

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

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

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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 30 June 2020 and the related interim statement of comprehensive (loss) / income for the three-month and six-month periods then ended, and the interim statement of changes in equity and interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

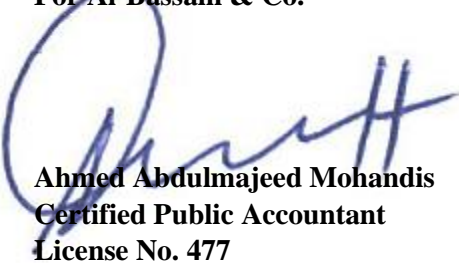
SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.


Ahmed Abdulmajeed Mohandis
Certified Public Accountant
License No. 477



01 Muharram 1442H
20 August 2020G
Riyadh, Kingdom of Saudi Arabia

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

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Cash and cash equivalents		93,058,063	26,626,908
Prepayments and other receivables		2,196,547	1,623,332
Due from a related party	5	6,261,120	5,876,476
Assets repossessed held for sale		375,000	741,000
Net investment in Islamic financing	6	174,523,906	167,423,899
Restricted cash deposits	9.2	355,720	355,720
Investment carried at FVOCI		892,850	892,850
Property and equipment		124,874	137,928
Intangible assets		344,251	783,605
Right-of-use assets		131,654	164,568
TOTAL ASSETS		278,263,985	204,626,286
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	100,000,000	100,000,000
Statutory reserve		994,257	994,257
Accumulated losses		(3,117,452)	(2,510,478)
Actuarial gain on employees' post-employment benefits		532,397	532,397
TOTAL EQUITY		98,409,202	99,016,176
LIABILITIES			
Other payables and accruals		4,491,875	3,872,374
Lease liabilities		135,058	166,585
Due to a related party	5	30,780	107,671
Provision for zakat	8	1,128,820	1,045,050
Financial facilities	9	172,752,895	99,268,837
Employees' post-employment benefits		1,315,355	1,149,593
TOTAL LIABILITIES		179,854,783	105,610,110
TOTAL EQUITY AND LIABILITIES		278,263,985	204,626,286
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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 AND SIX-MONTH PERIODS ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

Note	<i>For the three-month period ended</i>		<i>For the six-month period ended</i>		
	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)	
INCOME FROM ISLAMIC FINANCING, NET OPERATING (EXPENSES) / INCOME	5,193,842	4,096,367	9,462,189	7,076,451	
Finance cost	9	(1,038,876)	(383,997)	(1,401,428)	(676,827)
General and administrative expenses		(2,633,568)	(3,616,400)	(5,340,915)	(6,664,823)
(Impairment) / Reversal on Islamic financing	6.1	(68,154)	(167,612)	(584,888)	463,084
Impairment on fair value measurement of assets repossessed held for sale		(183,000)	-	(366,000)	-
Other expense / income, net	10	(2,826,406)	1,080,448	(2,292,162)	1,825,553
NET OPERATING (LOSS) / INCOME BEFORE ZAKAT		(1,556,162)	1,008,806	(523,204)	2,023,438
Zakat	8	188,820	74,118	(83,770)	(375,882)
NET (LOSS) / INCOME FOR THE YEAR		(1,367,342)	1,082,924	(606,974)	1,647,556
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(1,367,342)	1,082,924	(606,974)	1,647,556

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

For the six-month period ended
30 June 2019

	Share capital	Statutory reserve	Accumulated Losses	Actuarial gain on post-employment benefits	Total equity
Balance as at 1 January 2019 – Audited	100,000,000	676,668	(4,905,648)	302,922	96,073,942
Comprehensive income for the period	-	-	1,647,556	-	1,647,556
Balance as at 30 June 2019 (Unaudited)	100,000,000	676,668	(3,258,092)	302,922	97,721,498

For the six-month period ended
30 June 2020

	Share capital	Statutory reserve	Accumulated Losses	Actuarial gain / (loss) on post-employment benefits	Total equity
Balance as at 1 January 2020 (Audited)	100,000,000	994,257	(2,510,478)	532,397	99,016,176
Comprehensive loss for the period	-	-	(606,974)	-	(606,974)
Balance as at 30 June 2020 (Unaudited)	100,000,000	994,257	(3,117,452)	532,397	98,409,202

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 SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended	
		30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net operating (loss) / income before zakat		(523,204)	2,023,438
Adjustments for:			
Depreciation of right of use assets		32,914	-
Depreciation of property and equipment		19,925	167,060
Amortization of intangibles		539,354	529,701
Impairment / (Reversal) on Islamic financing	6.1	584,888	(463,084)
Finance cost		1,401,428	676,827
Impairment on fair value measurement of assets repossessed held for sale		366,000	-
Government grant on SAMA liquidity support	10	(7,654,246)	-
Modification gain on financial liabilities	10	(1,114,483)	-
Modification loss on financial assets	10	12,106,156	-
Provision for employees' post-employment benefits		165,762	67,325
		5,924,494	3,001,267
(Increase) / decrease in operating assets			
Prepayments and other receivables		(573,215)	293,208
Due from a related party		(384,644)	(6,189,935)
Net investment in Islamic financing		(19,791,051)	(22,362,464)
(Decrease) / increase in operating liabilities			
Other payables and accruals		619,501	31,772
Due to a related party		(76,891)	(6,919,520)
Cash used in operating activities		(14,281,806)	(32,145,672)
Zakat paid		-	(51,923)
Employees' post-employment benefits paid		-	(201,639)
Net cash used in operating activities		(14,281,806)	(32,399,234)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of intangible assets		(100,000)	(244,727)
Purchase of property and equipment		(6,871)	(140,000)
Net cash used in investing activities		(106,871)	(384,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from financial facilities		90,086,886	59,000,000
Repayment of financial facilities		(8,919,170)	(7,072,414)
Lease liabilities paid		(35,000)	-
Finance cost paid		(312,884)	(727,159)
Net cash generated from financing activities		80,819,832	51,200,427
Net increase in cash and cash equivalents		66,431,155	18,416,466
Cash and cash equivalents at beginning of the period		26,626,908	9,503,619
Cash and cash equivalents at end of the period		93,058,063	27,920,085

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 SIX-MONTH PERIOD ENDED 30 JUNE 2020
(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. 4030235277 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 Arabian Monetary Authority (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	1010369744	26 Jumada Al-Awwal 1434H
2	Jeddah	7001738363	21 Ramadan 1439H
3	Dammam	2050091775	12 Rajab 1434H

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

These interim condensed financial statements of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”).

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

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

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

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) 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 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.

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

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

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

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

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

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

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

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 2020, but they do not have a material effect on the Company’s interim condensed financial statements.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

5. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the year				For the six-month period ended	
Names of Related Parties	Nature of Relationship	Nature of transactions	Note	30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
		Allocation of software and related cost		(61,398)	(117,157)
Shuaa Capital PSC – UAE.	Shareholder – (“Parent Company”)	Allocation of other operating expenses		-	(2,471)
		Finance income	10	378,504	301,889
		Commission on collection	10	87,538	-
		Short term financing		-	30,100,000
		Collections against disposed-off financing portfolio		(20,000)	(1,314,604)
Gulf Finance Company PJSC – UAE	Shareholder	Allocation of software and related cost		(39,443)	(515,114)
		Allocation of other operating expenses		(198,419)	(198,665)
		Repayment by Gulf Finance Company		314,753	-
Second Coast Company for Commercial Hotels	Affiliate	Profit earned		475,000	475,000
		Repayment by the related party		(390,555)	-
Fifth Coast Company for Commercial Hotels	Affiliate	Profit earned		250,000	-
		Modification loss		(240,972)	-
		Profit received		(102,403)	-
First Sabeel Hotels Company	Affiliate	Profit earned		455,000	-
		Modification loss		(293,023)	-
Raibat Al Yasmin Company for Real Estate Investment and Development	Affiliate	Profit earned		475,000	-
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Affiliate	Profit earned		225,446	-
		Profit received		(75,000)	-
Key Management Personnel	Executives	Salaries and other short-term employee benefits		1,721,690	1,539,036
	Directors	Board Remuneration		100,000	100,000

GULF FINANCE COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
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(All amounts in Saudi Riyals unless otherwise stated)

5. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Balances as at the period-end

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Due from a related party			
Shuaa Capital PSC, UAE	5.1	6,261,120	5,876,476
Due to a related party			
Gulf Finance Company PJSC, UAE		30,780	107,671

- 5.1.** This represents an unsecured short-term inter-company 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 June 30, 2020 the loan has been overdue for more than 180 days. However, since Gulf finance Company is ultimately 100% owned 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 and are given below:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Raibat Al Yasmin Company for Real Estate Investment and Development	10,151,806	9,676,806
Second Coast Company for Commercial Hotels	10,054,167	9,969,722
First Sabeel Hotels Company	9,643,283	9,481,306
Fifth Coast Company for Commercial Hotels	5,240,972	5,334,347
Shuaa Cayan City Lights for Development & Real Estate Investment Company	4,718,115	4,567,669
	39,808,343	39,029,850

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FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020
(All amounts in Saudi Riyals unless otherwise stated)

6. NET INVESTMENT IN ISLAMIC FINANCINGS

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Gross investment in Islamic financings	204,893,181	198,215,383
Unearned / Deferred Islamic financing income	(25,614,672)	(26,801,679)
Unearned origination fees	(1,284,137)	(1,104,227)
Net investment in Islamic financings before provision for impairment	177,994,372	170,309,477
Less: Provision for impairment	(3,470,466)	(2,885,578)
Net investment in Islamic financings	<u>174,523,906</u>	<u>167,423,899</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 has deferred payments for 6 months to contracts that qualify as MSME with extending the tenure of the facility. Furthermore, as part of the Social Development Bank - Munshaat deferred payment program, the Company has deferred payments for 12 months to contracts under Munshaat program with extending the tenure of the facility. The accounting impact of these changes in terms of the net investment in Islamic Financing has been assessed and accounted 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 (loss) / income.

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

	For the six-month period ended 30 June 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Balance at beginning of the period / year	<u>2,885,578</u>	4,375,391
Provided / (reversed) during the period / year	<u>584,888</u>	(1,168,747)
Written off during the period / year	<u>-</u>	(321,066)
Balance at the end of the period / year	<u><u>3,470,466</u></u>	<u><u>2,885,578</u></u>

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

7. SHARE CAPITAL

The Company's subscribed and paid-up share capital of SR. 100,000,000 is divided into 10,000,000 equity shares of SR. 10 each fully subscribed and paid, and distributed among shareholders as follows:

Shareholders	30 June 2020 and 31 December 2019		
	Holding %	No. of Shares	Amount
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
	100%	10,000,000	100,000,000

8. PROVISION FOR ZAKAT

The movement in the provision for zakat is as follows:

	For the six-month period ended 30 June 2020 (Unaudited)	For the year ended 31 December 2019 (Audited)
Balance at the beginning of the period / year	1,045,050	654,119
Provided during the period / year	83,770	878,894
Reversal of prior period / year charge	-	(67,152)
	83,770	811,742
Payment during the period / year	-	(420,811)
Balance at the end of the period / year	1,128,820	1,045,050

STATUS OF ASSESSMENTS

The Zakat returns for the years ended 31 December 2014 till 2017 had been filed and were under review by GAZT. In 2019, upon finalization of the assessment, demand was 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.

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 18 Ramadan 1442H corresponding to 30 April 2021.

9. FINANCIAL FACILITIES

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Long-term financial facilities	9.1	171,576,426	99,177,439
Finance Cost payable		1,176,469	91,398
		172,752,895	99,268,837

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9. FINANCIAL FACILITIES (CONTINUED)

9.1. Long-term financial facilities

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Current portion		
Long-term financial facilities	25,662,866	40,909,370
Non-current portion		
Long-term financial facilities	145,913,560	58,268,069
	171,576,426	99,177,439

- 9.2.** The Company holds 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.
- 9.3.** The Company has long-term financial facilities from Social Development Bank (“SDB”), a Saudi Government-owned financial institution with an outstanding amounting to SR 86.812 million (31 December 2019 SR. 96.469 million). The Company is also required to pay an administrative fee of SR 2.888 million over the period of the financial facility which has been incorporated in 36 equal monthly installments commencing from March 2019. The terms of the financial facility require the management to disburse the amount to its customer which meets the criteria defined in the facility agreement with Social Development Bank. During the period ended 30 June 2020, SDB rescheduled the repayments of facilities by deferring and extending the tenure by 12-months. The accounting impact of these changes in terms of the Financial Facilities has been assessed and accounted for as per the requirements of IFRS 9 as a modification in terms of the arrangements (see Note 10).
- 9.4.** During the period, the Company has obtained government financing amounting to SR 30 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 27.336 million. The difference between financing received and its present value is recorded as a government grant and has been recorded as deferred income since the Company is yet to incur the related costs.
- 9.5.** During the period, the Company has obtained government financing amounting to SR 62.75 million from SAMA at a zero-profit rate under SAMA liquidity support program. These financings are repayable in 36 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 55.095 million. The difference between financing received and its present value is recorded as a government grant (see Note 10).
- 9.6.** During the period, in accordance with the instructions of SAMA, Banks have rescheduled the repayments of the financial facilities by deferring and extending the tenure of the facilities by 6-months. The accounting impact of these changes in terms of the financial facilities has been assessed and account for as per the requirements of IFRS 9 as a modification in terms of the arrangements (see Note 10).
- 9.7.** The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 30 June 2020, the Company is in compliance with the covenants of the financing agreements.

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(All amounts in Saudi Riyals unless otherwise stated)

10. OTHER (EXPENSES) / INCOME, NET

	Note	For the six-month period ended	
		30 June 2020 (Unaudited)	30 June 2019 (Unaudited)
Government grant on SAMA liquidity support	9.5	7,654,246	-
Modification gain on financial liabilities	9.6, 9.3	1,114,483	-
Finance income on loan to shareholder	5	378,504	301,889
Origination fee		410,040	635,826
Profit on term deposits		169,183	887,838
Commission on collection from customers	5	87,538	-
Modification loss on financial assets	6.1	(12,106,156)	-
		(2,292,162)	1,825,553

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 30 June 2020.

12. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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12. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

30 June 2020 (Unaudited)	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850
31 December 2019 (Audited)	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
FVOCI designated				
Investment carried at FVOCI	-	-	892,850	892,850

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

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

14. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were approved and authorized for issue on 20 August 2020 G (corresponding to 01 Muharram 1442H) by the Board of Directors of the Company.