BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020

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Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
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Date 24/4/1419
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INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders
Bab Rizq Jameel Microfinance Company
A Saudi Closed Joint stock Company
Jeddah, Saudi Arabia

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Bab Rizq Jameel Microfinance Company (A Saudi Closed Joint stock Company) ("the Company") as of September 30, 2020 and condensed interim statements of profit or loss and other comprehensive income and changes in equity and cash flows for the three month and nine month periods then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim 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 condensed interim 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" as endorsed in the Kingdom of Saudi Arabia. A review of interim 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 condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other Matter

The financial statements of the Company for the year ended December 31, 2019 and the condensed interim financial statements for the three month and nine month periods ended September 30, 2019 were audited and reviewed by another auditor who expressed an unmodified opinion and an unmodified conclusion on those statements on February 24, 2020 and October 27, 2019 respectively.

Deloitte and Touche & Co.
Chartered Accountants

Waleed Bin Moha'd. Sobahi
Certified Public Accountant
License No. 378

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
فرع مكتب جدة
س.ت ٤٠٣٠٢٩٧٠٤٩
(3) CR.: 4030297049 (٣)
Jeddah Branch
Chartered Accountants
Deloitte and Touche & Co.

10 Rabi'1, 1442
October 27 , 2020

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020
(Expressed in Saudi Riyals)

	Note	**September 30, 2020 (Unaudited)**	December 31, 2019 (Audited)
ASSETS			
Non-current assets			
Intangible assets		**889,520**	675,706
Property and equipment		**260,434**	216,424
Right-of-use assets		**311,452**	229,457
Loans and advances to customers, net	4	**99,178,137**	61,278,227
Advances to employees		**1,187,414**	2,068,163
Total non-current assets		**101,826,957**	64,467,977
Current assets			
Loans and advances to customers, net	4	**50,256,836**	52,866,420
Advances, prepayments and other assets		**2,177,095**	1,450,883
Cash and bank balances	5	**45,370,950**	5,787,910
Total current assets		**97,804,881**	60,105,213
TOTAL ASSETS		**199,631,838**	124,573,190
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**100,000,000**	100,000,000
Accumulated losses		**(16,411,838)**	(7,594,151)
Actuarial losses, net		**(1,044,514)**	(1,044,514)
Total equity		**82,543,648**	91,361,335
Non-current liabilities			
Borrowings	6	**-**	25,000,000
Payable to Saudi Arabian Monetary Agency	16	**37,558,429**	-
Employee benefits liabilities		**4,037,818**	4,459,502
Deferred income - government grant	16	**301,455**	-
Lease liabilities		**83,995**	-
Total non-current liabilities		**41,981,697**	29,459,502
Current liabilities			
Due to related parties	7	**1,696,479**	1,066,519
Zakat payable	8	**121,858**	191,409
Lease liabilities		**96,358**	189,718
Borrowings	6	**50,000,000**	-
Payable to Saudi Arabian Monetary Agency	16	**18,632,415**	-
Accrued and other liabilities	9	**4,083,206**	2,304,707
Deferred income - government grant	16	**476,177**	-
Total current liabilities		**75,106,493**	3,752,353
Total liabilities		**117,088,190**	33,211,855
TOTAL EQUITY AND LIABILITIES		**199,631,838**	124,573,190

The attached notes 1 to 18 form an integral part of this condensed interim financial statements

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2020
(Expressed in Saudi Riyals)

	Note	Three month period ended September 30 (Unaudited)		Nine month period ended September 30 (Unaudited)	
		2020	2019	**2020**	2019
Special commission income	16	**1,121,541**	2,762,467	**3,776,926**	6,567,123
Loan administration fee income		**169,223**	222,051	**585,170**	569,303
Revenue		**1,290,764**	2,984,518	**4,362,096**	7,136,426
Contract initiation costs		**(49,144)**	(47,176)	**(135,464)**	(153,368)
Selling and marketing expenses		**(1,381,704)**	(1,221,347)	**(4,454,577)**	(3,724,262)
General and administrative expenses		**(1,577,738)**	(1,413,779)	**(5,072,751)**	(4,000,277)
Impairment loss on financial assets		**(1,110,717)**	(872,014)	**(2,282,761)**	(1,260,087)
Finance income		**145,592**	-	**314,617**	220,104
Finance costs		**(697,467)**	-	**(1,641,442)**	-
Income from government grant	16	**139,353**	-	**234,243**	-
Loss before zakat		**(3,241,061)**	(569,798)	**(8,676,039)**	(1,781,464)
Zakat	8	**(58,346)**	(60,579)	**(141,648)**	641,439
Net loss for the period		**(3,299,407)**	(630,377)	**(8,817,687)**	(1,140,025)
Other comprehensive income for the period					
Other comprehensive income for the Period		-	-	-	-
Total comprehensive loss for the period		**(3,299,407)**	(630,377)	**(8,817,687)**	(1,140,025)
Basic and diluted loss per share	11	**(0.33)**	(0.06)	**(0.88)**	(0.11)

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020
(Expressed in Saudi Riyals)

	Share capital	**Accumulated losses**	**Actuarial gains, net**	**Total equity**
January 1, 2019 (audited)	100,000,000	(5,068,040)	(473,000)	94,458,960
Loss for the period	-	(1,140,025)	-	(1,140,025)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	(1,140,025)	-	(1,140,025)
September 30, 2019 (unaudited)	100,000,000	(6,208,065)	(473,000)	93,318,935
January 1, 2020 (audited)	**100,000,000**	**(7,594,151)**	**(1,044,514)**	**91,361,335**
Loss for the period	**-**	**(8,817,687)**	**-**	**(8,817,687)**
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	**(8,817,687)**		**(8,817,687)**
September 30, 2020 (unaudited)	**100,000,000**	**(16,411,838)**	**(1,044,514)**	**82,543,648**

The attached notes 1 to 18 form an integral part of this condensed interim financial statements

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020
(Expressed in Saudi Riyals)

	Notes	For the nine month period ended September 30 2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period before zakat		**(8,676,039)**	(1,781,464)
Adjustment for:			
Depreciation on property and equipment		**102,511**	52,127
Amortization of intangible assets		**310,993**	140,524
Depreciation on right-of-use assets		**139,610**	98,212
Impairment loss on financial assets	4	**2,282,761**	1,260,087
Loss on modification of financial assets – net		**6,160,223**	-
Income from government grant		**(234,243)**	-
Finance income		**(314,617)**	(220,104)
Finance costs		**1,641,442**	-
Employee benefits liabilities		**878,316**	367,223
		2,290,957	(83,395)
Changes in:			
Loans and advances to customers		**(46,085,737)**	(50,937,378)
Advances, prepayments and other assets		**(915,513)**	(2,462,472)
Accrued expenses other liabilities		**974,711**	1,032,194
Due to related parties		**629,960**	15,066,482
Cash used in operations		**(43,105,622)**	(37,384,569)
Employee benefits liabilities paid		**-**	(23,104)
Finance cost paid		**(129,509)**	-
Zakat paid		**(211,199)**	(109,076)
Net cash used in operating activities		**(43,446,330)**	(37,516,749)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		**(147,994)**	(102,167)
Proceeds from disposal of property and equipment		**1,473**	-
Addition to intangible assets		**(524,807)**	(238,033)
Finance income received		**84,667**	601,292
Murabaha deposits		**(36,500,000)**	45,000,000
Net cash (used in)/from investing activities		**(37,086,661)**	45,261,092
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loan		**25,000,000**	-
Finance costs paid		**(2,999)**	-
Repayment of lease liabilities		**(230,970)**	-
Proceeds of loan from Saudi Arabian Monetary Agency		**58,850,000**	-
Net cash from financing activities		**83,616,031**	-
Net increase in cash and cash equivalents		**3,083,040**	7,744,343
Cash and cash equivalents, January 1	5	**5,787,910**	2,159,054
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	5	**8,870,950**	9,903,397

The attached notes 1 to 18 form an integral part of this condensed interim financial statements

BAB RIZQ JAMEEL MICROFINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CASH FLOWS - Continued
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020
(Expressed in Saudi Riyals)

		For the nine month period ended September 30	
	Notes	**2020 (Unaudited)**	2019 (Unaudited)
NON-CASH TRANSACTIONS			
Adjustment of employee loans against end of service benefits liabilities		1,300,000	
Employee benefits liabilities transferred in	7	-	1,285,556
Advances to employees transferred from a related party	7	-	292,302
Employees vacation accrual transferred from a related party	7	-	96,330

(Expressed in Saudi Riyals)

1. ORGANIZATION AND ACTIVITIES

Bab Rizq Jameel Microfinance Company (the "Company") is a Saudi Closed Joint Stock Company, registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030294117, issued on 7 Rajab 1438H (corresponding to April 4, 2017).

The shareholding of the Company as of September 30, 2020 and December 31, 2019 was as follows:

	No. of shares of SR 10 each	**September 30, 2020 (Unaudited)**	December 31, 2019 (Audited)
Abdul Latif Jameel Modern Trading Company Limited (formerly Al Mumaizah United Commerce Company Limited)	**9,600,000**	**96,000,000**	96,000,000
Abdul Latif Jameel Creative Business Services Company Limited (formerly Al Mumaizah United Services Company Limited)	**100,000**	**1,000,000**	1,000,000
Najid Al Raeda United Company Limited	**100,000**	**1,000,000**	1,000,000
Bader First United Company Limited	**100,000**	**1,000,000**	1,000,000
Taif First United Company Limited	**100,000**	**1,000,000**	1,000,000
	10,000,000	**100,000,000**	100,000,000

All the above shareholders are Saudi Limited Liability companies and the ultimate parent of the Company is United Installment Sales Company Limited.

On 14 Muharram 1439H (corresponding to 4 October 2017), the Company received the license from Saudi Arabian Monetary Authority ("SAMA") to undertake Microfinance activities in the Kingdom of Saudi Arabia under license number 49/MU/201710 for five years from the date of issuance.

The principal activity of the Company is to engage in microfinance activities in the Kingdom of Saudi Arabia.

The head office of the Company is in Jeddah.

As of September 30, 2020, the Company operates through Head Office and 5 registered branches (December 31, 2019: 5). The accompanying condensed interim financial information include the assets, liabilities and results of these branches.

During the three month period ended September 30, 2020, the Company's accumulated losses and related reserves have exceeded 15% of the share capital. In accordance with Article 70 of the Implementing Regulation of the Finance Companies Control law, the Company must immediately notify SAMA, if losses exceed 15% of paid up capital. The Company is currently in the process of communicating to SAMA in this regard.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Amended and revised International Financial Reporting Standards ("IFRS") Standards that are effective for the current period

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 2020, have been adopted in this condensed interim financial information.

In the current period, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2020.

(Expressed in Saudi Riyals)

Their adoption has not had any material impact on the disclosures or on the amounts reported in this condensed interim financial information.

New and revised IFRS	Summary
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
Amendments to IAS 1 and IAS 8: Definition of Material	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.
Amendments to References to the Conceptual Framework in IFRS Standards – amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and - add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial period beginning on or after January 1, 2020 and relevant to the Company's operations.

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(Expressed in Saudi Riyals)

2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IFRS 16 (Covid-19-Related Rent Concessions)	June 1, 2020
IFRS 17 *Insurance Contracts*	January 1, 2021
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	January 1, 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	January 1, 2022
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	January 1, 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The management is in the process of assessing the potential financial impact of application and do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The condensed interim financial statements of the Company as of and for the nine-month period ended September 30, 2020 have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

On July 17, 2019, SAMA instructed the finance companies in the Kingdom of Saudi Arabia to account for the zakat in the condensed interim statement of profit or loss. This aligns with the IFRS and its interpretations as issued by the International Accounting Standards Board (“IASB”) and as endorsed in the Kingdom of Saudi Arabia.

The results for the interim period of three month and nine month periods ended September 30, 2020 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2020.

In preparing these condensed interim financial statements, the significant judgments made by the management are same as those that are applied to the financial statements for the year ended December 31, 2019, except for the changes made in judgements and estimates in respect of Expected Credit Loss model due to COVID-19, as mentioned in note 16.

Basis of preparation

These condensed interim financial statements have been prepared under the historical cost convention basis using the accrual basis of accounting and the going concern assumption, except for employee benefits liabilities measured at present value of the defined benefit obligation, using actuarial present value calculations based on projected unit credit method.

Functional and presentation currency

These condensed interim financial statements have been presented in Saudi Riyals, which is the functional and presentational currency of the Company.

The accounting policies adopted in preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2019 except as explained below:

3.2 Government Grants

The Company recognizes a government grant related to income, if there is a reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognized and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognized in the interim condensed statement of income on a systematic basis over the period in which the Company recognizes as expenses the related costs for which the grant is intended to compensate. Government grants that are received as compensation for losses already incurred by the Company with no future related costs are recognized in profit or loss in the same period.

3.3 Significant accounting estimates and judgments

The preparation of the Company’s condensed interim 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 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 December 31, 2019. The Company’s management, during the first quarter of this year, carried out an impact assessment on the overall Company’s operations and business aspects including factors like travel restrictions, oil prices, product demand, etc. and made certain changes to the expected credit loss model which has been updated through the second and the third quarters. However, in view of the current uncertainty, given that the local as well as international health and government authorities continue to advise caution and future lockdowns have not been ruled out in entirety, it is challenging now to predict the full extent and duration of its business and economic impact. Therefore, 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.

(Expressed in Saudi Riyals)

The accounting estimates and assumptions used in the preparation of these condensed interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended December 31, 2019 except for the changes made in judgements and estimates in respect of Expected Credit Loss model due to COVID-19 as mentioned in note 16.

4. LOANS AND ADVANCES TO CUSTOMERS, NET

	September 30, 2020 (Unaudited)	December 31, 2019 Audited
Gross loans and advances to customers	**189,080,325**	137,071,590
Less: unearned finance income	**(35,192,731)**	(20,657,568)
Loans and advances to customers at amortized cost	**153,887,594**	116,414,022
Less: impairment loss allowance	**(4,452,621)**	(2,269,375)
	149,434,973	114,144,647

	September 30, 2020 (Unaudited)			
	Gross loans and advances to customers	**Unearned finance income**	**Impairment loss allowance**	**Loans and Advances to customers, Net**
Current portion	**69,687,330**	**(14,977,873)**	**(4,452,621)**	**50,256,836**
Non-current portion	**119,392,995**	**(20,214,858)**	**-**	**99,178,137**
Total	**189,080,325**	**(35,192,731)**	**(4,452,621)**	**149,434,973**

	December 31, 2019 (Audited)			
	Gross loans and advances to customers	Unearned finance income	Impairment loss allowance	Loans and Advances to customers, Net
Current portion	66,380,239	(11,244,444)	(2,269,375)	52,866,420
Non-current portion	70,691,351	(9,413,124)	-	61,278,227
Total	137,071,590	(20,657,568)	(2,269,375)	114,144,647

a) The movement in allowance for credit losses is given below:

	For the nine month period ended September 30,	
	2020 (Unaudited)	2019 (Unaudited)
January 1	**2,269,375**	563,503
Additions during the period	**2,282,761**	1,260,087
Amount written off	**(99,515)**	(77,901)
September 30,	**4,452,621**	1,745,689

(Expressed in Saudi Riyals)

b) The ageing of loans and advances to customers which are past due is as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
1 – 3 months	**303,636**	351,322
4 – 6 months	**302,484**	100,060
6 – 12 months	**276,823**	11,966
More than 12 months	**53,312**	-
	936,255	463,348

As of September 30, 2020, gross loans and advances to customers which are past due amounted to SR 936,255 (December 31, 2019: SR 463,348). The not yet due portion of above overdue loans and advances to customers as of September 30, 2020 amounts to SR 1,902,195 (December 31, 2019: SR 3,403,521).

5. CASH AND BANK BALANCES

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Murabaha deposits	**36,500,000**	-
Cash and cash equivalents (note 5.1)	**8,870,950**	5,787,910
	45,370,950	5,787,910

5.1 Cash and cash equivalents comprises of the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash in hand	**28,770**	250,504
Cash at bank	**8,842,180**	5,537,406
	8,870,950	5,787,910

5.2 During the period, the Company earned income of SR 314,617 (September 30, 2019: SR 220,104) on murabaha deposits at the rate of return ranging from 0.6% to 1.35% (September 30, 2019: 2.85% to 3.05%).

6. BORROWINGS

On October 29, 2019, the Company obtained a line of credit from a local bank for SR 50 million to finance working capital requirements of the Company. An amount of SR 25 million has been drawn by the Company as of December 31, 2019 and a further SR 25 million was drawn during the current period. The loan is repayable in 10 equal semi-annual instalments commencing after a grace period of 2 years. The loan is subject to meeting certain covenants and service charges at the rate of SIBOR plus fixed commission rate of 1.50% per annum. The line of credit was provided to the Company by the local bank upon issuance a letter of comfort from the Parent Company.

(Expressed in Saudi Riyals)

As of September 30, 2020 the Company was in breach of the covenant in respect of the loan which state that the Company's total equity should not be less than SR 85,000,000 after deducting for the intangible assets. Since the management did not obtain a waiver by September 30, 2020 therefore the loan was classified as current under IAS 1. However management is in the process of obtaining a waiver.

The scheduled maturities of the long-term borrowings outstanding are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
2021	-	2,500,000
2022	-	5,000,000
2023	-	5,000,000
2024	-	5,000,000
2025	-	5,000,000
2026	-	2,500,000
	-	25,000,000

7. RELATED PARTY TRANSACTIONS AND BALANCES

The significant transactions between the Company and the related parties are disclosed below. The terms and conditions of these transactions are agreed with the management of the concerned parties.

a) The significant transactions and the related amounts are as follows:

Related party	**Nature of transactions**	**For the three month period September 30, (Unaudited)**		**For the nine month period September 30, (Unaudited)**	
		2020	2019	**2020**	2019
Shareholders	Short term financing *	-	14,400,000	-	14,400,000
Affiliates	Payments made on behalf of the Company	**200,626**	98,336	**582,050**	223,451
	Expenses recharged for employees' costs	-	427,094	**8,809**	770,570
	Transfer of employee benefits liabilities	-	11,193	-	1,285,556
	Transfer of employees accrued holiday pay	-	10,330	-	96,330
	Transfer of employee advances	-	12,235	-	292,302
	Expenses recharged for marketing services	-	7,530	-	126,790
	Collections made on behalf of the Company	**1,650**	44,687	**18,623**	127,456
	Expenses recharged for shared services	**618,750**	125,000	**618,750**	375,000
	Charges for customer evaluations for loans and advances	**56,516**	49,535	**147,152**	155,727
	Purchases	**232,875**	68,775	**951,896**	722,543

* During the period ended 30 September 2019, the Parent Company transferred SR 14.4 million in tranches, to support the Company to achieve its operational objectives. The amount was free of charge, unsecured, and was repaid before December 31, 2019.

(Expressed in Saudi Riyals)

b) Due to related parties comprised of the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Bab Rizq Jameel for Services Company Limited	**824,365**	750,072
Abdul Latif Jameel United Finance Company	**375,000**	300,747
Abdul Latif Jameel Retail Company Limited	**232,875**	-
Abdul Latif Jameel Company for Information and Services Limited	**20,489**	15,700
Abdul Latif Jameel Company Limited	**243,750**	-
	1,696,479	1,066,519

c) Transactions with key management personnel

Key management personnel include members of the Board of Directors and related committees (Risk and Audit Committee etc.) and other senior management personnel. Their compensation comprised the following:

	For the three month period September 30, (Unaudited)		**For the nine month period September 30, (Unaudited)**	
	2020	2019	**2020**	2019
Short term employee benefits	**678,157**	583,158	**1,706,540**	1,358,471
Post-employment benefits	**45,273**	35,190	**380,853**	191,817
	723,430	618,348	**2,087,393**	1,550,288

Compensation to Company's key management personnel includes salaries, non-cash benefits, allowances and contributions to post-employment defined benefit plans.

8. ZAKAT PAYABLE

The movement in the zakat provision is as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
January 1	**191,409**	894,533
Provision for the period/year	**161,438**	191,409
Prior year adjustment	**(19,790)**	(785,457)
Paid during the period/year	**(211,199)**	(109,076)
September 30/ December 31	**121,858**	191,409

Status of zakat assessments

The Company has submitted zakat declarations for the period from April 4, 2017 to December 31, 2019, which are being reviewed by General authority of Zakat and Tax (GAZT). The GAZT has raised an assessment for the year ended December 31, 2018 claiming additional zakat of SR 2.4 million. The Company submitted the objection against the assessment which the GAZT has accepted and the case was closed on June 11, 2020. The Company has a 'No Objection Letter' valid to April 30, 2021.

(Expressed in Saudi Riyals)

9. ACCRUED AND OTHER LIABILITIES

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Accrued expenses	**722,592**	414,766
Employee related accruals	**1,057,715**	1,229,262
Accrued interest payable	**803,788**	106,771
Others	**1,499,111**	553,908
	4,083,206	2,304,707

10. STATUTORY RESERVE

In accordance with the Regulations for Companies and the By-laws of the Company, the Company must set aside at least 10% of its net income in each year until the reserve equals 30% of the share capital. Thereafter, the Shareholders may discontinue further appropriations. The reserve is not available for distribution. Since the entity has incurred losses since inception, no such transfers have been made.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings for the period by the weighted average number of ordinary shares outstanding during the three month and nine month period ended September 30, 2020 and the year ended December 31, 2019.

There has been no dilutive effect on the weighted average number of shares during the three month and nine month period ended September 30, 2019 and the year ended December 31, 2019.

12. SEGMENT REPORTING

A segment is a distinguishable component of the Company that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Company carries out its activities entirely in the Kingdom of Saudi Arabia and is only engaged in microfinance activities as a result, the operations of the Company have been considered as one segment.

13. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk arises from loans and advances to customers. The Company considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

The Company's risk committee manages the overall credit risk strategy.

The following tables set out information about the credit quality of loans and advances to customers measured at amortized cost as at September, 30 2020 and December 31, 2019.

(Expressed in Saudi Riyals)

Gross Amount

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
September 30, 2020 (Unaudited)	**186,079,216**	**786,882**	**2,214,227**	**189,080,325**
December 31, 2019 (Audited)	134,309,792	1,659,870	1,101,928	137,071,590

Expected credit loss

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
September 30, 2020 (Unaudited)	**3,507,086**	**13,455**	**932,080**	**4,452,621**
December 31, 2019 (Audited)	1,830,441	15,672	423,262	2,269,375

a) Amounts arising from ECL - increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure based on approved stages of criteria.

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

b) Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information obtained from external credit reference agencies is also used.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. Due to lack of sufficient period data of the newly formed Company, the data employed related a similar affiliate of the Company.

This analysis includes the identification and calibration of relationships between changes in default rates and macroeconomic factors include loan growth, oil prices, GDP annual growth rate and consumer spending etc. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (discussion on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

c) Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition, which is determined under basis of Company's staging criteria.

Using its expert credit judgment and, where possible, relevant historical experience, the Company may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and.
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

In addition to the above SICR criteria, the Company has created a detailed risk profiling, by incorporating new components for the determination of SICR in order to address COVID-19 effects; such as industry risk, pool PDs and prior delinquency behavior. All clients of the Company are treated as part of the retail industry.

No changes of stages occurred for those under SAMA relief program.

d) *Modified financial assets*

The contractual terms of a loans and advances to customers may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loans and advances to customers whose terms have been modified may be derecognized and the renegotiated financing and advances recognized as a new financing and advances at fair value in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly is completed on the basis of the approved staging criteria.

The Company renegotiates loans and advances to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's policy, loans and advances to customers forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

Any repayment holidays should not automatically trigger forbearance and migration to Stage 2.

e) *Definition of 'Default'*

A default is considered to have occurred with regard to a particular obligor when the obligor is past due for 90 days or more on any material credit obligations to the Company including principal instalments, finance cost payments and fees.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

f) *Incorporation of forward looking information*

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Company economics department experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom and selected private sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

g) *Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of the following variables:

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated, based on models and assessed using tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the recoveries and costs incurred in the process to arrive at the estimates.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount.

Due to COVID-19, the Company modified the scenario weights of both PD and LGD models, by increasing the weight of pessimistic scenario. Also, the macroeconomic indicators, which are incorporated into PD and LGD models, have been updated as of March 31, 2020. This is in addition to the revision of the SICR criteria as discussed above.

(Expressed in Saudi Riyals)

The Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of a loan or terminate a loan and advances to customers' commitment or guarantee.

Capital management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the nine-month period ended September 30, 2020.

The Company monitors aggregate amount of microfinancing offered by the Company on the basis of the regulatory requirements of Regulations for Companies and SAMA that requires Finance Companies engaged in financing other than real estate, to maintain aggregate financing to capital ratio of maximum three times.

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Aggregate financing to capital ratio *(Loans and advances to customers-net divided by total equity)*	**1.81 times**	1.25 times

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, loans and advances to customers and advances to employees. Its financial liabilities consist of due to related parties, loan payable to SAMA and Borrowings.

The fair values of the financial instruments are not materially different from their carrying amounts except for loans and advances to customers measured at amortized cost.

15. RESULTS OF INTERIM PERIOD

The condensed interim financial statements may not be considered indicative of the expected results for the full year.

16. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Company continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

The prevailing economic conditions do require the Company to continue to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting macroeconomic factors used by the Company in the estimation of ECL or revisions to the scenario probabilities currently being used by the Company. As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL assessment includes sector-based analysis and staging analysis depending on the impacted portfolios and macroeconomic analysis. The Company will continue to reassess as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

The above adjustments have resulted in an additional ECL of SR 1.19 million for the Company for the nine month period ended September 30, 2020.

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 ("MSME") as per the definition issued by SAMA via 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.

As part of the deferred payments program launched by SAMA, the Company was required to defer payments for six months on lending facilities to eligible MSMEs. The Company has effected the payment deferrals for instalments falling due within the period from March 14, 2020 to September 14, 2020 for a period of six months. The Company has effected the payment reliefs by extending the tenure of the applicable financings granted with no additional costs to be borne by the customer. 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 has resulted in the Company recognizing a day 1 modification loss of SR 5.8 million and this has been presented as part of special commission income.

Further to the above, on September 1, 2020, SAMA extended the deferred payments program by allowing additional three months payment deferrals for eligible MSMEs until December 14, 2020. . The Company has effected the payment reliefs by deferring the instalments falling due within the period from September 15, 2020 to December 14, 2020. The accounting impact of these payment deferrals has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of the arrangement. This resulted in the Company recognizing an additional modification loss of SR 2.7 million during the period ended September 30, 2020.

In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

(Expressed in Saudi Riyals)

In order to compensate for the above mentioned loss that the Company has incurred under the SAMA deferral payment program, the Company has received SR 38.5 million, as interest-free deposit. The amount is repayable to SAMA over the period of 3.5 years in equal monthly instalments, with initial grace period of 6 months. The benefit of the subsidized 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 2.4 million, which has been recognized immediately in the condensed interim statement of profit and loss and other comprehensive income during the current period and this has been presented as part of special commission income. The management has exercised certain judgments in the recognition and measurement of this grant income.

During the 2nd Quarter 2020, the Company has received additional interest free deposit from SAMA amounting to SR 20 million with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment. The benefit of the interest free deposit has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a recognition of deferred income of SR 1 million upon receipt of the loan and recognition of SR 234 thousand in the condensed interim statement of profit and loss and other comprehensive income during the current period as income from government grant. The management has exercised certain judgements in the recognition and measurement of this grant income. Management expects to meet and abide by all terms of the program.

Management is currently in communication with SAMA for compensation of the extension of the deferral program in the fourth quarter.

In a separate communication subsequently, the above funding for lending program was superseded with loan guarantee program, whereby microfinancing companies would be required to provide loans at no more than 4 % and the company can register loans and advances to customer to be guaranteed by a government agency upto 95% of the remaining amount.

Based on clarification by SAMA, the Company has applied the above programs on MSME and individuals.

As of September 30, 2020, the Company has not participated in the Point of sale ("POS") and e-commerce service fee support program.

During May 2020, SAMA issued a guidance document entitled "Guidance on Accounting and Regulatory Treatment of COVID-19 - Extraordinary Support Measures". The Company has considered the guidance issued in the preparation of this condensed interim financial information.

17. COMPARATIVE FIGURES

Certain figures for December 31, 2019 have been reclassified to conform to the presentation in the current period.

From	To	Amount
Property and equipment	Right-of-use assets	229,457
Accrued and other liabilities	Lease liabilities	189,718

18. BOARD OF DIRECTORS' APPROVAL

These condensed interim financial statements was approved for issuance by the Board of Directors on October 27, 2020 (corresponding to 10 Rabi'I, 1442).