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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH AND NINE MONTH PERIODS
ENDED SEPTEMBER 30, 2021 AND INDEPENDENT
AUDITOR'S REVIEW REPORT

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

CONDENSED INTERIM FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER30, 2021

INDEX	PAGE

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
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Date 24/4/1419
www.deloitte.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Bab Rizq Jameel Microfinance Company (A Saudi Closed Joint stock Company) ("the Company") as of September 30, 2021 and condensed interim statements of profit or loss and other comprehensive income and changes in equity and cash flows for the three month and nine month periods then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of interim financial information performed by the independent auditor of the entity"* as endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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 statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter

We draw attention to Note 1 of the financial statements, which describes details about the Company's plans to merge its operations with a fellow subsidiary. Our review conclusion is not modified in respect of this matter.

Deloitte and Touche & Co.
Chartered Accountants

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

Rabi' al-Awwal 22, 1443
October 28, 2021

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

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021
(Expressed in Saudi Riyals)

	Note	**September 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
ASSETS			
Non-current assets			
Intangible assets		**871,854**	814,592
Property and equipment		**335,903**	226,108
Right-of-use assets		**545,472**	253,031
Loans and advances to customers, net	4	**115,339,803**	111,701,691
Advances to employees		**972,628**	1,177,744
Total non-current assets		**118,065,660**	114,173,166
CURRENT ASSETS			
Loans and advances to customers, net	4	**54,813,600**	50,160,701
Advances, prepayments and other assets		**3,128,742**	1,693,696
Cash and cash equivalents	5	**36,801,080**	44,569,462
TOTAL CURRENT ASSETS		**94,743,422**	96,423,859
TOTAL ASSETS		**212,809,082**	210,597,025
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**100,000,000**	100,000,000
Accumulated losses		**(10,891,749)**	(14,467,294)
Actuarial losses, net		**(2,015,980)**	(2,015,980)
Total equity		**87,092,271**	83,516,726
Non-current liabilities			
Borrowings	6	**48,069,622**	47,500,000
Payable to Saudi Central Bank	15	**36,609,885**	38,327,801
Employee benefits liabilities		**5,110,817**	4,756,212
Deferred income	15	**179,898**	196,559
Lease liabilities		**231,253**	138,414
Total non-current liabilities		**90,201,475**	90,918,986
Current liabilities			
Due to related parties	7	**1,941,849**	1,492,072
Zakat payable	8	**755,214**	210,676
Lease liabilities		**178,630**	44,132
Borrowings	6	**10,771,658**	2,500,000
Payable to Saudi Central Bank	15	**18,355,946**	27,290,161
Accrued and other liabilities	9	**3,092,119**	4,236,599
Deferred income	15	**419,920**	387,673
Total current liabilities		**35,515,336**	36,161,313
Total liabilities		**125,716,811**	127,080,299
TOTAL EQUITY AND LIABILITIES		**212,809,082**	210,597,025

The attached notes 1 to 16 form an integral part of these condensed interim financial statements

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

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2021
(Expressed in Saudi Riyals)

	Note	Three month period ended September 30 (Unaudited)		Nine month period ended September 30 (Unaudited)	
		2021	2020	**2021**	2020
Special commission income		**6,479,693**	1,121,541	**14,835,575**	3,776,926
Loan administration fee income		**227,943**	169,223	**692,601**	585,170
Revenue		**6,707,636**	1,290,764	**15,528,176**	4,362,096
Contract related costs		**(75,846)**	(49,144)	**(198,535)**	(135,464)
Selling and marketing expenses		**(1,546,780)**	(1,381,704)	**(4,333,258)**	(4,454,577)
General and administrative expenses		**(2,229,188)**	(1,577,738)	**(5,704,757)**	(5,072,751)
Impairment reversal /(charge) on financial assets		**688,355**	(1,110,717)	**821,990**	(2,282,761)
Finance income		**201,802**	145,592	**264,076**	314,617
Finance costs		**(845,215)**	(697,467)	**(2,364,473)**	(1,641,442)
Income from government grant	15	**90,632**	139,353	**309,800**	234,243
Profit / (loss) before zakat		**2,991,396**	(3,241,061)	**4,323,019**	(8,676,039)
Zakat	8	**(480,613)**	(58,346)	**(747,474)**	(141,648)
Net profit/(loss) for the period		**2,510,783**	(3,299,407)	**3,575,545**	(8,817,687)
Other comprehensive income for the period					
Other comprehensive income for the Period		-	-	-	-
Total comprehensive income/(loss) for the period		**2,510,783**	(3,299,407)	**3,575,545**	(8,817,687)
Basic and diluted earnings/(loss) per share	11	**0.25**	(0.33)	**0.36**	(0.88)

The attached notes 1 to 16 form an integral part of these condensed interim financial statements

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2021
(Expressed in Saudi Riyals)

	Share capital	Accumulated losses	Actuarial losses, net	Total equity
January 1, 2020 (audited)	100,000,000	(7,594,151)	(1,044,514)	91,361,335
Loss for the period	-	(8,817,687)	-	(8,817,687)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	(8,817,687)	-	(8,817,687)
September 30, 2020 (unaudited)	100,000,000	(16,411,838)	(1,044,514)	82,543,648
January 1, 2021 (audited)	**100,000,000**	**(14,467,294)**	**(2,015,980)**	**83,516,726**
Profit for the period	**-**	**3,575,545**	**-**	**3,575,545**
Other comprehensive income for the period	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**3,575,545**	**-**	**3,575,545**
September 30, 2021 (unaudited)	**100,000,000**	**(10,891,749)**	**(2,015,980)**	**87,092,271**

The attached notes 1 to 16 form an integral part of these condensed interim financial statements

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

CONDENSED INTERIM STATEMENT OF CASH FLOWS
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021
(Expressed in Saudi Riyals)

	Notes	For the nine-month period ended September 30 2021 (Unaudited)	2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period before zakat		**4,323,019**	(8,676,039)
Adjustment for:			
Depreciation on property and equipment		**129,985**	102,511
Amortization of intangible assets		**412,581**	310,993
Depreciation on right-of-use assets		**172,855**	139,610
Impairment (reversal)/ charge on financial assets	4	**(821,990)**	2,282,761
Loss on modification of financial assets – net		**568,904**	6,160,223
Income from government grant		**(309,800)**	(234,243)
Finance income		**(109,950)**	(314,617)
Finance costs		**2,364,473**	1,641,442
Employee benefits liabilities		**354,605**	878,316
Concessional loan income		**(154,126)**	-
Loss on disposal of property and equipment		**2**	-
		6,930,558	2,290,957
Changes in:			
Loans and advances to customers		**(9,275,713)**	(46,085,737)
Advances, prepayments and other assets		**(1,236,822)**	(915,513)
Accrued expenses other liabilities		**(446,689)**	974,711
Due to related parties		**449,777**	629,960
Cash used in operations		**(3,578,889)**	(43,105,622)
Zakat paid		**(202,936)**	(211,199)
Net cash used in operating activities		**(3,781,825)**	(43,316,821)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		**(239,782)**	(147,994)
Addition to intangible assets		**(469,843)**	(524,807)
Finance income received		**116,842**	84,667
Murabaha deposits		**-**	(36,500,000)
Proceeds from disposal of property and equipment		**-**	1,473
Net cash used in investing activities		**(592,783)**	(37,086,661)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term loan		**10,000,000**	25,000,000
Repayments of long term loan		**(833,334)**	-
Finance costs paid		**(1,582,351)**	(132,508)
Repayment of lease liabilities		**(237,959)**	(230,970)
Repayment of loan from Saudi Central Bank		**(16,102,975)**	-
Proceeds of loan from Saudi Central Bank		**5,362,845**	58,850,000
Net cash (used in)/from financing activities		**(3,393,774)**	83,486,522
Net decrease in cash and cash equivalents		**(7,768,382)**	3,083,040
Cash and cash equivalents, January 1	5	**14,569,462**	5,787,910
CASH AND CASH EQUIVALENTS, September 30	5	**6,801,080**	8,870,950

The attached notes 1 to 16 form an integral part of these condensed interim financial statements

(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(unified number 7003768905), issued on 7 Rajab 1438H (corresponding to 4 April 2017).

The shareholding of the Company as of September 30, 2021 and December 31, 2020 was as follows:

	No. of shares of SR 10 each	Amount
Abdul Latif Jameel Modern Trading Company Limited	**9,600,000**	**96,000,000**
Abdul Latif Jameel Creative Business Services Company Limited	**100,000**	**1,000,000**
Najid Al Raeda United Company Limited	**100,000**	**1,000,000**
Bader First United Company Limited	**100,000**	**1,000,000**
Taif First United Company Limited	**100,000**	**1,000,000**
	10,000,000	**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 ("UIS").

The Company is in the process of updating its Articles of Association to reflect the changes in the names of its shareholders.

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

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

The head office of the Company is in Jeddah.

As of September 30, 2021, the Company operates through head office and 5 registered branches (December 31, 2020: 5).

Branch	CR Number	Date
Riyadh	1010596136	17/01/1441
Dammam	2050241225	25/07/1439
Tabuk	3550126136	19/04/1440
Jeddah	4030365781	17/01/1441
Madinah	4650214096	17/01/1441

The accompanying condensed interim financial statements include the assets, liabilities and results of these branches.

During the third quarter of the year 2020, the Company's accumulated losses and related reserves exceeded 15% of the share capital. In accordance with Article 70 of the Implementing Regulation of the Finance Companies Control law, the Company must immediately notify SAMA, if losses exceed 15% of paid up capital. During the fourth quarter of 2020, the Company communicated the same to SAMA and has since then responded to related queries regarding remedial measures.

(Expressed in Saudi Riyals)

During June 2021, a request was submitted to SAMA, seeking to merge Abdul Latif Jameel United Real Estate Company and Bab Rizq Jameel Micro Finance Company with Abdul Latif Jameel United Finance Company ("ALJUF"), all affiliates and ultimately owned by the same shareholders. During the period, SAMA provided No Objection letter and requested that a detailed plan for the merger be submitted to SAMA by ALJUF for approval within a period of one year. The plan should include exact steps and timelines including the impact on companies systems and jobs specially for Saudis in the merged company within a period of one year from the date of the No Objection letter of SAMA. After the approval of plan by SAMA, ALJUF shall also seek approvals of the Ministry of Commerce and Zakat, Tax and Customs Authority ("ZATCA"). Accordingly, the Board of Directors on August 30, 2021 approved the merger of the Company with ALJUF and authorized the Chairman of the Board of Directors to execute the merger and obtain all the required shareholders and regulatory approvals. As of September 30, 2021, ALJUF is yet to submit the plan to SAMA.

Based on the foregoing, the condensed interim financial statements continue to be prepared on a going concern basis as the Company is expected to continue for at least one year from the date of issuance of these condensed interim financial statements in existing status.

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 2021, have been adopted in these financial statements.

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, 2021.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS	Summary
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	**IBOR Transition (Interest Rate Benchmark Reforms)** A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR. Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from January 1, 2021 and are mandatory for all hedge relationships directly affected by IBOR reform. The Company has adopted these amendments along with the hedging relief for pre-replacement hedges.

(Expressed in Saudi Riyals)

New and revised IFRS	Summary
	Phase (2) - The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Company believes the current market structure supports the continuation of hedge accounting as of September 30, 2021. Management is running a project on the Company's overall transition activities and continues to engage with various stakeholders to support an orderly transition.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2021 and relevant to the Company's operations.

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
COVID 19 related rent concessions beyond June 30, 2021 (Amendments to IFRS 16)	April 1, 2021
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
Insurance Contracts and related amendments to IFRS 17	January 1, 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an 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.

During 2020, SAMA issued rules governing credit risk exposure classification and provisioning. These rules set out the minimum requirements on credit risk exposure classification and provisioning. These rules shall be applicable to all finance companies licensed pursuant to Finance Companies Control Law effective from July 1, 2021. In a subsequent communication, SAMA deferred implementation of the rules to January 1, 2022, except for certain rules to be implemented on or before December 31, 2023. The management has engaged a consultant to update policies and procedures to be in line with the rules and as of September 30, 2021, the Company is in the process of assessing the impact of the new rules.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The condensed interim financial statements of the Company as of and for the nine-month period ended September 30, 2021 have been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia.

These condensed interim financial statements do 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, 2020.

The results for the interim period of nine-month period ended September 30, 2021 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2021.

In preparing these condensed interim financial statements, the significant judgments made by the management are same as those that are applied to the financial statements for the year ended December 31, 2020.

Basis of preparation

These condensed interim financial statements are prepared under the historical cost convention using the accruals basis of accounting except for employees benefits liabilities, which are calculated based on present value of the defined benefit obligation, using actuarial present value calculations based on projected unit credit method.

Functional and presentation currency

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

The accounting policies adopted in preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Company for the year ended December 31, 2020.

(Expressed in Saudi Riyals)

3.2 Significant accounting estimates and judgments

The preparation of the Company's condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The outbreak of novel coronavirus ("COVID-19") since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Company's management to revisit its significant judgments in applying the Company's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended December 31, 2019 and 2020. The Company's management, during the year ended December 31, 2020, 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 made certain changes to the expected credit loss model during 2020. However, in view of the current uncertainty, given that the local as well as international health and government authorities continue to advise caution and future lockdowns have not been ruled out in entirety, it is challenging now to predict the full extent and duration of its business and economic impact. Therefore, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

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, 2020.

4. LOANS AND ADVANCES TO CUSTOMERS, NET

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Loans and advances to customers at amortized cost	**173,977,813**	166,600,187
Less: impairment loss allowance	**(3,824,410)**	(4,737,795)
	170,153,403	161,862,392

a) The following table details the contractual maturity for its loans and advances to customers portfolio:

	Years	**September 30, 2021 (Unaudited)**	December 31, 2020 (Audited)
Current portion	2021	**54,813,600**	50,160,701
Non-current portion	2022	**54,702,974**	54,099,503
	2023	**39,425,451**	35,283,094
	2024	**16,038,973**	16,360,490
	2025 and onwards	**5,172,405**	5,958,604
Non-current portion		**115,339,803**	111,701,691
		170,153,403	161,862,392

(Expressed in Saudi Riyals)

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

	For the nine-month period ended September30,	
	2021 (Unaudited)	2020 (Unaudited)
January 1	**4,737,795**	2,269,375
(Reversal)/additions during the period	**(821,990)**	2,282,761
Amount written off	**(91,395)**	(99,515)
September 30	**3,824,410**	4,452,621

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
1 - 3 months	**701,415**	226,437
4 - 6 months	**274,031**	195,653
6 - 12 months	**267,399**	327,702
More than 12 months	**390,022**	100,193
	1,632,867	849,985

d) The not yet due portion of above overdue loans and advances to customers as of September 30, 2021 amounts to SR 5,424,675 (December 31, 2020: SR 2,748,875).

5. CASH AND CASH EQUIVALENTS

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash in hand	**144,946**	7,000
Cash at bank	**6,656,134**	14,562,462
Cash at bank - deposits	**30,000,000**	30,000,000
Cash and cash equivalents	**36,801,080**	44,569,462

5.1 During the period, the Company earned income of SR 109,950 (September 30, 2020: SR 314,617) on murabaha deposits at the rate of return ranging from 0.2% to 0.75% (September 30, 2020: 0.6% to 1.35%).

6. BORROWINGS

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Borrowings at amortized costs		
Commercial bank loan (note a)	**50,000,000**	50,000,000
Social Development Bank loan (note b)	**8,841,280**	-
	58,841,280	50,000,000
Less: Current portion of long-term borrowings	**10,771,658**	2,500,000
Non-current portion of long-term borrowings	**48,069,622**	47,500,000

(Expressed in Saudi Riyals)

a) 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 had been drawn by the Company in 2019 and a further SR 25 million was drawn during 2020. 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 1.5% per annum. As a result of breach of covenants in the third quarter of 2020, the Company renegotiated the terms of the loan contract and the covenants were amended in the fourth quarter of 2020. The line of credit was provided to the Company by the local bank upon issuance a letter of comfort from the Parent Company.

b) On January 12, 2021, the Company obtained an additional line of credit from the Social Development Bank for SR 10,000,000 to provide concessional loans to Micro Small and Medium Enterprises ("MSMEs"). The loan is repayable in 36 monthly installments after a grace period of 6 months. The loan is interest free and provided by the Development Bank to increase the contribution of MSME to the Kingdom's economy.

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
2021	**3,055,556**	2,500,000
2022	**13,333,336**	10,000,000
2023	**13,333,336**	10,000,000
2024	**11,944,438**	10,000,000
2025	**10,000,000**	10,000,000
2026	**7,500,000**	7,500,000
	59,166,666	50,000,000

7. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Related party	Nature of transactions	For the three month period September 30, (Unaudited)		For the nine month period September 30, (Unaudited)	
		2021	2020	2021	2020
Affiliates	Payments made on behalf of the Company	274,585	200,626	627,216	582,050
	Expenses recharged for employees' costs	46,038	-	46,038	8,809
	Collections made on behalf of the Company	1,620	1,650	21,195	18,623
	Expenses recharged for shared services	75,000	618,750	876,740	618,750
	Charges for customer evaluations for loans and advances	39,524	56,516	94,084	147,152
	Purchases	202,600	232,875	213,598	951,896

(Expressed in Saudi Riyals)

b) Due to related parties comprised of the following:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Bab Rizq Jameel for Services Company Limited	**657,304**	524,249
Abdul Latif Jameel United Finance Company (a closed joint stock Company)	**749,501**	466,915
Abdul Latif Jameel Company for Information and Services Limited	**14,554**	18,980
Abdul Latif Jameel Retail Company Limited	**232,990**	287,040
Abdul Latif Jameel Company Limited	**287,500**	172,500
Abdul Latif Jameel Electronics and Airconditioning company Limited	**-**	22,388
	1,941,849	1,492,072

c) Transactions with key management personnel

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

	For the three-month period ended September 30, (Unaudited)		**For the nine-month period Ended September 30, (Unaudited)**	
	2021	2020	**2021**	2020
Remuneration and short term employee benefits	**531,954**	678,157	**1,806,587**	1,706,540
Post-employment benefits	**54,672**	45,273	**169,817**	380,853
	586,626	723,430	**1,976,404**	2,087,393

8. ZAKAT PAYABLE

The movement in the zakat payable is as follows:

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
January 1	**210,676**	191,409
Charge for the current period/year	**755,215**	210,676
(Over)/ under charge for prior year	**(7,741)**	19,789
Paid during the period/year	**(202,936)**	(211,198)
September30/ December 31	**755,214**	210,676

Status of zakat assessments

The Company has submitted zakat declarations for the period from April 4, 2017 to December 31, 2017 and each of years ended December 31, 2018 to December 31, 2020, which are being reviewed by Zakat, Tax and Customs Authority (ZATCA). The ZATCA has raised an assessment for the year ended December 31, 2018 claiming additional zakat of SR 2.4 million. The Company submitted the objection against the assessment which the ZATCA has accepted and the case was closed on June 11, 2020. The Company has a ‘No Objection Letter’ valid to April 30, 2022.

(Expressed in Saudi Riyals)

9. ACCRUED AND OTHER LIABILITIES

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Accrued expenses	**639,492**	668,436
Employee related accruals	**1,353,625**	1,444,695
Accrued interest payable	**249,806**	947,597
Others	**849,196**	1,175,871
	3,092,119	4,236,599

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 (after absorbing accumulated losses) 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 Company has incurred losses in the past and has accumulated losses as of the reporting date, no such transfers have been made.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings for the period by the weighted average number of ordinary shares outstanding during the three month and nine-month periods ended September 30, 2021 and the year ended December 31, 2020.

There has been no dilutive effect on the weighted average number of shares during the three month and nine-month periods ended September 30, 2021 and the year ended December 31, 2020.

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 and concentration of credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk on cash and bank balances, loans and advances to customers and advances to employees. The Company has established procedures to manage credit exposure including, credit approvals, credit limits, collateral and guarantee requirements. These procedures are based on the Company's internal guidelines. The Company’s risk committee manages the overall credit risk strategy.

Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers.

(Expressed in Saudi Riyals)

The Company manages concentration of credit risk exposure through diversification of its loan and advances to customers portfolio to different customer segments and loan products. However, the Company mitigates its credit risk through evaluation of credit worthiness and by obtaining guarantees by a third party with fixed periodic cashflows. For each type of loan product, the maximum credit limits are defined. An allowance for credit losses is maintained at a level which, in the judgment of management, is adequate to provide for impairment losses on delinquent receivables.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Credit quality analysis

The following tables set out information about the credit quality of loans and advances to customers measured at amortized cost as of the dates mentioned thereof:

Exposure at default

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
September 30, 2021 (Unaudited)	**166,548,801**	**4,327,422**	**3,101,590**	**173,977,813**
December 31, 2020 (audited)	164,150,073	935,989	1,514,125	166,600,187

Expected credit loss

	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
September30, 2021 (Unaudited)	**2,879,576**	**99,026**	**845,808**	**3,824,410**
December 31, 2020 (audited)	4,108,691	13,058	616,046	4,737,795

a) Amounts arising from ECL - Significant increase in credit risk (SICR)

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 by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company groups its loans and advances to customers into Stage 1, Stage 2, Stage 3 as described below:

Stage 1: When loans and advances to customers are first recognized, the Company recognizes an allowance based on 12 months ECLs. Stage 1 loans and advances to customers also include loans and advances to customers where the credit risk has improved, and the balance has been reclassified from Stage 2.

Stage 2: When a receivable has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECL. Stage 2 loans and advances to customers also include loans and advances to customers, where the credit risk has improved, and the loans and advances to customers has been reclassified from Stage 3.

Stage 3: Loans and advances to customers considered credit impaired. The Company records an allowance for the Lifetime ECL.

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.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

b) Generating the term structure of PD

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

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

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

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

c) Determining whether credit risk has increased significantly

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

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

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

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

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

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

Consideration due to the Covid-19:

In response to the impacts of COVID-19, various support programmes have been offered to the customers by the Company on account of SAMA initiatives, such as customers eligible under Deferred Payments Program (refer note 15 for further details). The exercise of the deferment option by a customer, in its own, is not consider by the Company as triggering SICR and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Company’s credit evaluation process especially given the current economic situation due to after effects of lock down, the Company analyzed the financial position of the customers and ability to repay the amounts and in case where indicators of significant deterioration were noted, the customers’ credit ratings and accordingly exposure staging were adjusted, where applicable.

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 change has been made in the backstop criteria for all types of exposures. 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 loans and advances to customers at fair value in accordance with the accounting policy.

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

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

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

e) Definition of 'Default'

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

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

f) Incorporation of forward looking information

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

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

There have been no changes to the types of forward looking variables (key economic drivers) used as model inputs in the current period.

g) Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD)

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 estimated prepayment rates.

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.

(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.

Consideration due to COVID-19:

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Company's allowance for expected credit losses. The changing COVID-19 circumstances and the Government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of finance lease and instalment sales in future periods, expected credit losses reported by the Company should be considered as a best estimate within a range of possible estimates.

The PD, EAD and LGD models are subject to the Company's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality.

Due to COVID-19, the Company modified the scenario weights of both PD and LGD models, by increasing the weight of pessimistic scenario. This is in addition to the revision of the SICR criteria as discussed above.

Capital management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure. The Company manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in objectives, policies or processes for managing capital during the nine-month period ended September 30, 2021.

The Company monitors aggregate amount of 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.

	September30, 2021 (Unaudited)	December 31, 2020 (Audited)
Aggregate financing to capital ratio *(Loans and advances to customers-net divided by total equity)*	**1.95**	1.94

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, Borrowings and lease liabilities.

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

The COVID-19 pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of Kingdom of Saudi Arabia (“the Government”) however has managed to successfully control the outbreak to date.

During 2020, the management performed a detailed assessment to ascertain the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio.

The Company continues to evaluate the current situation and its impact on key credit, liquidity, operational and solvency ratios and performance indicators in addition to other risk management practices. The evaluation of current situation also take into consideration the impact of the government and SAMA support relief programs.

During the period ended September 30, 2021, the Company has revised certain macroeconomic factors inputs used for the determination of ECL. The Company’s ECL model continues to be sensitive to macroeconomic variables and scenario weightings. To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. 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.

It continues to be challenging to reliably ascertain the specific effects the pandemic and the government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Company has therefore concluded that it is too early for any potential credit impairment to be reflected through the application of the staging criteria and has instead put more emphasis on the macroeconomic model underpinning the PD and LGD determinations. The Company will continue to individually assess significant counterparty 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

Private Sector Financing Support Program ("PSFSP")

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 (“DPP”);
- Funding for lending program;
- Loan guarantee program; and
- Point of sale (“POS”) and e-commerce service fee support program.

Deferred payments program

On March 14, 2020 , SAMA announced deferred payments program and provided further extensions as follows:

Deferred payment program - period from March 14, 2020 to September 14, 2020
1st extension – deferral period extended from September 15, 2020 to December 14, 2020
2nd extension – deferral period extended from December 15, 2020 to March 31, 2021.
3rd extension – deferral period extended from April 1, 2021 to June 30, 2021.
4th extension – deferral period extended from July 1, 2021 to September 30, 2021.
5th extension – deferral period extended from October 1, 2021 to December 31, 2021.

As part of the deferred payments program and its subsequent extensions, the Company is required to defer payments for the relevant deferral period on lending facilities to eligible 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 reliefs by extending the tenure of the applicable financings granted with no additional costs to be borne by the customer.

Further to the above, SAMA on June 22, 2021 announced the extension of the DPP for three additional months from July 1, 2021 to September 30, 2021, only for those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard. On September 29, 2021, for these effected MSME customers, a further extension of three additional months was announced by SAMA i.e., for the installment falling due from October 1, 2021 to December 31, 2021. The Company performed an assessment to determine the pool of customers eligible for continued deferment and accordingly deferred the installments falling due from July 1, 2021 to December 31, 2021 amounting to SAR 1.2 million and extended the tenure of the applicable loans at no additional costs to the customer. This resulted in the Company recognizing an additional modification loss of SAR 280 thousand and SAR 212 thousand during the quarters ended June 30 and September 30, 2021 respectively and was deducted from special commission income.

As a result of the above program and related extensions, the Company has deferred total payments of SR 62 million on the MSME portfolio.

The accounting impact of these deferrals in terms of the credit facilities has been assessed and is treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Company recognizing a total day 1 modification loss at the time of each deferral (excluding the third, forth and fifth extension) of SR 10.4 million on loans and advances and was deducted from the special commission income for the year ended December 31, 2020.

During the nine month period ended September 30, 2021, the Company recognized a day 1 modification loss of SR 1.8 million at the time of third, forth and fifth extension and was deducted from the revenues for the nine month period ended September 30, 2021.

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

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

SAMA deposit granted to the Company under the deferred payment program

In order to compensate the related cost that the Company is expected to incur under the SAMA programs, the Company in aggregate received SR 58.7 million of profit free deposit from SAMA till September 30, 2021 with varying maturities. Details of the amounts received from SAMA and their initial repayment terms are as follows:

- an amount of SR 38.85 million, repayable to SAMA over the period of 3.5 years in equal monthly instalments, including a grace period of 6 months, received against loans and advances to customers on April 13, 2020;
- an amount of SR 7.3 million, repayable to SAMA over the period of 1.58 years in equal monthly instalments, including a grace period of 4 months, received against loans and advances to customers on December 30, 2020;
- an amount of SR 7.2 million, repayable to SAMA over the period of 1.75 years in equal monthly instalments, including a grace period of 3 months, received against loans and advances to customers on December 23, 2020;
- an amount of SR 4.7 million repayable to SAMA over the period of 1.25 years in equal monthly installments, including a grace period of 3 months, received against loans and advances to customers on April 22, 2021.
- an amount of SR 0.67 million repayable to SAMA at the end of 1.5 years, received against loans and advances to customers on September 30, 2021.

The benefit of the above subsidized funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in recognition of government grant income of SR 2.9 million to offset the modification losses for which the grant has been provided. Management had determined based on the communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. For the recognition of this benefit of subsidized funding rate, the management has exercised certain judgements in the recognition and measurement of this grant income. During the period, SR 1 million (year ended December 31, 2020: SR 754 thousand) has been charged to the statement of income relating to unwinding of profit free deposit from SAMA.

On June 30, 2021 SAMA has deferred the monthly repayment installments to the last repayment date under the original repayment schedule. This resulted in the Company recognizing a modification gain of SR 1.2 million during the quarter ended September 30, 2021.

Funding for lending program

During the year 2020, the Company had received additional profit free deposit from SAMA amounting to SR 20 million, out of which SR 10 million was received on April 28, 2020 and SR 10 million was received on June 15, 2020, with a tenure of 36 months under the funding for lending program including 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 986 thousand upon receipt of the loan and recognition of SR 310 thousand in the nine month period ended September 30, 2021 and SR 402 thousand in the statement of profit and loss and other comprehensive income during 2020 as income from government grant.

The management has exercised certain judgements in the recognition and measurement of the above grant income. Management expects to meet and abide by all terms of the program.

Loan guarantee program

In a separate communication from SAMA, the above funding for lending program was superseded with loan guarantee program, whereby the Company would be required to provide finance to specific segment of the customers in accordance with the terms and conditions of the program and SAMA regulations. Additionally, the Company can register loans and advances to customer to be guaranteed by a government agency up to 95% of the remaining amount.

Repayments of SAMA Programs

The Company has repaid a total of SR 21.3 million to SAMA upon maturity or due to non utilization of funds since the start of the above programs. An amount of SR 16.1 million was paid during nine month period ended September 30, 2021.

As of September 30, 2021, 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 these financial statements.

16. BOARD OF DIRECTORS' APPROVAL

These condensed interim financial statements were approved for issuance by the Board of Directors on October 27, 2021 (corresponding to 21 Rabi'I , 1443).