ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

INDEX **PAGE**

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Jeddah branch office
License #323/11/96/1
Date 24/4/1419
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INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED INTERIM FINANCIAL STATEMENTS

To the shareholders
Abdul Latif Jameel United Finance Company
(A Saudi Closed Joint Stock Company)
Jeddah, Saudi Arabia

Introduction:

We have reviewed the accompanying condensed interim statement of financial position of Abdul Latif Jameel United Finance Company (a Saudi Closed Joint Stock Company) ("the Company") as of September 30, 2020 and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month and nine month periods then ended, and a summary of significant accounting policies and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

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

Other Matter

The financial statements of the Company for the year ended December 31, 2019 and condensed interim financial statements for the three month and nine month periods ended September 30, 2019 were audited and reviewed by another auditor who expressed an unmodified opinion and an unmodified conclusion on those statements on February 24, 2020 and on October 23, 2019 respectively.

Deloitte and Touche & Co.
Chartered Accountants

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
فرع مكتب جدة
س.ت ٤٠٣٠٢٩٧٠٤٩
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Jeddah Branch
Chartered Accountants
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Tariq Mohammad Al Fattani
Certified Public Accountant
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9 Rabi'I, 1442
October 26, 2020

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Non-current assets			
Property and equipment		**74,748**	81,621
Intangible assets		**4,657**	7,436
Investment classified as fair value through other comprehensive income		**893**	893
Net investment in finance lease	5	**572,950**	956,026
Notes receivable carried at fair value through other comprehensive income	6.1	**146,554**	210,409
Notes receivable carried at amortized cost	6.2	**5,100**	8,020
Other non-current assets		**13,198**	11,161
Total non-current assets		**818,100**	1,275,566
Current assets			
Net investment in finance lease	5	**194,032**	368,053
Notes receivables carried at fair value through other comprehensive income	6.1	**12,225**	24,139
Notes receivable carried at amortized cost	6.2	**15,842**	24,201
Inventories		**23,838**	18,783
Prepayments and other receivables		**86,009**	42,534
Net servicing asset – current portion		**8,411**	19,015
Due from related parties	7	**3,777**	3,128
Cash and bank balances	8	**2,993,135**	3,329,582
Total current assets		**3,337,269**	3,829,435
TOTAL ASSETS		**4,155,369**	5,105,001
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1	**1,000,000**	1,700,000
Statutory reserve		**291,375**	291,375
Retained earnings		**1,364,399**	1,438,708
Fair value reserve	6.1	**36,487**	44,850
Actuarial gains, net		**41,625**	41,625
Total shareholders' equity		**2,733,886**	3,516,558
Non-current liabilities			
Employee benefits liabilities		**114,052**	117,923
Lease liabilities		**10,094**	14,551
Other non-current liabilities	9	**259,162**	4,340
Total non-current liabilities		**383,308**	136,814
Current liabilities			
Accounts payable, accrued and other liabilities	10	**998,846**	1,329,433
Due to related parties	7	**39,329**	122,196
Total current liabilities		**1,038,175**	1,451,629
Total liabilities		**1,421,483**	1,588,443
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,155,369**	5,105,001

The attached notes 1 to 22 form an integral part of these condensed interim financial statements.

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

		Three month period ended September 30 (Unaudited)		**Nine month period ended September 30 (Unaudited)**	
	Notes	**2020**	2019	**2020**	2019
Revenues	11	**76,037**	190,824	**320,176**	502,886
Direct costs	12	**(22,282)**	(84,615)	**(81,703)**	(177,693)
GROSS MARGIN		**53,755**	106,209	**238,473**	325,193
Net gain on de-recognition of receivables	15(c)	**51,574**	89,503	**242,607**	271,212
Net change in present value of assets and liabilities relating to derecognised receivables		**(17,154)**	(3,068)	**(13,811)**	(11,164)
TOTAL OPERATING INCOME		**88,175**	192,644	**467,269**	585,241
Selling and marketing expenses		**(54,454)**	(47,776)	**(170,500)**	(178,054)
General and administrative expenses		**(42,290)**	(45,987)	**(140,894)**	(144,180)
Reversal/(impairment charge) of impairment against lease and notes receivables	5 & 6	**28,321**	(14,311)	**51,969**	7,995
TOTAL OPERATING EXPENSES		**(68,423)**	(108,074)	**(259,425)**	(314,239)
PROFIT FROM OPERATIONS, net		**19,752**	84,570	**207,844**	271,002
Finance charges		**(4,861)**	(3,165)	**(13,145)**	(9,911)
Finance income	8(a)	**7,163**	23,579	**39,070**	78,394
Other income		**13,654**	6,885	**25,222**	15,718
PROFIT BEFORE ZAKAT		**35,708**	111,869	**258,991**	355,203
Zakat	13	**(18,000)**	(16,800)	**(49,000)**	(52,310)
NET PROFIT FOR THE PERIOD		**17,708**	95,069	**209,991**	302,893
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD					
Items that may be reclassified to condensed interim statement of income:					
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	6.1	**(8,852)**	8,240	**(8,363)**	(19,940)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**8,856**	103,309	**201,628**	282,953
Basic and diluted earnings (expressed in Saudi Riyal per share)	14	**0.14**	0.56	**1.36**	1.78

The attached notes 1 to 22 form an integral part of these condensed interim financial statements.

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020
(Expressed in thousands of Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Fair value reserve	Actuarial gains, net	Total
January 1, 2019 (audited)		1,700,000	250,108	1,867,304	57,305	46,864	3,921,581
Net income for the period		-	-	302,893	-	-	302,893
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	6.1	-	-	-	(19,940)	-	(19,940)
Total comprehensive income for the period		-	-	302,893	(19,940)	-	282,953
Dividend		-	-	(800,000)	-	-	(800,000)
September 30, 2019 (unaudited)		1,700,000	250,108	1,370,197	37,365	46,864	3,404,534
January 1, 2020 (audited)		**1,700,000**	**291,375**	**1,438,708**	**44,850**	**41,625**	**3,516,558**
Net income for the period		-	-	**209,991**	-	-	**209,991**
Movement in fair value reserve relating to notes receivable carried at fair value through other comprehensive income	6.1	-	-	-	**(8,363)**	-	**(8,363)**
Total comprehensive income for the period		-	-	**209,991**	**(8,363)**	-	**201,628**
Reduction in share capital	1	**(700,000)**	-	-	-	-	**(700,000)**
Dividend	17	-	-	**(284,300)**	-	-	**(284,300)**
September 30, 2020 (unaudited)		**1,000,000**	**291,375**	**1,364,399**	**36,487**	**41,625**	**2,733,886**

The attached notes 1 to 22 form an integral part of these condensed interim financial statements.

ABDUL LATIF JAMEEL UNITED FINANCE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

	For the nine month period ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before zakat	**258,991**	355,203
Adjustments for:		
Depreciation and amortization	**20,699**	23,551
Reversal of impairment against lease and notes receivables	**(51,969)**	(15,047)
Finance charges	**13,145**	9,911
Finance income	**(39,070)**	(78,394)
Grant income	**(25,461)**	-
Modification loss	**13,055**	-
Net gain on derecognition of receivables	**(244,053)**	(271,212)
Net change in present value of assets and liabilities relating to derecognition of receivables	**15,257**	11,164
Provision for onerous arrangements	**1,985**	4,962
Property and equipment written off	**362**	3,856
Employee benefits liabilities	**11,859**	8,292
	(25,200)	52,286
Changes in operating assets and liabilities:		
Net investment in finance lease	**823,444**	479,742
Notes receivable	**80,049**	220,937
Prepayments and other receivables and other non-current assets	**(34,908)**	(122,557)
Inventories	**(5,055)**	(4,066)
Due from related parties	**(649)**	6,631
Accounts payable, accrued and other liabilities and other non-current liabilities	**(406,552)**	(205,561)
Due to related parties	**(82,866)**	(65,860)
Cash from operations	**348,263**	361,552
Employees benefits liabilities paid	**(15,730)**	(6,067)
Zakat paid	**(69,848)**	(64,647)
Finance charges paid	**(6,199)**	(9,911)
Net cash from operating activities	**256,486**	280,927
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment and intangibles	**(10,575)**	(1,267)
Finance income received	**39,070**	78,394
Other deposits	**662,455**	(472,766)
Net cash from/(used in) investing activities	**690,950**	(395,639)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(284,300)**	(1,024,285)
Finance cost paid	**(849)**	-
Repayment of lease liabilities	**(5,079)**	-
Proceeds from Saudi Arabian Monetary Agency	**368,800**	-
Reduction in share capital	**(700,000)**	-
Net cash used in financing activities	**(621,428)**	(1,024,285)
Net change in cash and cash equivalents	**326,008**	(1,138,997)
Cash and cash equivalents, January 1	**497,060**	2,065,364
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	**823,068**	926,367
NON-CASH TRANSACTIONS:		
Employee benefits liabilities transferred out during the period, net	**-**	79
Movement in fair value reserve	**(8,363)**	19,940
Right-of-use assets	**-**	34,387

The attached notes 1 to 22 form an integral part of these condensed interim financial statements.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Abdul Latif Jameel United Finance Company (the "Company") is a Saudi Closed Joint Stock Company, initially registered in the Kingdom of Saudi Arabia as a Limited Liability Company under Commercial Registration number 4030206631, issued on 28 Dhul-Hijjah 1431H (corresponding to December 4, 2010).

The Company's head office is in Jeddah. The activities of the Company include finance leasing, financing of productive assets and consumer financing in the Kingdom of Saudi Arabia.

On 16 Safar 1436H (corresponding to December 8, 2014), the Company received a license from Saudi Arabian Monetary Authority (SAMA) to undertake activities of finance leasing, financing of productive assets and consumer financing in the Kingdom of Saudi Arabia under license number 28/AU/201412. During 2019, the Company renewed its license for another five years until 14 Safar 1446H (corresponding to August 18, 2024).

a) Share capital of the Company

The share capital of the Company was divided into 170,000,000 shares of SR 10 each and was owned as follows:

	No. of shares of SR 10 each	Amount SR'000
		Audited
Abdul Latif Jameel Modern Trading Company Limited (formerly Al Mumaizah United Commerce Company Limited)	150,450,000	1,504,500
Altawfiq United Company	17,000,000	170,000
Taif First United Company Limited	850,000	8,500
Bader First United Company Limited	850,000	8,500
Najed Al Raeda United Company Limited	850,000	8,500
	170,000,000	1,700,000

On 1 Muharram 1441H (corresponding to August 31, 2019), the Board of Directors of the Company resolved to decrease the share capital of the Company by SR 700 million (70,000,000 shares of SR 10 each) in proportion to the existing shareholding pattern. The Company received a No Objection Letter from SAMA dated October 13, 2019 (corresponding to 14 Safar 1441H) to decrease the Company's share capital. The legal formalities in respect of decrease in share capital were completed during the period on August 9, 2020 and the amount of reduction in share capital was returned to shareholders on August 24, 2020.

After the decrease, the share capital of the Company, divided into 100,000,000 shares of SR 10 each is owned as follows:

	No. of shares of SR 10 each	**Amount SR'000**
Abdul Latif Jameel Modern Trading Company Limited (formerly Al Mumaizah United Commerce Company Limited)	**88,500,000**	**885,000**
Altawfiq United Company	**10,000,000**	**100,000**
Taif First United Company Limited	**500,000**	**5,000**
Bader First United Company Limited	**500,000**	**5,000**
Najed Al Raeda United Company Limited	**500,000**	**5,000**
	100,000,000	**1,000,000**

(Expressed in thousands of Saudi Riyals unless otherwise stated)

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 and the Ultimate Parent are wholly owned by Saudi shareholders.

b) Insurance arrangement

With effect from January 1, 2017, the Company entered into arrangements with Insurers for an initial period of six months, (renewed every six months) for three years. Upon each renewal, the premium rate, insurance charges and profit share is to be reviewed for any subsequent renewal period. As a result of this arrangement, the Company does not retain any insurance risk. During 2019, the said agreement was renewed for another three years (renewable every six months) with effect from January 1, 2020.

c) Branches of the Company

As of September 30, 2020, the Company operates through 130 branches (December 31, 2019: 190 branches). Certain branches are still registered in the name of UIS and are in the process of being transferred to the name of the Company. The accompanying condensed interim financial statements include the assets, liabilities and results of these branches as the beneficial owner of these branches is the Company.

2. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

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

New and revised IFRS	Summary
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
Amendments to IAS 1 and IAS 8: Definition of Material	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework	Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

or to indicate where they refer to a different version of the Conceptual Framework	
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; - narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; - add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; - remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and -add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
Covid-19 Related Rent Concessions (Amendment to IFRS 16)	The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

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, 2020 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 authorisation 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**
IFRS 17 *Insurance Contracts*	January 1, 2021
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 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
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	January 1, 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

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

These condensed interim 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 December 31, 2019.

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

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

3.2 Basis of preparation

These condensed interim financial statements have been prepared under the historical cost convention using accrual basis of accounting, except for employees benefit liability which is carried at present value of defined benefit obligation, using actuarial present value calculations based on projected unit credit method, the measurement at fair value of 'Investment classified at fair value through other comprehensive income' (FVTOCI) and a segment of notes receivable portfolio, which have been measured at their fair values and both of which have been classified as 'FVTOCI'.

3.3 Functional and presentational currency

These condensed interim financial statements have been presented in Saudi Riyals, and have been rounded off to the nearest thousand Saudi Riyals, except as otherwise indicated.

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

Government grant

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

(Expressed in thousands of Saudi Riyals unless otherwise stated)

4. CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

5. NET INVESTMENT IN FINANCE LEASE

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Gross investment in finance lease	**1,222,323**	1,920,976
Less: unearned finance income	**(200,050)**	(393,140)
Present value of lease payments receivable	**1,022,273**	1,527,836
Less: impairment loss allowance (note a)	**(255,291)**	(203,757)
Net investment in finance lease	**766,982**	1,324,079

	September 30, 2020 (Unaudited)			
	Gross Investment	**Unearned finance income**	**Allowance for impairment loss**	**Net Investment**
Current portion	**545,228**	**(95,905)**	**(255,291)**	**194,032**
Non-current portion	**677,095**	**(104,145)**	**-**	**572,950**
Total	**1,222,323**	**(200,050)**	**(255,291)**	**766,982**

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	December 31, 2019 (Audited)			
	Gross Investment	Unearned finance income	Allowance for impairment loss	Net Investment
Current portion	738,996	(167,186)	(203,757)	368,053
Non-current portion	1,181,980	(225,954)	-	956,026
Total	1,920,976	(393,140)	(203,757)	1,324,079

a) The movement in impairment loss allowance is as follows:

	Nine month period ended September 30, 2020 (Unaudited)	Nine month period ended September 30, 2019 (Unaudited)
January 1	**203,757**	191,786
Reversals during the period	**(65,379)**	(4,744)
Recoveries during the period	**12,071**	6,991
Provision transferred on closure of 'purchase and agency agreements' (note 15)	**104,842**	74,867
September 30	**255,291**	268,900

b) The ageing of gross finance lease receivables which are past due and considered impaired by the management is as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
1 - 3 months	**34,214**	29,719
4 - 6 months	**25,868**	18,970
7 - 12 months	**29,660**	42,066
More than 12 months	**108,903**	37,292
	198,645	128,047

The not yet due portion of above overdue finance lease receivables as of September 30, 2020 amounts to SR 260.9 million (December 31, 2019: SR 359.9 million).

6. NOTES RECEIVABLE

Notes receivable comprise of receivables arising from instalment sales of equipment and vehicles. For the purposes of these condensed interim financial statements, the notes receivable pertaining to instalment sale of vehicles have been carried at fair value through other comprehensive income (note 6.1) and notes receivable pertaining to instalment sales of equipment have been carried at amortized cost (note 6.2), as detailed below:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Notes receivable carried at fair value through other comprehensive income (note 6.1)	**158,779**	234,548
Notes receivable carried at amortized cost (note 6.2)	**20,942**	32,221

(Expressed in thousands of Saudi Riyals unless otherwise stated)

6.1 Notes receivable carried at fair value through other comprehensive income

As of September 30, 2020, the amortised cost of notes receivable measured at fair value through other comprehensive income was SR 122.3 million (December 31, 2019: SR 189.6 million), whereas the fair value of this portfolio was determined to be SR 158.8 million (December 31, 2019: SR 234.5 million) resulting in fair value reserve of SR 36.5 million (December 31, 2019: SR 44.9 million). The changes in the fair value during the nine month period ended SR 8.8 million is recognised in the 'condensed interim statement of other comprehensive income'.

During the nine month period September 30, 2020, the Company has sold portion of these notes receivables amounting to SR 53.2 million to local banks (note 15). On derecognition, the difference between the carrying amount of the notes receivables derecognized and the sum of (i) the consideration received; and (ii) any cumulative gain or loss that had been previously recognised in 'other comprehensive income' is recognized to the 'condensed interim statement of profit or loss' amounting to SR 5.2 million.

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Notes receivable	**158,779**	234,548
Less: current portion	**(12,225)**	(24,139)
	146,554	210,409

The movement in allowance for doubtful debts against notes receivable carried at fair value through other comprehensive income is as follows:

	Nine month period ended September 30, 2020 (Unaudited)	Nine month period ended September 30, 2019 (Unaudited)
January 1	**22,967**	32,695
Charge/(reversal) during the period	**1,549**	(9,707)
Amount transferred on closure of 'purchase and agency agreements'	**-**	211
September 30	**24,516**	23,199

6.2 Notes receivable carried at amortized cost

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Notes receivable, gross	**26,121**	38,835
Less: unearned finance income	**(2,072)**	(3,297)
	24,049	35,538
Less: impairment loss allowance (6.2a)	**(3,107)**	(3,317)
Notes receivable, net	**20,942**	32,221

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	September 30, 2020 (Unaudited)			
	Gross investment	**Unearned finance income**	**Allowance for impairment loss**	**Net Investment**
Current portion	**20,563**	**(1,614)**	**(3,107)**	**15,842**
Non-current portion	**5,558**	**(458)**	**-**	**5,100**
Total	**26,121**	**(2,072)**	**(3,107)**	**20,942**

	December 31, 2019 (Audited)			
	Gross Investment	Unearned finance income	Allowance for impairment loss	Net Investment
Current portion	30,164	(2,646)	(3,317)	24,201
Non-current portion	8,671	(651)	-	8,020
Total	38,835	(3,297)	(3,317)	32,221

a) The movement in impairment loss allowance is as follows:

	For the nine month period ended September 30, 2020 (Unaudited)	For the nine month period ended September 30, 2019 (Unaudited)
January 1	**3,317**	3,891
Reversal during the period	**(210)**	(535)
September 30	**3,107**	3,356

b) The ageing of notes receivables which are past due and considered impaired by the management is as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
1 - 3 months	**5,272**	4,870
4 - 6 months	**3,347**	3,121
7 - 12 months	**5,423**	3,950
More than 12 months	**7,764**	4,343
	21,806	16,284

The not yet due portion of above overdue notes receivables as of September 30, 2020 amounts to SR 42.6 million (December 31, 2019: SR 52.2 million).

(Expressed in thousands of Saudi Riyals unless otherwise stated)

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 transaction**	**For the three month period ended September 30**		**For the nine month period ended September 30,**	
		2020	2019	**2020**	2019
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Ultimate Parent	Collections from Company's customers	**285**	70	**291**	178
Other related parties	Purchases, net	**140,771**	405,092	**683,767**	1,001,847
	Advertisement expenses	**457**	512	**1,106**	1,541
	Expenses charged	**16,826**	9,364	**23,698**	29,020
	Supports received	**3,649**	11,063	**13,936**	41,871
	Charges for customer evaluations prior to lease	**1,469**	1,453	**4,591**	5,328
	Amounts collected on behalf of an affiliate	**3,302**	317	**9,176**	6,102

Due from related parties comprised the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Abdul Latif Jameel Import and Distribution Company Limited	**1,713**	2,708
Abdul Latif Jameel Insurance Agency Company	**608**	-
United Instalment Sales Company Limited ("Ultimate Parent")	**495**	75
Abdul Latif Jameel Bodywork and Paint Company Limited	**446**	-
Abdul Latif Jameel Insurance Brokerage Company Limited	**391**	-
Abdul Latif Jameel Modern Trading Company Limited (formerly Al Mumaizah United Commerce Company Limited"	**122**	13
Abdul Latif Jameel United Real Estate Finance Company	**2**	-
Bab Rizq Jameel Micro Finance Company	**-**	301
Abdul Latif Jameel Automotive Wholesale Company Limited	**-**	31
	3,777	3,128

(Expressed in thousands of Saudi Riyals unless otherwise stated)

Due to related parties comprised the following:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Abdul Latif Jameel Retail Company Limited	**25,390**	96,892
Abdul Latif Jameel Company Limited	**8,210**	1,146
Salim Saleh Saeed Babqui Trading Company Limited	**3,112**	19,822
Abdul Latif Jameel Company for Information and Services Limited	**1,068**	997
Abdul Latif Jameel Technology Products Company Limited	**563**	2,605
Abdul Latif Jameel Lands Company Limited	**488**	461
Abdul Latif Jameel Industrial Equipment Company Limited	**414**	205
Abdul Latif Jameel outdoor Advertising Company Limited	**81**	-
Abdul Latif Jameel Summit Company Limited	**3**	3
Abdul Latif Jameel Bodywork and Paint Company Limited	**-**	7
Abdul Latif Jameel for Advertising Services Company Limited	**-**	58
	39,329	122,196

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

	Nine-month period ended September 30, 2020 (Unaudited)	Nine-month period ended September 30, 2019 (Unaudited)
Directors' remuneration	**4,315**	2,916
Short-term employee benefits	**9,000**	9,000
Employee benefits liabilities	**271**	229
	13,586	12,145

The Company's Board of Directors includes the Board and other Board related committees (Credit and Risk Management Committees and Audit Committee).

8. CASH AND BANK BALANCES

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash in hand	**4,270**	6,109
Bank balances (note (b))	**818,798**	490,951
Cash and cash equivalents	**823,068**	497,060
Other deposits (having original maturity of more than three months)	**2,170,067**	2,832,522
Cash and bank balances	**2,993,135**	3,329,582

a) During the period, the Company earned SR 39.1 million (September 30, 2019: SR 78.39 million) on the murabaha deposits at the rate of return ranging from 0.25% to 2.70% (September 30, 2019: 2.29% to 3.55%).

b) As of September 30, 2020, cash and bank balances include murabaha deposits of SR 121.2 million (December 31, 2019: SR 121.1 million), representing amounts set aside in respect of employees' benefits liabilities.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

c) Other deposits include foreign currency time deposits held with the local banks, equivalent of SR 1,278 million (December 31, 2019: SR 1,206 million).

9. OTHER NON-CURRENT LIABILITIES

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Payable to SAMA - non-current portion (note 19)	**247,033**	-
Present value of net servicing liability - non-current portion (note 15c(ii))	**12,129**	4,340
	259,162	4,340

10. ACCOUNTS PAYABLE, ACCRUED AND OTHER LIABILITIES

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Accounts payable - trade	**24,547**	60,422
Accrued expenses*	**63,361**	60,921
Zakat payable (note 13)	**64,566**	85,414
Liabilities under purchase and agency agreements (note 15(b) & 15(c)(i))	**587,737**	920,486
Payable to SAMA - current portion (note 19)	**102,402**	-
Present value of net servicing liability - current portion (note 15c(ii))	**11,704**	27,458
Amount due to insurer	**7,549**	17,938
Current portion of lease liabilities	**6,275**	6,064
Provision for onerous arrangement (note (a))	**11,695**	9,711
Advance collections and other payables	**119,010**	141,019
	998,846	1,329,433

* Accrued expenses include amount due to related parties amounting to SR 8.1 million.

a) The movement in the provision for onerous insurance arrangements is as follows:

	For the nine-month period ended September 30, 2020 (Unaudited)	For the nine-month period ended September 30, 2019 (Unaudited)
January 1	**9,711**	8,608
Charge for the period	**1,984**	4,962
September 30	**11,695**	13,570

(Expressed in thousands of Saudi Riyals unless otherwise stated)

11. REVENUES

	Three month period ended September 30		Nine month period ended September 30	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Income from instalment sales (note 6.1)	**11,227**	80,575	**64,179**	162,785
Income from finance leases	**6,621**	44,197	**98,743**	133,880
Contract fee income	**2,946**	8,787	**13,808**	25,015
Income from purchase and agency agreements (note 15)	**33,012**	50,749	**117,098**	165,704
Others	**22,231**	6,516	**26,348**	15,502
	76,037	190,824	**320,176**	502,886

12. DIRECT COSTS

	For the three month period ended September 30		For the nine month period ended September 30	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Direct cost on instalment sales	**7,712**	72,141	**44,792**	138,627
Direct cost on finance leases	**15,862**	11,769	**34,926**	34,104
Provision for onerous insurance arrangements (note 10)	**(1,292)**	705	**1,985**	4,962
	22,282	84,615	**81,703**	177,693

13. ZAKAT

During the period ended September 30, 2020, an amount of SR 49 million has been recorded as zakat charge (September 30, 2019: SR 52.31 million) and the Company paid zakat amounting to SR 69.8 million (September 30, 2019: SR 64.65 million).

Status of zakat assessments

For the year 2012, the Government Authority of Zakat and Tax ("GAZT") issued an assessment claiming additional zakat of SR 27.6 million against which the Company filed an objection, which was not accepted by the GAZT, therefore, the Company requested that the objection be forwarded to the Preliminary Objection Committee. However, the Company has retracted the objection and settled the above amount. The zakat declaration for the years 2013 and 2019 are currently under review by the GAZT and the declarations for the years 2014 to 2018 have been finalized resulting in over payment of SR 5.5 million. Further, the Company has a zakat certificate valid up to 30 April 2021.

14. EARNINGS PER SHARE

Basic earnings per share amounts is calculated by dividing the net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the three month and nine month periods ended September 30, 2019 and 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, 2019 and 2020.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

The basic and diluted earnings per share are calculated as follows:

	Three month period ended September 30		**Nine month period ended September 30**	
	2020 (Unaudited)	2019 (Unaudited)	**2020 (Unaudited)**	2019 (Unaudited)
Net Profit for the period *(in SR '000)*	**17,708**	95,069	**209,991**	302,893
Weighted average number of ordinary shares *(in '000)* (note 1(a))	**123,333**	170,000	**154,444**	1,70,000
Basic and diluted earnings (expressed in SR per share)	**0.14**	0.56	**1.36**	1.78

15. PURCHASE AND AGENCY AGREEMENTS

The Company has entered into purchase and agency agreements (the 'agreements') with certain local banks in respect of certain finance lease and notes receivables (collectively referred as 'receivables').

Under the terms of the purchase and agency agreements, the Company first sells the eligible receivables to the banks and then manages them on behalf of the banks as an agent for a monthly fee as per the terms of the agreements.

During the nine month period ended September 30, 2020, the Company sold SR 1,606 million (September 30, 2019: SR 2,072 million) of its net receivables and the total amount received from the bank in respect of such sale was SR 1,805.4 million (September 30, 2019: SR 2,246 million). Upon sale, the Company derecognizes the receivables from its books and recognizes the difference as either gain or loss on derecognition of receivables (note (c)).

The following are the significant terms of the agreement:

a) The Company continues to manage the sold receivables on behalf of the banks for a fee (agency fee). The total settlement of net receivables to be made to the banks (as per the agreed cash flows), as an agent under purchase and agency arrangements amount to SR 6,077 million as of September 30, 2020 (December 31, 2019: SR 7,447 million).

The maturity analysis of derecognized receivables is as follows:

Under purchase and agency agreements	**Up to 1 year**	**2 - 3 years**	**After 3 years**	**Total**
September 30, 2020 (Unaudited)	**2,599,867**	**2,739,548**	**737,515**	**6,076,930**
December 31, 2019 (Audited)	3,745,543	2,911,264	790,566	7,447,373

b) Each agreement is supported by a "cash flow statement" which stipulates the principal amount and the monthly receivables falling due. Under the terms of the agreements, the Company, in the capacity of an agent, settles to the banks a monthly amount based on the cash flow statement. Any excess collections over and above the stipulated amounts and after retaining the amount for the next month's repayment, are transferred monthly by the Company to the banks. The amount of the next month's repayment is recognized as a liability and included in payable under purchase and agency agreements (note 10).

(Expressed in thousands of Saudi Riyals unless otherwise stated)

c) A reserve is to be maintained out of the monthly receipts, which is to be distributed at the end of the term of the agreements after deducting the actual defaults and discounts due to premature terminations. The balance in the reserve account after deducting the actual defaults and discounts shall be retained by the Company as deferred consideration on sale of receivables. Any shortfall in the reserve account is to be borne by the banks.

During the nine-month period ended September 30, 2020, the Company made gain amounting to SR 211.8 million (September 30, 2019: SR 188.1 million) on derecognition of receivables sold to the banks under the agreements, which is calculated as follows:

	Three month period ended September 30,		**Nine month period ended September 30,**	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gross amount of notes/finance lease receivables	**380,477**	701,470	**2,103,764**	2,656,593
Less: deferred finance income	**(83,275)**	(157,701)	**(497,332)**	(584,737)
Less: present value of deferred consideration receivable (note (i))	**-**	-	**-**	-
Less: present value of net servicing liability (note (ii))	**(1,115)**	(5,403)	**(12,862)**	(13,923)
Less: amounts received from the banks	**(329,500)**	(597,000)	**(1,805,400)**	(2,246,000)
Net gain on derecognition of notes/finance lease receivables	**33,413**	58,634	**211,830**	188,067

During the nine-month period ended September 30, 2020, certain purchase and agency agreements, previously entered into by the Company, matured and the Company recorded a net gain amounting to SR 30.8 million (September 30, 2019: SR 83.1 million) after deducting the actual customer defaults and discounts on premature terminations. The Company is in process of obtaining final settlement and discharge letters from the banks with respect to these agreements.

The total gain on derecognized receivables for the period is as follows:

	Three month period ended September 30		**Nine month period ended September 30,**	
	2020	2019	**2020**	2019
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gain on derecognition of notes/ finance lease receivables	**33,413**	58,634	**211,830**	188,067
Gain on maturity of derecognized pools	**18,161**	30,869	**30,777**	83,145
	51,574	89,503	**242,607**	271,212

(Expressed in thousands of Saudi Riyals unless otherwise stated)

i. The present value of deferred consideration receivable is calculated by deducting the present value of expected defaults and discounts to be incurred over the life of the agreements from the present value of reserve amount to be received per the cash flow statement. This represents the net deferred consideration receivable by the Company under the agreements, calculated as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Present value of deferred consideration receivable	**299,191**	366,173
Less: provision against expected defaults in respect of sold finance lease and notes receivable	**(299,191)**	(366,173)
	-	-
Less: current portion	**-**	-
Non-current portion	**-**	-

As of September 30, 2020, for the expired period of the agreed cash flows under the purchase and agency agreement, the Company has presented provision for expected defaults and early termination of SR 493.7 million (December 31, 2019: SR 594.4 million) under liabilities (note 10).

ii. The Company's net servicing assets and related liabilities are calculated separately for each agreement by calculating the present value of servicing assets, as per the terms of the agreement and by estimating the present value of servicing liability and related provisions. The net amount is classified as a net servicing asset or a net servicing liability on the condensed interim statement of financial position. This has been presented as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Present value of net servicing assets	**11,564**	20,477
Less: current portion	**(8,411)**	(19,015)
Non-current portion	**3,153**	1,462
Present value of net servicing liability	**23,833**	31,798
Less: current portion (note 10)	**(11,704)**	(27,458)
Non-current portion (note 9)	**12,129**	4,340

The present value of net deferred consideration receivable and the present value of net servicing asset and net servicing liability is calculated by using the appropriate discount rate.

16. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit quality analysis

i) Financial assets carried at fair value through other comprehensive income (FVTOCI)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income as of September 30, 2020 and December 31, 2019. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

a) Net carrying amounts

	September 30, 2020 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Notes receivable carried at fair value through other comprehensive income	**121,711**	**12,230**	**24,838**	**158,779**

	December 31, 2019 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	198,533	9,329	26,686	234,548

b) Allowance for ECL

	September 30, 2020 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Notes receivable carried at fair value through other comprehensive income	**5,831**	**2,229**	**16,456**	**24,516**

	December 31, 2019 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Notes receivable carried at fair value through other comprehensive income	5,507	1,036	16,424	22,967

ii) Financial assets carried at amortized cost

The following tables set out information about the credit quality of financial assets measured at amortised cost as at September, 30 2020 and December 31, 2019. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

a) Gross carrying amounts

	September 30, 2020 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease	**1,000,393**	**29,680**	**192,250**	**1,222,323**
Notes receivable carried at amortized cost	**22,972**	**685**	**2,464**	**26,121**
Carrying amount	**1,023,365**	**30,365**	**194,714**	**1,248,444**

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	December 31, 2019 (Audited)			
	12 month ECL	Lifetime ECL not Credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease	1,755,227	32,542	133,207	1,920,976
Notes receivable carried at amortized cost	34,629	928	3,278	38,835
Carrying amount	1,789,856	33,470	136,485	1,959,811

b) Allowance for ECL

	September 30, 2020 (Unaudited)			
	12 month ECL	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**
Net investment in finance lease	**54,430**	**14,678**	**186,183**	**255,291**
Notes receivable carried at amortized cost	**900**	**132**	**2,075**	**3,107**
	55,330	**14,810**	**188,258**	**258,398**

	December 31, 2019 (Audited)			
	12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Net investment in finance lease	67,331	11,362	125,064	203,757
Notes receivable carried at amortized cost	809	105	2,403	3,317
	68,140	11,467	127,467	207,074

The allowance for ECL for net investment in finance lease also includes the ECL on insurance, which the Company arranges on behalf of the customers including on sold receivables (note 15)

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 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.

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 oil prices, inflation, manufacturing purchasing manager's index, money supply 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 (see discussion below 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.

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

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

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:
- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

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

c) Modified financial assets
The contractual terms of finance lease and notes receivables 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 derecognized and the renegotiated financing and advances recognized as a new financing and advances at fair value in accordance with the accounting policy.

When the terms of finance lease and notes receivables 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 finance lease and notes receivables to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Company's forbearance policy, finance lease and notes receivable 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.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of leasing and instalments covenants. Both consumer and corporate portfolios are subject to the forbearance policy.

Any repayment holidays should not automatically trigger forbearance and migration to Stage 2. For all the exposures available to use repayment holidays due to COVID-19 the following are applied:

- Micro, Small and Medium Enterprises ("MSMEs") portfolio:
  Exposures with more than 30 days past due at least once in the last 6 months or exposures which are classified into PD Pool 3 and belong to high risk industries with respect to Covid-19 impact are considered as High risk exposures and thus, after SICR is identified, are allocated into Stage 2.

- Other than MSME portfolio:
  Exposures with more than 30 days past due at least once in the last 6 months or exposures which are classified into PD Pools 1, 2 or 4 and belong to high risk industries with respect to Covid-19 impact are considered as High risk exposures and thus, after SICR is identified, are allocated into Stage 2.

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, interest payments and fees.

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 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 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 statistical segmentation models and assessed using probabilities of default assigned to each pool or segment. These pools or segments are groups of borrowers with homogenous risk characteristics based on internal data. Changes to associated PDs result if exposures migrate between risk pools. 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 structure, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

Due to COVID-19, the entity modified the scenario weights of both PD and LGD models, by increasing the weight of pessimistic scenario. Also, the macroeconomic indicators, which are incorporated into PD and LGD models, have been updated as of September 30, 2020.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

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 finance lease and notes receivables arrangement.

g) Governance and controls
In addition to the existing risk management framework, the Company has established a Steering Committee for oversight of IFRS 9 impairment process that includes representation from Finance, Risk and Information Technology (IT), as well as the involvement of subject matter experts in the areas of methodology reviews, data sourcing, risk modelling, and formulating judgements with respect to the aspects of significant increase in credit risk determination, macroeconomic assumptions and forward looking factors. The framework and related controls have been approved by the board of directors.

h) 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.

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

(Expressed in thousands of Saudi Riyals unless otherwise stated)

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Aggregate financing to capital ratio (Total financing (net investment in finance lease and notes receivable) divided by total shareholders' equity)	**0.35 times**	0.45 times

17. DIVIDEND

On 27 Rajab 1441H (corresponding to March 22, 2020), the shareholders of the Company in their annual meeting approved to distribute dividend amounting to SR 284.3 million (SR 1.67 per share). The dividend was paid to the shareholders on 29 Shawwal 1441H (corresponding to June 21, 2020).

On 13 Rajab 1440H (corresponding to March 19, 2019), the shareholders of the Company in their annual meeting approved to distribute dividend amounting to SR 800 million (SR 4.7 per share). The dividend was paid to the shareholders on 10 Sha'ban 1440H (corresponding to April 15, 2019).

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial assets consist of cash and bank balances, investments, net investment in finance lease, notes receivable, due from related parties, employees' receivables, amount due from insurer and other receivables. Its financial liabilities consist of due to related parties, accounts payable, payable under purchase and agency agreements, lease liabilities and amount due to Insurers.

The fair values of the financial instruments are not materially different from their carrying values except for the net investment in finance lease and notes receivable portfolio measured at amortized cost.

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

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(Expressed in thousands of Saudi Riyals unless otherwise stated)

The following table provides the fair value measurement hierarchy of the Company's financial assets as of September 30, 2020:

September 30, 2020 (Unaudited)		**Fair value measurement using**		
	Total	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets measured at fair Value				
Notes receivable classified as fair value through other comprehensive income	**158,779**	-	-	**158,779**
Investment classified as fair value through other comprehensive income	**893**	-	-	**893**

December 31, 2019 (Audited)		Fair value measurement using		
	Total	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets measured at fair value				
Notes receivable classified as fair value through other comprehensive income	234,548	-	-	234,548
Investment classified as fair value through other comprehensive income	893	-	-	893

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

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

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

The prevailing economic conditions post lock down, do require the Company to continue to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around either adjusting macroeconomic factors used by the Company in the estimation of ECL or revisions to the scenario probabilities currently being used by the Company in ECL estimation. In Q1 and Q2 2020, the Company made certain adjustments to the macroeconomic factors and scenario weightings. During Q3 2020 and as more reliable data became available, the management has further made adjustments to the macroeconomic factors used by the Company in the estimation of expected credit losses.

The Company's ECL model continues to be sensitive to macroeconomic variables and scenario weightings. 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 ("MSMEs") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. The PSFSP mainly encompasses the following programs:

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

As part of the deferred payments program launched by SAMA in March 2020, the Company is required to defer payments for six months on financing facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues. The Company has effected the payment reliefs by deferring the instalments falling due within the period from March 14, 2020 to September 14, 2020 for a period of six months. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This has resulted in the Company recognizing a day 1 modification loss of SR 26.4 million on net investment in finance lease and SR 3.1 million on notes receivable as of June 30, 2020, which has been presented as part of Revenues (note 11).

To give effect to the guidance issued by SAMA during April 2020, the Company has not deferred the instalments of any additional customers resulting in any additional loss. The Company continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk. During the nine month period ended September 30, 2020, SR 29.5 million has been charged to the statement of income relating to unwinding of modification losses. Further, the Company did not defer MSME customers classified as Stage 2 which have met the definition of MSME during Q2 2020 for the same period i.e. March 14, 2020 to September 14, 2020 as per the SAMA guidance in April 2020.

Further to the above, on September 1, 2020 SAMA extended the deferred payment program by additional 3 months until December 14th 2020. The Company has effected the payment reliefs by deferring the instalments falling due within the period from September 15, 2020 to December 14, 2020 for a period of three months. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in the Company recognizing an additional modification loss of SR 13.1 million during September 30, 2020.

Since the inception of the deferred payments program by SAMA and by the end of Q3 2020, the Company has recognised 42.5 million of related modification losses of which 29.5 million have been unwound in the condensed interim statement of profit or loss and other comprehensive income.

In order to compensate the related cost that the Company is expected to incur under the SAMA program, the Company initially received SR 338.8 million of profit free deposit from SAMA during Q2 2020. The amount is repayable to SAMA over the period of 3.5 years in equal monthly instalments, with initial grace period of 6 months. Details of the amount received from SAMA are as follows:

- an amount of SR 108.8 million, received against net investment in finance lease/notes receivables, has been recognized as "government grant" and accordingly, the Company has recognized an amount of SR 8.2 million as grant income to offset the modification losses for which the grant has been provided (note 11).

- the remaining amount of SR 230 million, received against sold receivables under purchase and agency agreements (note 15). SAMA has provided clarification that the total amount of SR 338 million is provided as support for the Company, therefore, the Company has recognized an amount of SR 17.3 million as grant income to offset the modification losses on the amounts received against sold receivables.

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. The management has exercised certain judgements in the recognition and measurement of this grant income. During the nine months period ended 30 September 2020, SR 6.1 million has been charged to the statement of income relating to unwinding of profit free deposit from SAMA.

Subsequent to the period ended September 30, 2020, the Company has received additional profit free deposit from SAMA amounting to SR 71.5 million with a tenure of 15 months with a grace period of 5 months. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements in the subsequent period. This resulted in a total income of SR 1.7 million.

During the period, the Company has received additional profit free deposit from SAMA amounting to SR 10 million with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment. The benefit of the interest free deposit has been accounted for on a systematic basis, in accordance with government grant accounting requirements.

In a separate communication from SAMA, the above funding for lending program was superseded with 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. During the three month period ended 30 September 2020, the Company received an additional amount of SR 20 million with a tenure of 36 months under the funding for lending program with a grace period of 6 months for repayment.

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

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

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

20. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the period end, the Company executed a purchase and agency agreement with a local commercial bank for SR 162.1 million of its net finance lease receivables.

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 condensed interim financial statements as at and for the three-month and nine month period ended September 30, 2020.

21. COMPARATIVE INFORMATION

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

22. AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved by the Board of Directors on October 22, 2020 (corresponding to 5 Rabi'I, 1442H).