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

CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND INDEPENDENT AUDITOR'S REVIEW REPORT

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

CONDENSED INTERIM FINANCIAL INFORMATION AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2020

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
License #323/11/96/1
Date 24/4/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED INTERIM FINANCIAL INFORMATION

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 June 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 six 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 information 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 this condensed interim financial information 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 information 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 information is not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other Matters

The financial statements of the Company for the year ended December 31, 2019 and the condensed interim financial information for the three month and six month periods ended June 30, 2019 and the three month period ended March 31, 2020 were audited and reviewed by another auditor who expressed an unmodified opinion and an unmodified conclusion on those statements and information on February 24, 2020, August 1, 2019 and June 22, 2020 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
CR.: 4030297049
Deloitte and Touche & Co.
Jeddah Branch
Chartered Accountants

6 Dhual Hijjah, 1441
July 27, 2020

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

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

	Note	**June 30, 2020 (Unaudited)**	December 31, 2019 (Audited)
ASSETS			
Non-current assets			
Intangible assets		**993,185**	675,706
Property and equipment		**295,270**	216,424
Right-of-use assets		**140,618**	229,457
Loans and advances to customers, net	4	**96,266,505**	61,278,227
Advances to employees		**2,292,599**	2,068,163
Total non-current assets		**99,988,177**	64,467,977
CURRENT ASSETS			
Loans and advances to customers, net	4	**35,534,775**	52,866,420
Advances, prepayments and other assets		**1,909,641**	1,450,883
Cash and bank balances	5	**65,860,120**	5,787,910
TOTAL CURRENT ASSETS		**103,304,536**	60,105,213
TOTAL ASSETS		**203,292,713**	124,573,190
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**100,000,000**	100,000,000
Accumulated losses		**(14,156,945)**	(8,638,665)
Total equity		**85,843,055**	91,361,335
Non-current liabilities			
Borrowings	6	**50,000,000**	25,000,000
Payable to Saudi Arabian Monetary Agency	16	**42,166,826**	-
Employee benefits liabilities		**5,201,847**	4,459,502
Deferred income - government grant	16	**400,499**	-
Total non-current liabilities		**97,769,172**	29,459,502
Current liabilities			
Due to related parties	7	**1,854,209**	1,066,519
Zakat payable	8	**63,512**	191,409
Lease liabilities		**64,281**	189,718
Payable to Saudi Arabian Monetary Agency	16	**13,601,399**	-
Accrued and other liabilities	9	**3,580,600**	2,304,707
Deferred income - government grant	16	**516,485**	-
Total current liabilities		**19,680,486**	3,752,353
Total liabilities		**117,449,658**	33,211,855
TOTAL EQUITY AND LIABILITIES		**203,292,713**	124,573,190

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

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 SIX-MONTH PERIODS ENDED JUNE 30, 2020
(Expressed in Saudi Riyals)

		Three month period ended June 30 (Unaudited)		**Six month period ended June 30 (Unaudited)**	
	Note	**2020**	2019	**2020**	2019
Special commission income	16	**1,959,545**	2,287,500	**2,655,385**	3,804,656
Loan administration fee income		**177,529**	202,406	**415,947**	347,252
Revenue		**2,137,074**	2,489,906	**3,071,332**	4,151,908
Contract initiation costs		**(36,824)**	(48,528)	**(86,320)**	(106,192)
Selling and marketing expenses		**(1,392,475)**	(1,263,522)	**(3,072,873)**	(2,502,915)
General and administrative expenses		**(1,575,993)**	(1,358,699)	**(3,495,013)**	(2,586,498)
Impairment loss on financial assets		**(623,348)**	(148,986)	**(1,172,044)**	(388,073)
Finance income		**169,025**	24,569	**169,025**	220,104
Finance costs		**(664,411)**	-	**(943,975)**	-
Income from government grant	16	**94,890**	-	**94,890**	-
Loss before zakat		**(1,892,062)**	(305,260)	**(5,434,978)**	(1,211,666)
Zakat	8	**(65,055)**	734,105	**(83,302)**	702,018
Net profit/(loss) for the period		**(1,957,117)**	428,845	**(5,518,280)**	(509,648)
Other comprehensive income for the period					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income/(loss) for the period		**(1,957,117)**	428,845	**(5,518,280)**	(509,648)
Basic and diluted earnings/(loss) per share	11	**(0.20)**	0.04	**(0.55)**	(0.05)

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

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

	Share capital	Accumulated losses	Total equity
January 1, 2019 (audited)	100,000,000	(5,541,040)	94,458,960
Loss for the period	-	(509,648)	(509,648)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(509,648)	(509,648)
June 30, 2019 (unaudited)	100,000,000	(6,050,688)	93,949,312
January 1, 2020 (audited)	**100,000,000**	**(8,638,665)**	**91,361,335**
Loss for the period	**-**	**(5,518,280)**	**(5,518,280)**
Other comprehensive income for the period	**-**	**-**	**-**
Total comprehensive loss for the period	**-**	**(5,518,280)**	**(5,518,280)**
June 30, 2020 (unaudited)	**100,000,000**	**(14,156,945)**	**85,843,055**

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

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS
SIX-MONTH PERIOD ENDED JUNE 30, 2020
(Expressed in Saudi Riyals)

	Notes	For the six month period ended June 30 2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period before zakat		**(5,434,978)**	(1,211,666)
Adjustment for:			
Depreciation on property and equipment		**67,148**	29,498
Amortization of intangible assets		**207,329**	93,682
Depreciation on right-of-use assets		**88,839**	50,962
Impairment loss on financial assets	4	**1,172,044**	388,073
Loss on modification of financial assets - net		**3,454,892**	-
Income from government grant		**(94,890)**	-
Finance income		**(169,025)**	(220,104)
Finance costs		**943,975**	-
Employee benefits liabilities		**742,345**	276,474
		977,679	(593,081)
Changes in:			
Loans and advances to customers		**(24,635,997)**	(39,853,822)
Advances, prepayments and other assets		**(514,169)**	(1,146,614)
Accrued expenses other liabilities		**614,445**	2,074,201
Due to related parties		**787,690**	782,841
Cash used in operations		**(22,770,352)**	(38,736,475)
Employee benefits liabilities paid		**-**	(1,323,104)
Zakat paid		**(211,199)**	(109,076)
Net cash used in operating activities		**(22,981,551)**	(40,168,655)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		**(145,994)**	(70,035)
Addition to intangible assets		**(524,808)**	(238,033)
Finance income received		**-**	601,292
Murabaha deposits		**(61,500,000)**	45,000,000
Net cash (used in)/from investing activities		**(62,170,802)**	45,293,224
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loan		**25,000,000**	-
Finance costs paid		**(2,313)**	-
Repayment of lease liabilities		**(123,124)**	-
Proceeds of loan from Saudi Arabian Monetary Agency		**58,850,000**	-
Net cash from financing activities		**83,724,563**	-
Net increase/(decrease) in cash and cash equivalents		**(1,427,790)**	5,124,569
Cash and cash equivalents, January 1	5	**5,787,910**	2,159,054
CASH AND CASH EQUIVALENTS, JUNE 30	5	**4,360,120**	7,283,623

CONDENSED INTERIM STATEMENT OF CASH FLOWS - Continued
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
(Expressed in Saudi Riyals)

	Notes	For the six month period ended June 30 2020 (Unaudited)	2019 (Unaudited)
NON-CASH TRANSACTIONS			
Employee benefits liabilities transferred in	7	-	1,274,363
Advances to employees transferred from a related party	7	-	280,067
Employees vacation accrual transferred from a related party	7	-	86,000

(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 4 April 2017).

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

	No. of shares of SR 10 each	**June 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 June 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.

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.

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

(Expressed in Saudi Riyals)

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
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 information of the Company as of and for the six-month period ended June 30, 2020 has 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.

This condensed interim financial information does not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2019.

In preparing this condensed interim financial information, 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

This condensed interim financial information has 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.

Functional and presentation currency

This condensed interim financial information has been presented in Saudi Riyals, which is the functional and presentational currency of the Company.

The accounting policies adopted in preparation of this condensed interim financial information 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 information 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. 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. and concluded that, as of the issuance date of these condensed interim financial information, no significant changes are required to the judgements and key estimates. However, 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.

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.

(Expressed in Saudi Riyals)

4. LOANS AND ADVANCES TO CUSTOMERS, NET

	June 30, 2020 (Unaudited)	December 31, 2019 Audited
Gross loans and advances to customers	**164,878,591**	137,071,590
Less: unearned finance income	**(29,691,366)**	(20,657,568)
Loans and advances to customers at amortized cost	**135,187,225**	116,414,022
Less: impairment loss allowance	**(3,385,945)**	(2,269,375)
	131,801,280	114,144,647

	June 30, 2020 (Unaudited)			
	Gross loans and advances to customers	**Unearned finance income**	**Impairment loss allowance**	**Loans and Advances to customers, Net**
Current portion	**54,882,559**	**(15,961,839)**	**(3,385,945)**	**35,534,775**
Non-current portion	**109,996,032**	**(13,729,527)**		**96,266,505**
Total	**164,878,591**	**(29,691,366)**	**(3,385,945)**	**131,801,280**

	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) Loans and advances to customers, net classified as held at amortized cost as of June 30, 2020 and 2019 and as of December 31, 2019 and are summarized as follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
12 month ECL	**161,447,220**	134,309,792
Life time ECL not credit impaired	**364,908**	1,659,870
Lifetime ECL credit impaired	**3,066,463**	1,101,928
Less: unearned finance income	**(29,691,366)**	(20,657,568)
Total loan and advances to customers	**135,187,225**	116,414,022
Allowance for credit losses	**(3,385,945)**	(2,269,375)
	131,801,280	114,144,647

(Expressed in Saudi Riyals)

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

	2020 (Unaudited)	2019 (Unaudited)
January 1	**2,269,375**	563,503
Additions during the period	**1,172,044**	388,073
Amount written off	**(55,474)**	-
June 30	**3,385,945**	951,576

c) As of June 30, 2020, gross loans and advances to customers which are past due amounted to SR 988,342 (December 31, 2019: SR 463,348). The not yet due portion of above overdue loans and advances to customers as of June 30, 2020 amounts to SR 3,020,195 (December 31, 2019: SR 3,403,521).

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
1 – 3 months	**475,092**	351,322
4 – 6 months	**317,272**	100,060
6 – 12 months	**187,892**	11,966
More than 12 months	**8,086**	-
	988,342	463,348

5. CASH AND BANK BALANCES

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Murabaha deposits	**61,500,000**	-
Cash and cash equivalents (note 5.1)	**4,360,120**	5,787,910
	65,860,120	5,787,910

5.1 Cash and cash equivalents comprises of the following:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash in hand	**11,999**	250,504
Cash at bank	**4,348,121**	5,537,406
	4,360,120	5,787,910

5.2 During the period, the Company earned SR 169,025 (June 30, 2019: SR 220,104) on murabaha deposits at the rate of return ranging from 1.2% to 1.35% (June 30, 2019: 2.85% to 3.05%).

(Expressed in Saudi Riyals)

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 at 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.

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
2021	**2,500,000**	2,500,000
2022	**10,000,000**	5,000,000
2023	**10,000,000**	5,000,000
2024	**10,000,000**	5,000,000
2025	**10,000,000**	5,000,000
2026	**7,500,000**	2,500,000
	50,000,000	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 June 30, (Unaudited)**		**For the six month period June 30, (Unaudited)**	
		2020	2019	**2020**	2019
Affiliates	Payments made on behalf of the Company	**-**	57,835	**381,424**	125,115
	Expenses recharged for employees' costs	**8,809**	4,610	**8,809**	343,476
	Transfer of employee benefits liabilities	**-**	23,060	-	1,274,363
	Transfer of employees accrued holiday pay	**-**	-	-	86,000
	Transfer of employee advances	**-**	-	-	280,067
	Expenses recharged for marketing services	**-**	69,260	-	119,260
	Collections made on behalf of the Company	**-**	39,544	**16,973**	82,769
	Expenses recharged for shared services	**-**	125,000	-	250,000
	Charges for customer evaluations for loans and advances	**38,665**	48,528	**90,636**	106,192
	Purchases	**93,555**	582,854	**719,021**	653,768

(Expressed in Saudi Riyals)

b) Due to related parties comprised of the following:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Bab Rizq Jameel for Services Company Limited	**1,125,389**	750,072
Abdul Latif Jameel United Finance Company	**-**	300,747
Abdul Latif Jameel Retail Company Limited	**713,473**	-
Abdul Latif Jameel Company for Information and Services Limited	**15,347**	15,700
	1,854,209	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 June 30, (Unaudited)		**For the six month period June 30, (Unaudited)**	
	2020	2019	**2020**	2019
Short term employee benefits	**306,641**	250,524	**1,028,383**	775,313
Post-employment benefits	**102,999**	60,931	**335,580**	156,627
	409,640	311,455	**1,363,963**	931,940

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:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
January 1	**191,409**	894,533
Provision for the period/year	**83,302**	191,409
Prior year adjustment	**-**	(785,457)
Paid during the period/year	**(211,199)**	(109,076)
June 30/ December 31	**63,512**	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 2.3 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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Accrued expenses	**1,151,627**	414,766
Employee related accruals	**1,103,544**	1,229,262
Accrued interest payable	**751,190**	106,771
Others	**574,239**	553,908
	3,580,600	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 six month period ended June 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 six month period ended June 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.

(Expressed in Saudi Riyals)

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

Gross Amount

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
June 30, 2020 (Unaudited)	**161,447,220**	**364,908**	**3,066,463**	**164,878,591**
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
June 30, 2020 (Unaudited)	**2,339,565**	**6,446**	**1,039,933**	**3,385,944**
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.

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 either or both of the two following events have taken place:

- 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 Company considers that the obligor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any).

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 six-month period ended June 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 three times.

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Aggregate financing to capital ratio *(Loans and advances to customers-net divided by total equity)*	**1.54 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

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

Oil prices have also witnessed significant volatility during the first half of 2020, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The oil prices have shown some recovery in late Q2 2020 as oil producing countries cut back production coupled with increasing of demand as countries emerged from lockdowns.

The Company continues to evaluate the current situation through conducting stress testing scenarios on expected movements of oil prices and its impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices to manage the impact of COVID-19 outbreak has had on its operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level such as the economic sectors, regions, country, counterparties and collateral protection thereby timely review and taking appropriate customer credit rating actions and appropriately restructuring financings, where required. These credit reviews also take into consideration the impacts of government and SAMA support relief programs.

The current events and the prevailing economic condition require the Company to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These would primarily revolve around either adjusting macroeconomic factors used by the Company in estimation of expected credit losses or revisions to the scenario probabilities currently being used by the Company in ECL estimation. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Company will continue to reassess its position and the related impact on a regular basis.

The Company has also recognized overlays for microfinancing. These have been based on a sector-based analysis performed by the Company in cognizance of the impacted portfolios. The Company will continue to individually assess significant exposures 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 390 thousand for the Company for the six month period ended June 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, the Company is required to defer payments for six months on the eligible microfinance facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. 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 payment deferrals has been assessed and are treated as per the requirements of IFRS 9 as modification in the term of arrangement. This has resulted in the Company recognizing a day 1 modification loss of SR 5.8 million for the six month period ended June 30, 2020 and this has been presented as part of special commission income. 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 support programs of 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 profit 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 95 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.

In a separate communication subsequently, the above funding for lending program was superseded with 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 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 June 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

This condensed interim financial information was approved for issuance by the Board of Directors on July 27, 2020 (corresponding to 6 Dhual Hijjah, 1441).