

TAMWEEL AI OULA COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS
(UNAUDITED) AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

TAMWEEL AI OULA COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED) AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2021

Table of content	Page
Independent auditor's review report	1
Interim condensed statement of profit or loss and other comprehensive income	2
Interim condensed statement of financial position	3
Interim condensed statement of changes in equity	4
Interim condensed statement of cash flows	5
Notes to the interim condensed financial statements	6 - 13



Ernst & Young & Co. (Certified Public Accountants)
General Partnership
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street, Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

Registration No. 45/11/323
C.R. No. 2051058792

Tel: +966 13 840 4600
Fax: +966 13 882 0087

ey.ksa@sa.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAMWEEL AL OULA COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed statement of financial position of Tamweel Al Oula Company ("the Company") as at 31 March 2021, and the related interim condensed statements of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. 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") 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 Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to 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 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

Marwan Al-Afaliq
Certified Public Accountant
Registration No. 422

16 Ramadan 1442H
28 April 2021

Al Khobar



TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)

For the three-months period ended 31 March 2021

	<i>Note</i>	<i>Three-months period ended 31 March</i>	
		<i>2021</i>	<i>2020</i>
		<i>SR</i>	<i>SR</i>
REVENUE			
Revenue from operations		24,511,151	11,323,928
Revenue from other activities		5,789,654	1,269,192
TOTAL INCOME		30,300,805	12,593,120
EXPENSES			
Finance costs and bank charges		(6,295,095)	(1,488,591)
Insurance expenses for finance leasing activities		(2,182,353)	(1,209,045)
Salaries and employees' related expenses		(5,981,111)	(4,596,476)
Short-term lease		(8,250)	(32,250)
Depreciation and amortisation		(685,233)	(612,455)
Charge of expected credit losses on investment in Islamic finance receivables	5	(4,978,189)	(2,309,709)
Other general and administrative expenses		(2,516,189)	(1,702,767)
TOTAL EXPENSES		(22,646,420)	(11,951,293)
PROFIT BEFORE ZAKAT		7,654,385	641,827
Zakat		(1,578,640)	(132,370)
PROFIT FOR THE PERIOD		6,075,745	509,457
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,075,745	509,457

The attached notes 1 to 9 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Note</i>	<i>31 March 2021 SR (Unaudited)</i>	<i>31 December 2020 SR (Audited)</i>
ASSETS			
NON-CURRENT ASSETS			
Net investment in Islamic finance receivables	5	643,899,408	539,544,935
Property and equipment		1,521,090	1,011,813
Right-of-use assets		1,785,190	1,113,247
Intangible assets		1,778,053	2,044,993
Equity investment at fair value through other comprehensive income "OCI"		892,850	892,850
TOTAL NON-CURRENT ASSETS		649,876,591	544,607,838
CURRENT ASSETS			
Net investment in Islamic finance receivables - Current	5	438,067,347	392,180,423
Prepayments and other receivables		11,656,599	2,928,836
Cash and cash equivalents		28,202,956	105,446,985
TOTAL CURRENT ASSETS		477,926,902	500,556,244
TOTAL ASSETS		1,127,803,493	1,045,164,082
EQUITY AND LIABILITIES			
EQUITY			
Share capital		250,000,000	250,000,000
Statutory reserve		6,732,313	6,732,313
Retained earnings		21,847,958	15,772,213
TOTAL EQUITY		278,580,271	272,504,526
NON-CURRENT LIABILITIES			
Loans and borrowings	7	430,243,515	394,518,316
Government grant	7	19,154,456	18,764,791
Lease liabilities		676,130	-
Employees' defined benefits liabilities		4,985,667	4,506,717
TOTAL NON-CURRENT LIABILITIES		455,059,768	417,789,824
CURRENT LIABILITIES			
Accounts payable		63,658,985	55,631,399
Loans and borrowings - current	7	288,031,200	288,190,939
Amounts due to related parties	6	10,778,856	6,832,919
Lease liabilities - current		482,207	252,231
Accrued expenses and other liabilities		29,171,859	3,500,537
Provision for zakat		2,040,347	461,707
TOTAL CURRENT LIABILITIES		394,163,454	354,869,732
TOTAL LIABILITIES		849,223,222	772,659,556
TOTAL EQUITY AND LIABILITIES		1,127,803,493	1,045,164,082

The attached notes 1 to 9 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three-months period ended 31 March 2021

	<i>Capital</i> <i>SR</i>	<i>Statutory</i> <i>reserve</i> <i>SR</i>	<i>Retained</i> <i>earnings</i> <i>SR</i>	<i>Total</i> <i>SR</i>
As at 1 January 2020 (audited)	250,000,000	6,554,603	14,474,335	271,028,938
Profit for the year	-	-	509,457	509,457
Other comprehensive loss for the period	-	-	-	-
Total comprehensive income for the period	-	-	509,457	509,457
As at 31 March 2020 (unaudited)	250,000,000	6,554,603	14,983,792	271,538,395
As at 1 January 2021(audited)	250,000,000	6,732,313	15,772,213	272,504,526
Profit for the period	-	-	6,075,745	6,075,745
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	6,075,745	6,075,745
As at 31 March 2021 (unaudited)	250,000,000	6,732,313	21,847,958	278,580,271

The attached notes 1 to 9 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the three-months period ended 31 March 2021

	<i>Three-months period ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Profit before zakat	7,654,385	641,827
Adjustments to reconcile profit before zakat to net cashflow:		
Depreciation and amortisation	366,038	612,455
Depreciation of right-of-use assets	319,195	-
Finance costs and bank charges	6,295,095	1,488,591
Employees' defined benefits liabilities, charged	543,669	171,520
Charge of expected credit loss on investment in Islamic finance receivables	4,978,189	2,309,709
Loss on modification of net investment in Islamic finance lease	7,176,063	4,040,396
Modification gain on deferred payments program	(8,856,045)	(3,516,303)
Grant income realised	(3,732,717)	(707,298)
	14,743,872	5,040,897
Changes in operating assets and liabilities:		
Net investment in Islamic finance receivables	(155,219,586)	(41,371,525)
Prepayments and other receivables	(11,140,026)	(203,810)
Amounts due to related parties	3,945,937	(7,603,460)
Accounts payable	8,027,586	11,891,381
Accruals and other current liabilities	25,676,290	(514,299)
Cash used in operations	(113,965,927)	(32,760,816)
Employees' defined benefits liabilities, paid	(64,719)	(18,235)
Finance costs and bank charges paid	(1,101,053)	(760,454)
Net cash used in operating activities	(115,131,699)	(33,539,505)
INVESTING ACTIVITY		
Purchase of property and equipment	(608,375)	(97,465)
Net cash used in an investing activity	(608,375)	(97,465)
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	86,865,787	59,000,000
Repayment of loans and borrowings	(48,279,742)	(9,861,110)
Payment of lease liabilities	(90,000)	-
Net cash from financing activities	38,496,045	49,138,890
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(77,244,029)	15,501,920
Cash and cash equivalents at the beginning of the period	105,446,985	13,715,010
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	28,202,956	29,216,930

The attached notes 1 to 9 form part of these interim condensed financial statements.

TAMWEEL AL OULA COMPANY

(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

At 31 March 2021

1 CORPORATE INFORMATION

Tamweel Al Oula Company ("the Company"), is a Saudi Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050055043 dated 15 Ramadan 1436H (corresponding to 2 July 2015).

The Company is engaged in providing financial leasing in addition to financing production assets and offering consumer finance in accordance with the license number 39/ASH/201512 dated 21 Safar 1437H (corresponding to 3 December 2015) issued by Saudi Central Bank ("SAMA").

The Company's registered office is located at PO 34232, Dammam, Kingdom of Saudi Arabia. The Company operates through the following branches:

<i>Commercial Registration Name</i>	<i>Number</i>	<i>Location</i>	<i>Date</i>
Tamweel Al Oula - Branch	2051065442	Al Khobar	17 Rabi' II 1439H
Tamweel Al Oula - Branch	2252101795	Al Hasa	2 Jumada II 1439H
Tamweel Al Oula - Branch	1010691639	Riyadh	19 Rajab 1442H

The authorised, issued and paid up capital is SR 250 million as at 31 March 2021 consisting of 25 million shares of SR 10 share (31 December 2020: same). At 31 December 2020, corresponding to 16 Jumada Al-Ula 1442H, shareholders of the Company resolved to transfer their shares to Al Kifah Holding Company, the ultimate parent company. At 2 March 2021, corresponding to 18 Rajab 1442H, the company received no objection certificate from SAMA for the change in shareholding structure. Other legal formalities in this respect were in process at the issuance of these financial statements.

The interim condensed financial statements of the Company as of 31 March 2021 were authorised for issuance on 28 April 2021 (corresponding to 16 Ramadan 1442H).

2 BASIS OF PREPARATION

The interim condensed financial statements of the Company as at and for the three-months period ended 31 March 2021 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The 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 annual financial statements as at 31 December 2020.

2.1 Basis of measurement

These interim condensed financial statements have prepared on historical cost basis, except when otherwise disclosed in the accounting policy adopted.

2.2 Presentation and functional currency

The presentation and functional currency of the Company is Saudi Riyal.

3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations applied for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Company.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2020.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 31 March 2021

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

4.1 Novel coronavirus (“COVID-19”)

The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company’s management to revisit its significant judgments in applying the Company’s accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company’s management carried out an impact assessment on the overall Company’s operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. As of the issuance date of these interim condensed financial statements, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

5 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES

	<i>31 March 2021 (Unaudited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Gross investment in Islamic finance receivables	1,357,491,451	1,168,016,782
Less: unearned finance income (see below 5.1)	(241,632,595)	(207,377,512)
Investment in Islamic finance receivables (before allowance for expected credit loss on Islamic finance receivables)	1,115,858,856	960,639,270
Less: allowance for expected credit loss on Islamic finance receivables	(33,892,101)	(28,913,912)
Net investment in Islamic finance receivables	1,081,966,755	931,725,358

Analysed as below:

	<i>31 March 2021 (Unaudited) SR</i>	<i>31 December 2020 (Audited) SR</i>
Net investment in Islamic finance receivables, non-current	643,899,408	539,544,935
Net investment in Islamic finance receivables, current	438,067,347	392,180,423
	1,081,966,755	931,725,358

- 5.1 The Company's implicit rate of return on investment in Islamic finance receivables is in the market rate range. These receivables are majorly secured against assets, personal guarantees, Kafala program and down payments.
- 5.2 Investment in Islamic finance receivables mainly include Ijara and Tawaruq contracts amounting to SR 520.5 million and SR 595.4 million respectively (31 December 2020: SR 589.09 million and SR 578.93 million respectively).

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 31 March 2021

5 NET INVESTMENT IN ISLAMIC FINANCE RECEIVABLES (continued)

- 5.3 The contractual rights and the titles of certain assets subject to the financing arrangements of Islamic finance receivables are under the name of Al Kifah Trading Company (a fellow subsidiary) amounting to SR 7.9 million (31 December 2020: SR 8.7 million). The fellow subsidiary waived its rights over the assets and confirmed that the risks and rewards pertaining to the assets have been transferred to the Company.
- 5.4 At 31 March 2021, ijarah receivables include the Company's repossessed assets inventory for contracts having outstanding receivables amounting to SR 546.31 thousands (31 December 2020: SR 772 thousands).
- 5.5 As at 31 March 2021, investment in Islamic finance leases includes SR 135.99 million of balances due from related parties (31 December 2020: 121.44) (Note 6).

6 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include partners and entities controlled, jointly controlled or significantly influenced by such parties (affiliates). Pricing policies and terms of payments of transactions with related parties are approved by the Company's management. Following is the list of related parties of the Company:

<i>Names of related parties</i>	<i>Nature of Relationship</i>
Al Kifah Holding Company	Parent Company
Al Kifah Trading Company	Fellow subsidiary
Al Kifah for Building Material Company	Fellow subsidiary
Al Kifah Contracting Company	Fellow subsidiary
Almotaweroon company	Fellow subsidiary
Al Kifah Real Estate Company	Fellow subsidiary
Al Kifah Paper Products Company	Fellow subsidiary
Al Kifah Precast Company	Fellow subsidiary
Alkifah holding company branch	Fellow subsidiary
Al Kifah Information Technology	Fellow subsidiary

Following are the details of the major related party transactions occurred during the period:

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>	
		<i>three-months period ended 31 March</i>	
		<u>2021</u>	<u>2020</u>
		SR	SR
<u>Shareholder</u>			
Al Kifah Holding Company	Amount collected against Islamic finance receivables	(3,309,684)	(1,711,722)
	Value added tax paid on behalf of the Company	700,302	1,065,342
	Services provided	332,903	234,789
<u>Fellow subsidiaries</u>			
Al Kifah Contracting Company	Amount collected against Islamic finance receivables	(487,425)	(1,711,722)
	Financing	9,200,000	-

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 31 March 2021

6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

<u>Related party</u>	<u>Nature of transactions</u>	<u>Amounts of transactions</u>	
		<i>three-months period</i>	
		<i>ended 31 March</i>	
		<u>2021</u>	<u>2020</u>
		SR	SR
<i>Fellow subsidiaries (continued)</i>			
Al Kifah for Building Material Company	Financing	500,000	-
	Amount collected against Islamic finance receivables	(4,713,934)	(2,221,137)
	Heavy machinery and equipment sales financed by the Company	25,600,281	10,466,633
	Amount paid against machinery and equipment financed	(21,485,996)	(15,599,219)
Al Kifah Trading Company	Management fees received by the Company	-	(30,000)
Al Kifah Real Estate Company	Amount collected against Islamic finance receivables	(616,984)	(1,659,722)
	Amounts paid against rent	-	(1,188,099)
	Services provided	121,798	188,424
Al Kifah Paper Products Company	Services provided	1,317	-
	Amount collected against Islamic finance receivables	(621,628)	(1,761,806)
Al Kifah Precast Company	Amount collected against Islamic finance receivables	(621,629)	(1,638,889)
Al Kifah Information Technology Company	Information technology fee	551,456	-
Almotaweroon International Company	Financing	13,600,000	-

The breakdown of amounts due from/to related parties are as follows:

Amounts due from related parties - (presented under net investment in Islamic finance receivables note):

	<i>31 March</i>	<i>31 December</i>
	<i>2021</i>	<i>2020</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
	SR	SR
Al Kifah Real Estate Company	26,437,234	26,890,881
Al Kifah Paper Products Company	26,432,391	26,889,449
Al Kifah Precast Company	26,432,391	26,889,449
Al Kifah for Building Material Company	15,801,959	19,503,791
Alkifah holding company branch	13,730,301	16,547,204
Almotaweroon international company	13,600,000	-
Al Kifah Contracting Company	13,562,503	4,722,391
	<u>135,996,779</u>	<u>121,443,165</u>

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 31 March 2021

6 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Amounts due to related parties - (presented under current liabilities):

	<i>31 March</i> <i>2021</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>SR</i>
Al Kifah for Building Material Company	7,978,171	3,863,886
Al Kifah Real Estate Company	1,647,638	1,525,840
Al Kifah Holding Company	635,303	953,037
Al Kifah Trading Company	192,826	319,968
Al Kifah Contracting Company	155,250	155,250
Al Kifah Information Technology Company	153,413	-
Al Kifah Paper Products Company	16,255	14,938
	10,778,856	6,832,919

Compensation and remuneration (including salaries and other benefits) for key management personnel is disclosed as follows:

	<i>three-months period</i> <i>ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>SR</i>	<i>SR</i>
Short-term employee benefit	422,166	356,669
Post-employment benefits	87,397	41,134
	509,563	397,803

7 LOANS AND BORROWINGS

	<i>31 March</i> <i>2021</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>SR</i>
<u>Loans and borrowings</u>		
SAMA support program (note 7.1)	482,152,578	458,843,525
Tawaruq financing (note 7.2)	166,800,862	155,984,016
Social development bank financing (note 7.3)	73,408,553	74,346,936
Less: Modification gain on deferment (note 7.1)	(4,087,278)	(6,465,222)
Net loans and borrowings	718,274,715	682,709,255

	<i>31 March</i> <i>2021</i> <i>(Unaudited)</i> <i>SR</i>	<i>31 December</i> <i>2020</i> <i>(Audited)</i> <i>SR</i>
Analyzed as follows:		
Non-current portion	430,243,515	394,518,316
Current portion	288,031,200	288,190,939
	718,274,715	682,709,255

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 31 March 2021

7 LOANS AND BORROWINGS (continued)

- 7.1 During 2020, the Company has signed an agreement with SAMA for deferred payments program amounting to SR 175.68 million, additional SR 107.06 million were also deferred during the quarter. Amounts form an interest free loan. The Modification gain on deferment includes an amount of SR 7.18 million during the first quarter 2021 (first quarter 2020: zero), which is recorded under revenue from operations in the statement of profit or loss and other comprehensive income. Further, during 2020, the Company has obtained additional funds from SAMA under loan guarantee program amounting SR 308.18 million to finance its activities, additional SR 64.76 million were obtained during this quarter. The loans are repayable in equal monthly instalments commencing from May 2020 with the final instalment due in January 2024. SAMA deferred payments program and loan guarantee program are carried at fair value using internal rate of return equivalent to the prevailing market rate.
- 7.2 The Company obtained Tawaruq financing facility form a local commercial bank to finance the purchase of assets for leasing services, Tawaruq loans are short-term and repayable within a year, however, management intends, and has the discretion to rollover the obligation amount for twelve months after the reporting period under the existing loan facility accordingly, management presented the extendable loan amount under non-current portion of loans and borrowings. The loan payable withing next 12 months is presented as current liability. Tawaruq loans carry financial charges at prevailing market borrowing costs plus SIBOR. These Tawaruq loans are secured by promissory notes issued by the shareholders. The Company is required to comply with certain covenants under the facility agreements which includes maintenance of certain leverage ratios. The Company had no breach of covenants during the period.
- 7.3 The Company obtained long-term loans from a governmental agent to finance the purchase of assets for leasing services for small and medium sized entities ("SMEs"). During 2020, the Company signed agreements with Social Development Bank ("SDB") to defer all due instalments from March 2020 to March 2021 and a grace period for 6 months for a new loan obtained during the period. The loans are repayable in equal monthly instalments commencing from January 2019 with the final instalment due in March 2024. Accordingly, the portion of the loan payable before 1 April 2022 has been classified under current liabilities.

The loans agreements do not include any covenant to maintain financial ratios during the loans period. The loans are not subject to any interest charges; however the loans carry transactions costs which are amortised as part of the finance costs over the duration of the loans. Social Development Bank financing are carried at fair value using internal rate of return equivalent to the prevailing market rate. The difference between carrying value and face value as of initial recognition date, is treated as government grant, which is amortised over the duration of the related loans.

The loans received by the Company SDB carry special commission at rates significantly lower than the currently prevailing market rates. These loans carry a number of conditions, one of which is that these loans are to be used for providing loans to specific types/sectors of customers at discounted rates. The benefit being the impact of the "lower than market value" loans obtained by the Company has been identified and accounted for as "government grant" and has initially been recorded as income and such benefit is being recognised in statement of comprehensive income of the Company.

8 SAMA SUPPORT PROGRAMS AND INITIATIVES

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 ("MSMEs") as per Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 31 March 2021

8 SAMA SUPPORT PROGRAMS AND INITIATIVES (continued)

As part of the deferred payments program launched by SAMA, the Company was required to defer payments for a total of nine months (original deferment for six months was followed on by a further extension of six months) on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September for a period of six months, and then further deferring the instalments falling due within the period from 15 September 2020 to 14 December 2020 for a period of three months without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net financing income. This resulted in the Company recognizing an additional modification loss of SR 7.50 million.

Further to the above, SAMA on 8 December 2020 extended the deferred payment program until 31 March 2021. the Company has effected the payment reliefs by deferring the instalments falling due within the period from 15 December 2020 to 31 March 2021 without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Company recognizing an additional modification loss of SR 4.77 million.

Further to the above, SAMA on 7 March 2021 extended the deferred payment program until 30 June 2021. the Company has effected the payment reliefs by deferring the instalments falling due within the period from 1 April 2021 to 30 June 2021 without increasing the facility tenure. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Company recognizing an additional modification loss of SR 7.18 million.

As a result of the above program and related extensions, the Company has deferred payments totaling to SR 208.7 million on MSMEs portfolio. The carrying amount of those payments amounted to SR 180.81 million as at 31 March 2021.

The Company generally considered the deferral of payments in hardship arrangements as an indication of a SICR but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR.

The Company continues to monitor the lending portfolios closely and reassess the provisioning levels as the situation around COVID-19 evolves.

In order to compensate the related cost that the Company is expected to incur under the SAMA and other public authorities program, the Company has received in aggregate SR 175.68 million of profit free deposit in number of tranches from SAMA during the year, with varying maturities. Management had determined based on the communication from SAMA, that the profit free deposits primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 4.09 million which has been recognised in the statement of income. The management has exercised certain judgements in the recognition and measurement of this grant income.

The Company has participated in SAMA's facility guarantee programs (the "Kafala program"). The Company has received SR 372.94 million from SAMA for providing concessional financing to eligible MSMEs under Facility Guarantee program. As the guarantee under the Kafala program form integral part of the financing arrangement; therefore, the funding received from SAMA does not qualifies for government grant and is recognized as financial liability under IFRS 9, The benefit of the subsidized funding rate has been accounted for on a systematic basis, in accordance with financial instruments requirements. This resulted in a total income of SR 24.65 million, of which SR 3.62 million has been recognized in the statement of income for the year ended 31 December 2020 and with the remaining amount deferred.

TAMWEEL AL OULA COMPANY
(A Saudi Closed Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

At 31 March 2021

9 SUBSEQUENT EVENTS

There have been no events subsequent to the reporting date that would significantly affect the amounts reported in the interim condensed financial statements as at and for the three-months period ended 31 March 2021.