December 2013 and in accordance with article 6 of the implementing regulations of the law of supervision of finance companies, the Company submitted its application to the Saudi Central Bank (SAMA) to obtain its license as a financing company. On 3 Jumada al-Akhirah 1435H (corresponding to 3 April 2014), the Company obtained the preliminary approval on the license from SAMA. On 16 Safar 1436H (corresponding to 8 December 2014) the Company obtained the license from SAMA to engage in the finance lease activities. The principal of activities of the Company includes financial lease, financing production assets to Small and Medium Enterprises (SMEs).

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

Gulf Finance Company
Al Hokair Holding Group Building,
Ground Floor, North Ring Road, Al Murooj Area
P.O. Box 240249
Riyadh 11322
Kingdom of Saudi Arabia

The Company's activities as per the commercial registration of the Company include:

(a) Wholesale and retail trade in cars and vehicles, trucks, tankers and heavy equipment, electrical and electronic devices and its spare parts in cash and installment; and

(b) Purchase of land for the construction of buildings and the investment of these buildings by selling or leasing them for the benefit of the Company provided that the real estate shall be outside the boundaries of Makkah and Madinah.

The Company has the following branches:

S. No	Branch	C.R. No.	Date
1	Riyadh	7013624916	26 Jumada Al-Awwal 1434H
2	Jeddah	7001738363	21 Ramadan 1439H
3	Dammam*	2050091775	12 Rajab 1434H

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

GULF 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

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.

2.2. BASIS OF MEASUREMENT

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

- a) Investments measured at fair value;
- b) Assets repossessed held for sale measured at lower of carrying value and fair value less cost to sell; and
- c) 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 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.

4. 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.

GULF 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)

5. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the period				For the three-month period Ended	
Names of Related Parties	Nature of Relationship	Nature of transactions	Note	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Shuaa Capital PSC – UAE	Shareholder – (“Parent Company”)	Finance income	10	190,000	189,480
		Collection against disposed-off financing portfolio		-	(20,000)
Gulf Finance Company PJSC – UAE	Shareholder	Allocation of software and related cost		-	(39,443)
		Allocation of support services relating to IT software		(114,329)	(92,340)
		Repayment by Gulf Finance Company		92,340	203,050
		Profit earned		193,924	237,500
Second Coast Company for Commercial Hotels	Affiliate	Modification loss		(231,959)	-
		Write-off*		(44,469)	-
		Repayment by the related party		-	(390,555)
		Profit earned		130,583	125,000
Fifth Coast Company for Commercial Hotels	Affiliate	Profit received		-	(102,403)
		Rollover fee		25,000	
		Write-off*		(240,833)	
		Modification loss		(5,172)	
		Profit earned		198,486	227,499
First Sabeel Hotels Company	Affiliate	Rollover fee		37,500	
		Write-off*		(420,574)	
		Modification loss		(2,462)	-
		Profit earned		253,059	237,500
Raibat Al Yasmin Company for Real Estate Investment and Development	Affiliate	Modification loss		(326,006)	-
		Write-off*		(182,613)	-
		Profit earned		253,059	237,500

*These write-offs relate to the unreconciled differences and has been approved by the board of directors.

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

5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Transactions during the period				For the three-month period Ended	
Names of Related Party	Nature of Relationship	Nature of transactions	Note	31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Affiliate	Profit earned		121,399	112,723
		Profit received		(536,016)	(75,000)
Key Management Personnel	Executives	Salaries and other short-term employee benefits		923,595	841,095
	Directors	Board Remuneration		50,000	50,000

Balances as at the period-end

	Nature of balance	Note	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Due from related party				
Shuaa Capital PSC, UAE	Loan to shareholder	5.1	8,538,882	8,348,882
Due to related parties				
Gulf Finance Company PJSC, UAE	Allocation of software and related cost		114,329	92,340
			<u>114,329</u>	<u>92,340</u>

- 5.1.** This represents an unsecured short-term intercompany loan without any asset-backed financing to the Parent Company under an agreement made on 7 February 2019. The loan bears interest of 9.5% per annum and was repayable in 90 days. However, upon the expiry of the term, it was rescheduled by the Company on the request of the Parent Company dated 5 August 2019 for another 180 days and was repayable on 4 November 2019. As at March 31, 2021 the loan has been overdue for more than 360 days. However, since the Company is ultimately owned 100% by Shuaa Capital PSC, UAE, no provision for impairment has been recorded.

Net investment in Islamic financing

The Company has entered into certain Islamic financing agreements with the related parties. These related parties are special purpose vehicles of Shuaa Capital KSA. Due from these related parties against outstanding Islamic financing are included within net investment in Islamic financing. Following are the balances before provisioning of impairment:

	Note	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Second Coast Company for Commercial Hotels	5.2	7,690,622	7,773,126
Fifth Coast Company for Commercial Hotels	5.2	5,318,056	5,408,478
First Sabeel Hotels Company	5.2	8,080,483	8,267,533
Raibat Al Yasmin Company for Real Estate Investment and Development	5.2	10,030,583	10,286,143
Shuaa Cayan City Lights for Development & Real Estate Investment Company	5.2	5,229,308	5,643,926
		<u>36,349,052</u>	<u>37,379,206</u>

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(All amounts in Saudi Riyals unless otherwise stated)

5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

5.2. The following represents the terms and conditions of short-term financing provided to related parties.

Secured – Ijara	Note	Relationship	Effective Interest Rate	Tenure	Amount Financed
Second Coast Company for Commercial Hotels	5.3	Affiliates	10%	12 months	9,500,000
Fifth Coast Company for Commercial Hotels	5.4	Affiliates	10%	12 months	5,000,000
First Sabeel Hotels Company	5.5	Affiliates	10%	12 months	7,600,000
					22,100,000
Unsecured – Murabaha					
Raibat Al Yasmin Company for Real Estate Investment and Development	5.6	Affiliates	10%	12 months	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	5.7	Affiliates	10%	12 months	3,000,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	5.7	Affiliates	10%	12 months	2,209,701
					14,709,701
					36,809,701

- 5.3. During the period, the Company has deferred the loan for an additional period of 3 months under SAMA Program.
- 5.4. During the year 2020, the Company has deferred the loan for a period of 12 months under Monshaat Program.
- 5.5. During the year 2020, the Company has deferred the loan for a further period of 12 months under Monshaat and SAMA Program. During the period, the Company has deferred the partial loan for an additional period of 3 months eligible under SAMA Program
- 5.6. During the period, the Company has deferred the loan for an additional period of 3 months under SAMA Program.
- 5.7. During the year 2020, the Company has rescheduled the loan for a further period of 12 months. Accrued profit was not received at the time of rescheduling. The rescheduling was done without any asset-backed transaction required under Islamic principles. During the period ended 31 March 2021, the Company has rescheduled the loan for an additional period of 6 months.

GULF FINANCE COMPANY
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(All amounts in Saudi Riyals unless otherwise stated)

6. NET INVESTMENT IN ISLAMIC FINANCINGS

	31 March 2021	31 December 2020
	(Unaudited)	(Audited)
Gross investment in Islamic financings	221,212,646	229,814,713
Unearned / Deferred Islamic financing income	(30,919,152)	(36,949,255)
Unearned origination fees	(791,787)	(965,561)
Net investment in Islamic financings before provision for impairment	189,501,707	191,899,897
Less: Provision for impairment	(4,233,484)	(3,772,897)
Net investment in Islamic financings	<u>185,268,223</u>	<u>188,127,000</u>

- 6.1.** 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 March 2021, SAMA further extended the same for an 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 10). Modification loss has been recognized under other income / (expenses) in interim statement of comprehensive income.

- 6.2.** 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 (Unaudited)	For the year ended 31 December 2020 (Audited)
Balance at beginning of the period / year	3,772,897	2,885,578
Provided / (reversed) during the period / year	460,587	912,369
Written off during the period / year	-	(25,050)
Balance at the end of the period / year	<u>4,233,484</u>	<u>3,772,897</u>

- 6.3.** Net Investment in Islamic financing includes balances due from related parties (Refer note 5)

7. 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
Shuaa Capital PSC, UAE	92%	9,200,000	92,000,000
Gulf Finance Company PJSC, UAE	5%	500,000	5,000,000
Shuaa 1 for Commercial Brokerage LLC, UAE	1%	100,000	1,000,000
Shuaa 2 for Commercial Brokerage LLC, UAE	1%	100,000	1,000,000
Shuaa 3 for Commercial Brokerage LLC, UAE	1%	100,000	1,000,000
	<u>100%</u>	<u>10,000,000</u>	<u>100,000,000</u>

GULF FINANCE COMPANY
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(All amounts in Saudi Riyals unless otherwise stated)

8. 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	476,502	1,045,050
Provided during the period / year	57,720	351,884
	57,720	351,884
Payment during the period / year	-	(920,432)
Balance at the end of the period / year	534,222	476,502

STATUS OF ASSESSMENTS

The Zakat returns for the years ended 31 December 2014 till 2017 had been filed and were under review by GAZT. During the current year, upon finalization of the assessment, demand has been raised by GAZT of SR 259,618 for the years 2014 till 2017. The first payment of SR 51,923 was made immediately upon receipt of the notice. The remaining amount is payable in equal installments of SR 41,539 from 2019 to 2023 with the first amount paid on 16 December 2019. As of 31 March 2021, the remaining installment amount is SR 124,617 (3 installments of SR 41,539 each).

The Zakat return for the year ended 31 December 2019 has been filed and are under review with GAZT. The Company has obtained a certificate from the GAZT valid until 18 Ramadan 1442H corresponding to 30 April 2021

9. FINANCIAL FACILITIES

	Note	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Long-term financial facilities	9.1	137,201,916	142,243,255
Finance Cost payable		1,556,526	1,423,844
		138,758,442	143,667,099

9.1. Long-term financial facilities

	31 March 2021 (Unaudited)	31 December 2020 (Audited)
Current portion		
Long-term financial facilities	73,636,744	58,474,044
Non-current portion		
Long-term financial facilities	63,565,172	83,769,211
	137,201,916	142,243,255

9.2. The Company obtained bank financial facilities from a local bank for the purpose of financing working capital needs. These bank facilities bear finance costs at market prevailing rates and also have restricted cash deposits. The Company has collateralized certain Islamic financing receivables in order to obtain these financial facilities

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9. FINANCIAL FACILITIES (Continued)

9.3. 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 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.

9.4. The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 31 March 2021, the Company is in compliance with the covenants of the financing agreements.

10. OTHER (EXPENSES) / INCOME, NET

	Note	For the three-month period ended	
		31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
Modification loss on financial assets	6.1	(1,903,988)	-
Finance income on loan to shareholder	5	190,000	189,480
Profit on term deposits		184,186	75,677
Origination fee		164,574	269,087
		<u>(1,365,228)</u>	<u>534,244</u>

11. CONTINGENCIES AND COMMITMENT

During 2019, the Company has offered a loan to its shareholder Shuaa Capital PSC UAE amounting to SR 8 million as disclosed in Note 5. The loan was provided in contravention of certain of provisions of SAMA as a result the penalties section of the regulation includes possible penalties amounting to SR 250k - SR500k. The Company have submitted a letter dated 27 February 2020 to SAMA explaining the fact pattern, and, yet to receive a formal reply. Due to the inability to measure the amount of obligation with sufficient reliability, no provision for the penalties is recognized in the financial statements as at 31 March 2021.

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12. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 for non-recurring measurement

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

31 March 2021 (Unaudited)	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
31 December 2020 (Audited)				
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850

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12. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (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

13. SUBSEQUENT EVENTS

Subsequent to the period end the Company has received Government Grant in lieu of liquidity support from SAMA for the deferment of MSME loans for an additional period of 3 months as per SAMA instructions

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

14. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were approved and authorized for issue on 05 May 2021G (corresponding to 23 Ramadan 1442H) by the Board of Directors of the Company.