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

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND REVIEW REPORT

FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2020

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2020

INDEX

Building a better working world

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REVIEW REPORT

To the shareholders of
Bab Rizq Jameel Microfinance Company
(A Saudi Closed Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Bab Rizq Jameel Microfinance Company (a Saudi Closed Joint Stock Company) (the "Company") as at 31 March 2020 and the related interim condensed statements of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, and a summary of significant account policies and other explanatory notes, which form an integral part of these interim condensed financial statements. The Company's management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia ("KSA"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*, as endorsed in the KSA. A review of interim condensed financial statements consists of making inquiries, primarily of the 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 (ISAs) that are endorsed in the KSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

22 June 2020
1 Dhul-Qi'dah 1441H

Jeddah

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE No. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 31 March 2020

	Notes	***31 March 2020 SR Unaudited***	*31 December 2019 SR Audited*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment		**377,292**	445,881
Intangible assets		**811,780**	675,706
Financing and advances, net	3	**65,974,130**	61,278,227
Employees' receivables		**2,342,024**	2,068,163
TOTAL NON-CURRENT ASSETS		**69,505,226**	64,467,977
CURRENT ASSETS			
Financing and advances, net	3	**49,433,239**	52,866,420
Prepayments and other receivables		**1,597,546**	1,450,883
Receivable from SAMA	16	**38,850,000**	-
Cash and bank balances	4	**25,134,424**	5,787,910
TOTAL CURRENT ASSETS		**115,015,209**	60,105,213
TOTAL ASSETS		**184,520,435**	124,573,190
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	1	**100,000,000**	100,000,000
Accumulated losses		**(11,155,314)**	(7,594,151)
Actuarial losses		**(1,044,514)**	(1,044,514)
TOTAL SHAREHOLDERS' EQUITY		**87,800,172**	91,361,335
NON-CURRENT LIABILITIES			
Employees' benefits liabilities		**5,020,874**	4,459,502
Other non-current liabilities	5	**81,224,791**	25,000,000
TOTAL NON-CURRENT LIABILITIES		**86,245,665**	29,459,502
CURRENT LIABILITIES			
Accrued expenses and other payables	6	**8,301,867**	2,494,425
Due to related parties	7	**1,963,075**	1,066,519
Zakat Payable	9	**209,656**	191,409
TOTAL CURRENT LIABILITIES		**10,474,598**	3,752,353
TOTAL LIABILITIES		**96,720,263**	33,211,855
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**184,520,435**	124,573,190

The attached notes 1 to 19 form an integral part of these unaudited interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2020

	Notes	***For the three-month period ended 31 March 2020 SR***	*For the three-month period ended 31 March 2019 SR*
		Unaudited	*Unaudited Restated (Note 15)*
Revenues	8	**934,258**	1,662,002
Direct cost		**(49,496)**	(57,664)
GROSS MARGIN		**884,762**	1,604,338
Selling and marketing expenses		**(1,680,398)**	(1,239,170)
General and administrative expenses		**(1,919,020)**	(1,227,801)
Impairment charge against financing and advances	3	**(548,696)**	(239,087)
TOTAL OPERATING EXPENSES		**(4,148,114)**	(2,706,058)
LOSS FROM OPERATIONS		**(3,263,352)**	(1,101,720)
Finance income	4	-	195,535
Finance cost		**(279,564)**	(221)
LOSS BEFORE ZAKAT		**(3,542,916)**	(906,406)
Zakat	9	**(18,247)**	(32,087)
NET LOSS FOR THE PERIOD		**(3,561,163)**	(938,493)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(3,561,163)**	(938,493)
Basic and diluted loss per share (expressed in SR per share)	10	**(0.36)**	(0.09)

The attached notes 1 to 19 form an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the three-month period ended 31 March 2020

	Share capital SR	***Accumulated losses SR***	***Actuarial losses SR***	***Total SR***
Balance as at 1 January 2020 (audited)	100,000,000	(7,594,151)	(1,044,514)	**91,361,335**
Total comprehensive loss for the period	-	(3,561,163)	-	**(3,561,163)**
Balance as at 31 March 2020 (unaudited)	**100,000,000**	**(11,155,314)**	**(1,044,514)**	**87,800,172**
Balance as at 1 January 2019 (audited)	100,000,000	(5,068,040)	(473,000)	94,458,960
Total comprehensive loss for the period (*restated) (note 15)*	-	(938,493)	-	(938,493)
Balance as at 31 March 2019 (unaudited)	100,000,000	(6,006,533)	(473,000)	93,520,467

The attached notes 1 to 19 form an integral part of these unaudited interim condensed financial statements.

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended 31 March 2020

	Notes	***For the three month period ended 31 March 2020 SR Unaudited***	*For the three month period ended 31 March 2019 SR Unaudited*
OPERATING ACTIVITIES			
Loss before zakat		**(3,542,916)**	(906,406)
Adjustments to reconcile loss before zakat for the period to net cash flows:			
Depreciation		**73,223**	18,260
Amortization		**103,664**	46,841
Impairment charge against financing and advances	3(a)	**548,696**	239,087
Provision for employees' benefits liabilities		**561,372**	125,326
Finance cost		**279,564**	221
Finance income	4	-	(195,535)
		(1,976,397)	(672,206)
Changes in operating assets and liabilities:			
Financing and advances, net		**(1,811,418)**	(22,126,627)
Prepayments and other receivables		**(39,270,524)**	(359,569)
Accrued expenses and other liabilities		**37,000,065**	(125,753)
Due to related parties		**896,556**	18,378
Net cash used in operations		**(5,161,718)**	(23,265,777)
Finance cost paid		**(247,396)**	-
Net cash used in operating activities		**(5,409,114)**	(23,265,777)
INVESTING ACTIVITIES			
Addition to property and equipment		**(4,634)**	(15,810)
Addition to intangible assets		**(239,738)**	(264,783)
Finance income received		**-**	195,535
Murabaha deposits		**-**	35,310,869
Net cash (used in)/ from investing activities		**(244,372)**	35,225,811
FINANCING ACTIVITY			
Proceeds from long term loan	5	**25,000,000**	**-**
Cash from financing activity		**25,000,000**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**19,346,514**	11,960,034
Cash and cash equivalents at the beginning of the period	4	**5,787,910**	2,159,054
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**25,134,424**	14,119,088
NON-CASH TRANSACTIONS			
Right-of-use asset		-	112,750
Employees' benefits liabilities transferred in		-	1,251,303
Employees' advances transferred from a related party		-	280,067
Employees' vacation accrual transferred from a related party		-	86,000

The attached notes 1 to 19 form an integral part of these unaudited interim condensed financial statements.

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 Company is wholly owned by Saudi shareholders.

The Company's head office is in Jeddah. The principal activity of the Company is to engage in microfinance activities in the Kingdom of Saudi Arabia.

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.

a) Share capital of the Company

As at 31 March 2020 and 31 December 2019, the share capital of the Company is owned as follows:

	No. of shares of SR 10 each	*31 March 2020 SR Unaudited*	*31 December 2019 SR 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

The Company is a subsidiary of Abdul Latif Jameel Modern Trading Company Limited (formerly Al Mumaizah United Commerce Company Limited) (the "Parent Company"). The Ultimate Parent of the Company is United Instalment Sales Company Limited ("UIS" or "Ultimate Parent"). The Company, the Parent Company and the Ultimate Parent are wholly owned by Saudi shareholders.

b) Branches of the Company

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

2 BASIS OF PREPARATION

a) Statement of compliance

The interim condensed financial statements of the Company as at and for the three-month period ended 31 March 2020 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia ("KSA"). These interim condensed financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2019.

The interim condensed financial statements of the Company as at and for the three-month period ended 31 March 2019 were prepared in compliance with IAS 34 as modified by SAMA for the accounting of zakat and income tax.

On 17 July 2019, SAMA instructed the finance companies in the Kingdom of Saudi Arabia to account for the zakat in the statement of income. 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.

2 BASIS OF PREPARATION (continued)

a) Statement of compliance (continued)

Accordingly, during 2019, the Company changed its accounting treatment for zakat by retrospectively adjusting the impact in line with International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors (the effects of this change are disclosed in note 15 to the interim condensed financial statements).

b) Basis of measurement

These interim condensed financial statements are prepared under the historical cost convention using accrual basis of accounting, except for employees' benefits liabilities, where actuarial present value calculations are used.

c) Functional and presentation currency

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

d) Significant accounting judgments, estimates and assumptions

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The outbreak of novel coronavirus ("COVID-19") since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed financial statements, 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 interim condensed financial statements (as detailed below) are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019,

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the interim condensed financial statements have been prepared on a going concern basis.

Actuarial valuation of employee benefits liabilities

The cost of the end-of-service and ex-gratia benefits ("employee benefits") under defined unfunded benefit plans is determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and mortality rates. Due to the complexity of the valuation and its long-term nature, a defined unfunded benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required.

2 BASIS OF PREPARATION (continued)

d) Significant accounting judgments, estimates and assumptions (continued)

Useful lives of property and equipment
The management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Useful life of intangible assets
The Company's management determines the estimated useful lives of its intangible assets for calculating amortisation. This estimate is determined after considering the expected benefit obtained from the usage of the intangible assets. Management reviews the carrying value and useful lives annually and future amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Classification of financial assets
Assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.

Impairment of non-financial assets
The carrying amounts of the non-financial assets are reviewed at the end of each reporting date or more frequently to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using the pre-zakat discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. The fair value less cost to sell is based on observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets are available, then based on discounted future cash flow calculations.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the interim condensed statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as prepayment risk, liquidity risk, credit risk and volatility.

Significant judgement in determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company does not have any renewal option for lease contracts that have lease term of 12 months or less.

Leases – Estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

2 BASIS OF PREPARATION (continued)

e) New standards, interpretations and amendments adopted by the Company

The accounting policies used in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Company.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed financial statements of, nor is there expected to be any future impact to the Company.

f) Significant accounting policies

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

Significant accounting policy

Government grant

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 recognised 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 recognised in the interim condensed statement of income on a systematic basis over the period in which the Company recognises as expenses the related costs for which the grant is intended to compensate.

3 FINANCING AND ADVANCES, NET

	31 March 2020 SR Unaudited	*31 December 2019 SR Audited*
Gross financing and advances	**145,832,635**	137,071,590
Less: unearned finance income	**(27,662,671)**	(20,657,568)
	118,169,964	116,414,022
Less: allowance for doubtful debts (note a)	**(2,762,595)**	(2,269,375)
Financing and advances, net	**115,407,369**	114,144,647

	31 March 2020 (Unaudited)			
	Gross Financing and advances SR	***Unearned finance income SR***	***Allowance for doubtful debts SR***	***Financing and advances, net SR***
Current portion	**69,460,122**	**(17,264,288)**	**(2,762,595)**	**49,433,239**
Non-current portion	**76,372,513**	**(10,398,383)**	**-**	**65,974,130**
Total	**145,832,635**	**(27,662,671)**	**(2,762,595)**	**115,407,369**

	31 December 2019 (Audited)			
	Gross Financing and advances SR	*Unearned finance income SR*	*Allowance for doubtful debts SR*	*Financing and advances, net SR*
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 doubtful debts is given below:

	For the three-month period ended 31 March 2020 SR Unaudited	*For the three-month period ended 31 March 2019 SR Unaudited*
At the beginning of the period	**2,269,375**	563,503
Provided during the period	**548,696**	239,087
Amounts written off during the period	**(55,476)**	-
	2,762,595	802,590

3 FINANCING AND ADVANCES, NET (CONTINUED)

b) As at 31 March 2020, gross financing and advances which are past due amounted to SR 885,924 (31 December 2019: 463,348). The not yet due portion of above overdue financing and advances as of 31 March 2020 amounts to SR 9,432,882 (31 December 2019: 3,403,521).

c) The ageing of financing and advances which are past due is as follows:

	31 March 2020 SR Unaudited	*31 December 2019 SR Audited*
1 – 3 months	**664,508**	351,322
4 – 6 months	**144,639**	100,060
6 – 12 months	**76,777**	11,966
	885,924	463,348

4 CASH AND BANK BALANCES

	31 March 2020 SR Unaudited	*31 December 2019 SR Audited*
Cash and cash equivalents	**25,134,424**	5,787,910

During the period, the Company earned Nil (31 March 2019: SR 195,535) on murabaha deposits at the rate of return ranging from Nil (31 March 2019: 2.85% to 3.05%).

5 OTHER NON-CURRENT LIABILITIES

The outstanding balance as at interim condensed statement of financial position date are as follows:

	31 March 2020 SR (Unaudited)	*31 December 2019 SR Audited*
Commercial loan (see note (a) below)	**50,000,000**	25,000,000
Payable to SAMA (see note 16)	**36,497,572**	-
	86,497,572	25,000,000
Current portion – payable to SAMA (note 6 & 16)	**(5,272,781)**	-
Non-current portion	**81,224,791**	25,000,000

a) On 29 October 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 31 December 2019. During the period, the Company withdrew the remaining SR 25 million. 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.

5 OTHER NON-CURRENT LIABILITIES (CONTINUED)

Below is the summary of the undiscounted loans repayment schedule:

	31 March 2020 SR (Unaudited)	*31 December 2019 SR (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

6 ACCRUED EXPENSES AND OTHER PAYABLES

	31 March 2020 SR Unaudited	*31 December 2019 SR Audited*
Payable to SAMA – current portion (see note 16)	**5,272,781**	-
Accrued expenses	**1,776,745**	1,830,217
Advances from customers	**1,092,371**	407,126
Lease liability	**63,758**	189,718
Other payables	**96,212**	67,364
	8,301,867	2,494,425

7 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

i) Following are the details of related party transactions during the period:

Related party	**Nature of transactions**	***For the three month period ended 31 March 2020 SR Unaudited***	*For the three month period ended 31 March 2019 SR Unaudited*
Bab Rizq Jameel Service Company Limited	Payments made on behalf of the Company	**381,424**	67,280
	Expenses recharged for employees' costs	**-**	338,866
	Transfer of employees' benefits liabilities	**-**	1,251,303
	Transfer of employees accrued holiday pay	**-**	86,000
	Transfer of employees' advances	**-**	280,067
	Expenses recharged for marketing services	**-**	50,000
	Collections made on behalf of the Company	**16,973**	43,225
Abdul Latif Jameel United Finance Company (A Saudi Closed Joint Stock Company)	Shared services (excluding value added tax 'VAT')	**125,000**	125,000
Abdul Latif Jameel Company for Information and Services Limited	Charges for customer evaluations prior financing and advances (excluding VAT)	**51,971**	57,664
Abdul Latif Jameel Retail Company Limited	Purchases	**619,918**	64,470
Abdul Latif Jameel Electronics and Air Conditioning Company Limited	Purchases	**5,548**	6,444

ii) Due to related parties comprise the following:

	31 March 2020 SR Unaudited	*31 December 2019 SR Audited*
Bab Rizq Jameel Service Company Limited	**1,116,580**	750,072
Abdul Latif Jameel Retail Company Limited	**619,918**	-
Abdul Latif Jameel United Finance Company (A Saudi Closed Joint Stock Company)	**125,000**	300,747
Abdul Latif Jameel Company Limited	**78,750**	
Abdul Latif Jameel Company for Information and Services Limited	**17,279**	15,700
Abdul Latif Jameel Electronics and Air Conditioning Company Limited	**5,548**	-
	1,963,075	1,066,519

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

iii) The total amount of compensation to key management personnel during the period is as follows:

	For the three month period ended 31 March 2020 SR Unaudited	*For the three month period ended 31 March 2019 SR Unaudited*
Remuneration	**363,742**	308,789
Short-term employee benefits	**358,000**	216,000
Employee benefits liabilities	**232,581**	95,696
	954,323	620,485

The key management personnel include members of the Board and Board related committees (Risk and Audit Committee etc.)

8 REVENUES

	For the three month period ended 31 March 2020 SR Unaudited	*For the three month period ended 31 March 2019 SR Unaudited*
Income from financing and advances (see note 16)	**695,840**	1,517,156
Contract fee income	**238,418**	144,846
	934,258	1,662,002

9 ZAKAT

During the period, an amount of SR 18 thousand has been recorded as zakat charge (31 March 2019: SR 32 thousand).

Status of zakat assessments
The Company has submitted zakat declarations for the period from 4 April 2017 to 31 December 2017 and for the year ended 31 December 2019, which are being reviewed by General authority of Zakat and Tax (GAZT). The GAZT has raised an assessment for the year ended 31 December 2018 claiming additional zakat of SR 2.3 million. The Company disagrees with the GAZT assessment and has submitted the objection against the assessment. The Company has a ‘No Objection Letter’ valid to 30 April 2021.

10 LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period. The calculation of diluted loss per share is not applicable to the Company. The basic and diluted loss per share are calculated as follows:

	For the three month period ended 31 March 2020 SR Unaudited	*For the three month period ended 31 March 2019 SR Unaudited Restated (Note 15)*
Loss for the period	**(3,561,163)**	(938,493)
Weighted average number of ordinary shares (see note 1(a))	**10,000,000**	10,000,000
Basic and diluted loss per share (expressed in SR per share)	**(0.36)**	(0.09)

11 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.

12 FINANCIAL RISK MANAGEMENT

Credit Risk

a) *Credit quality analysis*

The following table sets out information about the credit quality of financial assets measured at amortized cost as at 31 March 2020. Unless specifically indicated, for financial assets, the amounts in the table represent net carrying amounts.

1. ***Gross carrying financing and advances***

	12 month ECL SR	***Life time ECL not credit impaired SR***	***Lifetime ECL credit impaired SR***	***Total SR***
31 March 2020 (Unaudited)	**142,569,749**	**1,779,587**	**1,483,299**	**145,832,635**
31 December 2019 (Audited)	134,309,792	1,659,871	1,101,927	137,071,590

2. ***Allowance for ECL***

	12 month ECL SR	***Life time ECL not credit impaired SR***	***Lifetime ECL credit impaired SR***	***Total SR***
31 March 2020 (Unaudited)	**2,106,231**	**82,031**	**574,333**	**2,762,595**
31 December 2019 (Audited)	1,830,441	15,672	423,262	2,269,375

b) Amounts arising from ECL – Significant 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.

12 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

a) 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 macro-economic 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.

b) 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).

c) Modified financial assets

The contractual terms of a financing and advances 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 financing and advances whose terms have been modified may be derecognised and the renegotiated financing and advances recognised 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.

12 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

c) Modified financial assets (continued)

The Company renegotiates financing 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, financing and advances 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.

d) 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.

e) 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.

f) 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 amortisation. The EAD of a financial asset is its gross carrying amount.

12 FINANCIAL RISK MANAGEMENT (continued)

Credit risk grades (continued)

f) Measurement of ECL (continued)

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 an advance or terminate a financing and advances 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 period ended 31 March 2020.

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

	31 March 2020 SR Unaudited	*31 December 2019 SR Audited*
Aggregate financing to capital ratio *(Financing and advances divided by total shareholders' equity)*	**1.31 times**	1.25 times

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, financing and advances, receivable from SAMA, employees' receivables, and other receivables. Its financial liabilities consist of due to related parties, payable to SAMA, long term loan and other liabilities.

The fair values of the financial instruments are not materially different from their carrying amounts except for financing and advances.

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

14 RESULTS OF INTERIM PERIOD

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

15 RESTATEMENT/RECLASSIFICATION OF PRIOR PERIOD FIGURES

As set out in note 2(a), the Company has changed in accounting treatment to charge zakat for the period to the interim condensed statement of income. Previously, zakat was charged directly to the interim condensed statement of changes in shareholders' equity. The change in the accounting treatment has the following impacts on the line items of the interim condensed statement of comprehensive income:

	For the three-month period ended 31 March 2019 SR'000
Interim condensed statement of comprehensive income	
Net loss for the period	
Net loss, as previously reported	(906,406)
Adjustment relating to zakat charge	(32,087)
Net loss, as restated	(938,493)
Loss per share	
Basic and diluted loss per share, as previously reported	(0.09)
Adjustment relating to zakat charge	(0.00)
Basic and diluted loss per share, as restated	(0.09)

The change has had no impact on the shareholders' equity and the interim condensed statement of cash flows for the three-month period ended 31 March 2019.

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

During March 2020, the World Health Organisation ("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 current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by volume which had predated the pandemic. The Company has evaluated 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 potential business disruption due to COVID-19 outbreak that may have 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, counterparty etc., collateral protection, timely review and customer credit rating actions and appropriately restructuring loans, where required. These also take into consideration the impacts of government and SAMA support relief programmes.

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. The adjustments to macroeconomic factors and scenario weightings resulted in an additional ECL of SR 403 thousand for the Company. 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.

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

The Company has also recognised overlays of SR 61.8 thousand for consumer financing. 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.

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. 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 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 are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Company recognising a day 1 modification loss of SR 5.1 million as at 31 March 2020 and this has been presented as part of income from financing and advances (note 8). In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

Pursuant to SAMA deferred payments program, the Company under an agreement with SAMA, has recorded a receivable amounting to SR 38.85 million, as profit-free deposit, which has been received subsequent to the period end. 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 subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SR 2.4 million, which has been recognised in the interim condensed statement of income as at 31 March 2020 immediately (note 8). The management has exercised certain judgments in the recognition and measurement of this grant income.

As at 31 March 2020, the Company is only participating in the deferred payment program as mentioned above.

During April 2020, SAMA has issued further guidance around additional COVID-19 support measures for MSMEs that the finance companies will need to undertake in relation to MSMEs deferred payments program. The Company will consider the guidance issued and evaluate the accounting impact in Q2 2020 accordingly.

17 COMPARATIVE INFORMATION

Comparative information has been re-classified, re-arranged or additionally incorporated in these interim condensed financial statements, whenever necessary to facilitate comparison and to conform with changes in presentation in the current period.

18 EVENTS AFTER THE REPORTING PERIOD

Except for the event mentioned above, there has been no events subsequent to the reporting date that would significantly affect the amounts reported or disclosures provided in the interim condensed financial statements as at and for the three-month period ended 31 March 2020.

19 BOARD OF DIRECTORS' APPROVAL

These interim condensed financial statements were approved by the Board of Directors on 17 June 2020 (corresponding to 25 Shawwal 1441H).