

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

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**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 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 30 June 2021 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.

**BASIS FOR QUALIFIED CONCLUSION**

As disclosed under note 6 to the accompanying interim condensed financial statements, during the period, the Company rescheduled net investment in Islamic financing amounting to SR 17,455,944. Upon rescheduling the Company upgraded the respective customers to Stage 1 that is in contravention with the principle requirements under IFRS 9 for Modification of Financial assets. Based on information provided to us by management, if these impairments were recorded as at June 30, 2021, provision for Net Investment in Islamic Financing would increase by SR 9,259,796, and net income would decrease by SR 9,259,796 for the six-month period then ended.

**QUALIFIED CONCLUSION**

Based on our review, with the exception of the matter described in the preceding paragraph, 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



**25 Dhu'l-Hijjah 1442H**  
**05 August 2021G**  
**Riyadh, Kingdom of Saudi Arabia**

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

	Notes	30 June 2021 (Unaudited)	31 December 2020 (Audited)
<b>ASSETS</b>			
Cash at Bank		8,938,650	10,759,206
Term Deposits		83,527,923	33,039,331
Prepayments and other receivables		997,522	1,164,382
Due from a related party	6	8,728,882	8,348,882
Net investment in Islamic financing	7	175,972,158	188,127,000
Restricted cash deposits		355,720	355,720
Investment carried at FVOCI		892,850	892,850
Property and equipment		85,571	104,374
Intangible assets		70,000	80,000
Right-of-use assets		65,827	98,741
<b>TOTAL ASSETS</b>		<b>279,635,103</b>	<b>242,970,486</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	8	100,000,000	100,000,000
Statutory reserve		994,257	994,257
Accumulated losses		(6,235,518)	(7,933,496)
Actuarial gain on employees' post-employment benefits		457,878	457,878
<b>TOTAL EQUITY</b>		<b>95,216,617</b>	<b>93,518,639</b>
<b>LIABILITIES</b>			
Other payables and accruals		2,534,499	3,452,799
Lease liabilities		68,851	102,009
Due to a related party	6	61,560	92,340
Provision for zakat	9	546,642	476,502
Financial facilities	10	179,412,088	143,667,099
Employees' post-employment benefits		1,794,846	1,661,098
<b>TOTAL LIABILITIES</b>		<b>184,418,486</b>	<b>149,451,847</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>279,635,103</b>	<b>242,970,486</b>
<b>Contingencies and Commitments</b>	13		

The accompanying notes 1 to 16 form part of these interim condensed financial statements

**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME / (LOSS)**  
**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2021**  
**(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 2021 (Unaudited)	30 June 2020 (Unaudited)	30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
<b>INCOME FROM ISLAMIC FINANCING, NET OPERATING (EXPENSES) / INCOME</b>		<b>4,033,929</b>	<b>5,193,842</b>	<b>8,252,351</b>	<b>9,462,189</b>
Finance cost		(1,713,850)	(1,038,876)	(2,845,814)	(1,401,428)
General and administrative expenses		(2,846,244)	(2,633,568)	(5,408,057)	(5,340,915)
Impairment on Islamic financing	7.2	(50,267)	(68,154)	(510,854)	(584,888)
Impairment on fair value measurement of assets repossessed held for sale		-	(183,000)	-	(366,000)
Other expense / income, net	12	4,001,893	(2,826,406)	2,636,665	(2,292,162)
<b>NET OPERATING INCOME / (LOSS) BEFORE ZAKAT</b>		<b>3,425,461</b>	<b>(1,556,162)</b>	<b>2,124,291</b>	<b>(523,204)</b>
Zakat	9	(368,593)	188,820	(426,313)	(83,770)
<b>NET INCOME / (LOSS) FOR THE YEAR</b>		<b>3,056,868</b>	<b>(1,367,342)</b>	<b>1,697,978</b>	<b>(606,974)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>		<b>3,056,868</b>	<b>(1,367,342)</b>	<b>1,697,978</b>	<b>(606,974)</b>

The accompanying notes 1 to 16 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 SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**For the six-month period ended**  
**30 June 2020**

	Share capital	Statutory reserve	Accumulated Losses	Actuarial gain 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 income for the period	-	-	(606,974)	-	(606,974)
Balance as at 30 June 2020 (Unaudited)	<u>100,000,000</u>	<u>994,257</u>	<u>(3,117,452)</u>	<u>532,397</u>	<u>98,409,202</u>

**For the six-month period ended**  
**30 June 2021**

	Share capital	Statutory reserve	Accumulated Losses	Actuarial gain on post-employment benefits	Total equity
Balance as at 1 January 2021 (Audited)	100,000,000	994,257	(7,933,496)	457,878	93,518,639
Comprehensive loss for the period	-	-	1,697,978	-	1,697,978
Balance as at 30 June 2021 (Unaudited)	<u>100,000,000</u>	<u>994,257</u>	<u>(6,235,518)</u>	<u>457,878</u>	<u>95,216,617</u>

The accompanying notes 1 to 16 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 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

		For the six-month period ended	
		30 June 2021	30 June 2020
	Note	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net operating (loss) / income before zakat</b>		<b>2,124,291</b>	(523,204)
<b>Adjustments for:</b>			
Depreciation of right of use assets		32,914	32,914
Depreciation of property and equipment		18,803	19,925
Amortization of intangibles		10,000	539,354
Impairment on Islamic financing	7.1	510,854	584,888
Finance cost	11	2,845,814	1,401,428
Impairment on fair value measurement of assets repossessed held for sale		-	366,000
Government grant on SAMA liquidity support	12	(3,478,445)	(7,654,246)
Modification gain on financial liabilities		-	(1,114,483)
Modification loss on financial assets	12	1,903,988	12,106,156
Provision for employees' post-employment benefits		151,013	165,762
		<b>4,119,232</b>	5,924,494
<b>(Increase) / decrease in operating assets</b>			
Prepayments and other receivables		166,860	(573,215)
Due from a related party		(380,000)	(384,644)
Net investment in Islamic financing		9,740,000	(19,791,051)
<b>(Decrease) / increase in operating liabilities</b>			
Other payables and accruals		(918,300)	619,501
Due to a related party		(30,780)	(76,891)
<b>Cash generated / (used in) operating activities</b>		<b>12,697,012</b>	(14,281,806)
Zakat paid		(356,173)	-
Employees' post-employment benefits paid		(17,265)	-
<b>Net cash generated / (used in) operating activities</b>		<b>12,323,574</b>	(14,281,806)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of intangible assets		-	(100,000)
Investment in Term Deposits		(14,000,000)	-
Purchase of property and equipment		-	(6,871)
<b>Net cash used in investing activities</b>		<b>(14,000,000)</b>	(106,871)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from financial facilities		57,399,175	90,086,886
Repayment of financial facilities		(17,842,088)	(8,919,170)
Lease liabilities paid		(35,000)	(35,000)
Finance cost paid		(3,177,625)	(312,884)
<b>Net cash generated from financing activities</b>		<b>36,344,462</b>	80,819,832
<b>Net increase in cash and cash equivalents</b>		<b>34,668,036</b>	66,431,155
Cash and cash equivalents at beginning of the period	5	43,798,537	26,626,908
<b>Cash and cash equivalents at end of the period</b>	5	<b>78,466,573</b>	93,058,063

The accompanying notes 1 to 16 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 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**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 30 June 2021, the Company is under process of cancellation of these commercial registrations.



**GULF FINANCE COMPANY**  
**(A Saudi Closed Joint Stock Company)**  
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**(All amounts in Saudi Riyals unless otherwise stated)**

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**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 six-month period ended 30 June 2021 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 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) 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.

**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**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**5. CASH AND CASH EQUIVALENTS**

	<b>Note</b>	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Cash at bank	<b>5.1</b>	<b>8,935,650</b>	10,756,206
Cash in hand		<b>3,000</b>	3,000
Term Deposits – Original maturity less than 3 months	<b>5.2</b>	<b>69,527,923</b>	33,039,331
		<b>78,466,573</b>	43,798,537

- 5.1.** The Company does not earn profit on current accounts with banks and financial institutions in accordance with Shari'a rules and principles.
- 5.2.** The Company has placed these term deposits with local banks having maturities of less than 3 months. These deposits earn a profit at 1%. These investments are carried at amortized cost

**GULF FINANCE COMPANY**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**6. 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 2021 (Unaudited)	30 June 2020 (Unaudited)
Shuaa Capital PSC – UAE	Shareholder – (“Parent Company”)	Allocation of software and related cost	12	-	(61,398)
		Finance income		380,000	378,504
		Commission on collection		-	87,538
		Collections against disposed-off financing portfolio		-	(20,000)
Gulf Finance Company PJSC – UAE	Shareholder	Allocation of software and related cost		-	(39,443)
		Allocation of other operating expenses		(266,445)	(198,419)
		Repayment by Gulf Finance Company		297,225	314,753
Second Coast Company for Commercial Hotels	Affiliate	Profit earned		389,968	475,000
		Write-off*		(44,468)	-
		Modification loss		(231,959)	-
		Repayment by the related party		-	(390,555)
Fifth Coast Company for Commercial Hotels	Affiliate	Profit earned		301,416	250,000
		Modification loss		(5,172)	(240,972)
		Write-off*		(240,833)	-
		Profit received		(272,222)	(102,403)
First Sabeel Hotels Company	Affiliate	Profit earned		457,653	455,000
		Write-off*		(420,575)	-
		Profit received		(407,018)	-
		Modification loss		(2,462)	(293,023)
Raibat Al Yasmin Company for Real Estate Investment and Development	Affiliate	Profit earned		508,866	475,000
		Write-off*		(182,613)	-
		Modification loss		(326,007)	-
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Affiliate	Profit earned		230,189	225,446
		Fee income received		(301,447)	-
		Profit received		(508,094)	(75,000)
Key Management Personnel	Executives	Salaries and other short-term employee benefits		1,847,190	1,721,690
	Directors	Board Remuneration		100,000	100,000

\*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 SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**6. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

**Balances as at the period-end**

	<b>Note</b>	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
<b>Due from a related party</b>			
Shuaa Capital PSC, UAE	<b>6.1</b>	<b>8,728,882</b>	8,348,882
<b>Due to a related party</b>			
Gulf Finance Company		<b>61,560</b>	92,340
PJSC, UAE			

- 6.1.** 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 June 30, 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 and are given below:

	<b>Beneficial Owner</b>	<b>30 June 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Second Coast Company for Commercial Hotels	Dammam Rayhaan Fund I*	<b>7,886,667</b>	7,773,126
Fifth Coast Company for Commercial Hotels	SHUAA Saudi Hospitality Fund I*	<b>5,191,667</b>	5,408,478
First Sabeel Hotels Company	Jeddah Centro Fund I*	<b>7,895,131</b>	8,267,533
Raibat Al Yasmin Company for Real Estate Investment and Development	Dammam Rayhaan Fund I*	<b>10,286,389</b>	10,286,143
Shuaa Cayan City Lights for Development & Real Estate Investment Company	Cayan Real Estate Development Fund*	<b>5,064,574</b>	5,643,926
		<b>36,324,428</b>	37,379,206

\* These Funds are managed by SHUAA Capital Saudi Arabia that is Ultimately owned by the Parent Company.

**GULF FINANCE COMPANY**  
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**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**6. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

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

<b>Secured – Ijara</b>	<b>Note</b>	<b>Relationship</b>	<b>Effective Interest Rate</b>	<b>Tenure</b>	<b>No. of times Rescheduled</b>	<b>Amount Financed</b>
Second Coast Company for Commercial Hotels	<b>6.3</b>	Affiliates	10%	12 months	6	9,500,000
Fifth Coast Company for Commercial Hotels	<b>6.4</b>	Affiliates	10%	12 months	2	5,000,000
First Sabeel Hotels Company	<b>6.5</b>	Affiliates	10%	12 months	2	7,600,000
						<u>22,100,000</u>
<b>Unsecured – Murabaha</b>						
Raibat Al Yasmin Company for Real Estate Investment and Development	<b>6.6</b>	Affiliates	10%	12 months	2	9,500,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	<b>6.7</b>	Affiliates	10%	12 months	3	3,000,000
Shuaa Cayan City Lights for Development & Real Estate Investment Company	<b>6.8</b>	Affiliates	10%	12 months	3	1,855,944
						<u>14,355,944</u>
						<u>36,455,944</u>

- 6.3.** During the period, the Company has rescheduled the loan for an additional period of 3 months under SAMA Program.
- 6.4.** During the period, the Company has rescheduled the loan for a period of 12 months. Accrued profit was received at the time of rescheduling. Upon rescheduling the Company upgraded the Customer to Stage 1.
- 6.5.** During the period, the Company has rescheduled the partial loan for an additional period of 3 months eligible under SAMA Program and the remaining part for a period of 12 months. Accrued profit was received at the time of rescheduling. Upon rescheduling the Company upgraded the Customer to Stage 1.
- 6.6.** During the period, the Company has rescheduled the loan for an additional period of 3 months under SAMA Program.
- 6.7.** During the period the Company has rescheduled the loan for an additional period of 6 months without any asset-backed transaction required under Islamic principles. Accrued profit was received at the time of rescheduling. Upon rescheduling the Company upgraded the Customer to Stage 1.
- 6.8.** During the period the Company has rescheduled the restructured deal for a period of 12 months. This deal was not executed with an asset-backed transaction required under Islamic principles. Accrued profit was received at the time of rescheduling. Upon rescheduling the Company upgraded the Customer to Stage 1.

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**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021**  
**(All amounts in Saudi Riyals unless otherwise stated)**

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**7. NET INVESTMENT IN ISLAMIC FINANCINGS**

	<b>30 June 2021</b> <b>(Unaudited)</b>	<b>31 December 2020</b> <b>(Audited)</b>
Gross investment in Islamic financings	205,527,745	229,814,713
Unearned / Deferred Islamic financing income	(24,641,169)	(36,949,255)
Unearned origination fees	(630,667)	(965,561)
Net investment in Islamic financings before provision for impairment	180,255,909	191,899,897
Less: Provision for impairment	(4,283,751)	(3,772,897)
Net investment in Islamic financings	<u>175,972,158</u>	<u>188,127,000</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 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.

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

	<b>For the six-month</b> <b>period ended</b> <b>30 June 2021</b> <b>(Unaudited)</b>	<b>For the year</b> <b>ended</b> <b>31 December 2020</b> <b>(Audited)</b>
Balance at beginning of the period / year	3,772,897	2,885,578
Provided during the period / year	510,854	912,369
Written off during the period / year	-	(25,050)
Balance at the end of the period / year	<u>4,283,751</u>	<u>3,772,897</u>

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**(All amounts in Saudi Riyals unless otherwise stated)**

**8. SHARE CAPITAL**

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

Shareholders	30 June 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
	<b>100%</b>	<b>10,000,000</b>	<b>100,000,000</b>

**9. PROVISION FOR ZAKAT**

The movement in the provision for zakat is as follows:

	For the six-month period ended 30 June 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	426,313	351,884
	426,313	351,884
Payment during the period / year	(356,173)	(920,432)
Balance at the end of the period / year	546,642	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 Zakat, Tax and Custom Authority ("ZATCA"). During the current year, upon finalization of the assessment, demand has been raised by ZATCA 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 30 June 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 2020 has been filed and are under review with ZATCA. The Company has obtained a certificate from the ZATCA valid until 28 Ramadan 1443H corresponding to 30 April 2022

**10. FINANCIAL FACILITIES**

Note	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Long-term financial facilities	178,321,897	142,243,255
Finance Cost payable	1,090,191	1,423,844
	<b>179,412,088</b>	<b>143,667,099</b>

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**10. FINANCIAL FACILITIES (CONTINUED)**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current portion</b>		
Long-term financial facilities	117,497,418	58,474,044
<b>Non-current portion</b>		
Long-term financial facilities	60,824,479	83,769,211
	<b>178,321,897</b>	<b>142,243,255</b>

**10.1. Unsecured financial facilities at amortized cost**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Zero-interest loan	176,053,504	139,974,862

**10.2. Secured financial facilities at amortized cost**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Murabaha	2,268,393	2,268,393

- 10.3.** 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
- 10.4.** 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.
- 10.5.** The facility agreements include covenants which, among other things, require the Company to maintain certain financial ratios. As of 30 June 2021, the Company is in compliance with the covenants of the financing agreements.



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**11. FINANCE COST**

	Note	For the six-month period ended	
		30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Financial facilities;			
-Zero interest rate	10.2	2,765,243	1,323,514
-Murabaha	10.3	61,344	55,079
Kafala Facility charges		17,385	19,362
Lease Liability		1,842	3,473
		<u>2,845,814</u>	<u>1,401,428</u>

**12. OTHER (EXPENSES) / INCOME, NET**

	Note	For the six-month period ended	
		30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Modification gain on financial liabilities		-	1,114,483
Modification loss on financial assets	7.1	(1,903,988)	(12,106,156)
Government grant on SAMA liquidity support		3,478,445	7,654,246
Finance income on loan to shareholder	6	380,000	378,504
Origination fee		336,694	410,040
Profit on term deposits		345,514	169,183
Commission on collection from customers		-	87,538
		<u>2,636,665</u>	<u>(2,292,162)</u>

**13. 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 6. 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 2021.

**14. 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).

14. **FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

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

30 June 2021 (Unaudited)	Fair value Level			Total
	1	2	3	
<b>FINANCIAL ASSET</b>				
<b>FVOCI designated</b>				
Investment carried at FVOCI	-	-	892,850	892,850

31 December 2020 (Audited)	Fair value Level			
	1	2	3	Total
<b>FINANCIAL ASSET</b>				
<b>FVOCI designated</b>				
Investment carried at FVOCI	-	-	892,850	892,850

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

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

These interim condensed financial statements were approved and authorized for issue on 04 August 2021G (corresponding to 24 Dhu'l-Hijjah 1442H) by the Board of Directors of the Company.